

WEST NORTHAMPTONSHIRE COUNCIL CABINET

13 February 2023

**CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE:
COUNCILLOR MALCOLM LONGLEY**

Report Title	2023-24 Final Budget and Medium Term Financial Plan
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1. Purpose of Report

- 1.1 This report sets out the Final Budget 2023-24 and Medium Term Financial Plan for West Northamptonshire Council.
- 1.2 The Budget ensures the Council has a robustly resourced plan to deliver its duties, vision and priority objectives, and has aligned its resources appropriately following an assessment of risks, issues and opportunities using the latest available information.
- 1.3 This Final Budget report includes the following financial plans:
 - Revenue Budget 2023-24
 - Dedicated Schools Grant Budget 2023-24
 - Public Health Grant 2023-24
 - Medium Term Financial Plan to 2026-27
 - Capital Programme to 2026-27
 - Flexible Use of Capital Receipts Strategy
 - Treasury Management Strategy
 - Reserves Forecast
- 1.4 The Budget presented within this report incorporates consideration of the budget consultation. The consultation process enables residents, businesses, local partners and other stakeholders to have the opportunity to review the budget proposals and financial plans and provide feedback during the six week consultation period.
- 1.5 In addition to the consultation process, budget proposals have been subject to further review and comment through the Overview and Scrutiny Committee and this report takes account of the committee's feedback.
- 1.6 Since the publication of the Draft Budget the Government has published details of the Provisional Local Government Funding Settlement for 2023-24. The changes in the provisional funding allocation from assumed levels are now reflected in the Budget. Details of the Final Settlement are expected to be released in February 2023, which may result in further changes to government funding allocations in the Budget. Delegated authority is sought to enable this.
- 1.7 The council has also continued to review its key budget assumptions, to ensure future years spending pressures and efficiency plans are still robust and are based on the latest information.
- 1.8 As a result of the review process some amendments have been made to the budget, and full details of these changes between Draft and Final budget are set out within this report and associated appendices.

- 1.9 Cabinet will consider the Final Budget for 2023-24 on 13 February 2023 for recommendation to the Full Council meeting on 22 February 2023.

2. Executive Summary

- 2.1 West Northamptonshire Council provides a range of services to residents and businesses across the area including care to vulnerable adults and children, education, the collection and disposal of waste, household waste recycling, leisure and community wellbeing, highways, planning, economic development, collection of council tax and business rates, housing benefit, council tax support, housing and support for the homeless.
- 2.2 Our plans and budget proposals ensure that resources are prioritised and earmarked to provide continued support to the most vulnerable in our local community in the most cost-effective way possible, as well as support some of our ambition for place and the environment.
- 2.3 As the Council enters its third year, and continues to focus on organisational development and maturity, both global and national macro-economic conditions have had a significant impact on the cost of service delivery, not only within the current financial year, but also into 2023-24 and beyond.
- 2.4 It is important to note that the first year's 'provisional outturn' showed a small underspend against the overall net budget of £326.6m which was a very encouraging start to the financial management of the new organisation.
- 2.5 When the Budget was originally set for 2022-23 it was highlighted as a year for further financial 'stabilisation' as the organisation continued to understand and finalise the financial baselines that were inherited from the predecessor organisations and prepared budgets for its second year of operation.
- 2.6 However, at the time of setting the budget for 2022-23 the events that unfolded throughout the year – which have had a significant impact upon the finances of the authority – could not have been predicted.
- 2.7 The Council, along with all other local authorities up and down the country, are experiencing increasing cost and demand pressures driven by external factors beyond its control, these include:
- The Ukrainian war causing unpredictable global economic pressures.
 - Inflationary and cost of living pressures impacting on the cost of providing services across the whole organisation. With the Retail Price Index (RPI) standing at 13.4% and the Consumer Price Index (CPI) standing at 10.5% at the time of drafting this report. The highest level of inflation in over 40 years which has an impact on service provision across all the services delivered by the Council.
 - Ongoing financial impact of COVID on demand and income allied with the withdrawal of significant COVID funds previously received, which mitigated these pressures.

- Significant social care demand led and inflationary pressures within the Children's Trust.
- Significant cost and demand led pressures within Home to School Transport.
- Significant demand led pressures within Adult Social Care and ongoing placement cost pressures for care provision.
- Cost of living pay award significantly greater than the amount included at the time of setting the budget.

2.8 These issues have caused severe financial pressure in the current financial year which are currently being managed and mitigated where possible, however there is a significant amount of pressure which is 'locked in' and requires to be funded appropriately in the 2023-24 Budget, which has resulted in a much higher budget requirement than would be required in times of more stable economic conditions.

2.9 As a result of these external factors which were outside the control of the authority and have impacted councils throughout the country, a robust and detailed 2023-24 budget planning and challenge process was implemented internally, focussing on all aspects of the council's service operating models, with a specific focus on tackling ongoing cross cutting issues, maximising service efficiencies and income streams to ensure the Council's cost base can be maintained at an affordable level, whilst minimising the need for service reductions.

2.10 To help maintain and protect levels of service provision the budget includes a core average Council Tax increase of 2.99% in line with the maximum limit set by government without triggering a local referendum. As well as utilising the allowable adult social care precept increase of 2% in full, to further invest in the increasing costs of providing these statutory services, where we saw an 800 (or 30%) increase in clients seeking help at the start of the year. The combined total resulting in a proposed increase of 4.99% on the average Council Tax calculated for the West Northamptonshire area.

2.11 The Council Tax increase and growth in properties will contribute around £15.4m per annum to be utilised to protect local service provision, and would represent an average Band D level of Council Tax for West Northamptonshire Council of £1,693.73 in 2023-24, equivalent to £32.57 per week. The average proposed increase on a Band D property across the area would be £80.50 or £1.55 per week. This Band D figure does not include the Council Tax for individual town and parish councils or the Council Tax set by the Northamptonshire Police, Fire and Crime Commissioner.

2023-24 Budget Headlines

2.12 The Budget has been formulated in the context of challenging and unprecedented economic conditions, with the following key features;

- A balanced budget position, based on the best information we have available at the time of formulating the budget plans, where all expected and known liabilities are funded appropriately within the base budget.

- Ensuring statutory duties can be met in spite of anticipated increases in demand, cost, complexity and changing government legislation.
- A commitment to maximise service efficiencies in order to maintain and protect services as much as we possibly can with service efficiencies proposed which total £32.3m.
- Fees and charges increased to maintain and protect services across the organisation on services where residents and businesses have a choice about whether they wish to use that service or not.
- Proposals formulated using evidence-based forecasting, to ensure the anticipated cost of service delivery is based on data and a local management review.
- A continuation of the move towards 'good practice' across services where, for example, under-utilised and inefficient facilities are replaced or reduced making financial savings in situations where the overall demand for the service can be accommodated in other similar facilities across the area. Taking this approach protects critical service provision across the area.
- £50.2m of additional base budget growth which includes the increased demand and cost of statutory services continuing from this financial year as well as new demand expected next year.
- A prudent budget, which continues to incorporate the use of a general contingency to mitigate against any unforeseen financial issues, which has proved invaluable to be able to manage and reduce the financial pressures being encountered in the current (2022-23) financial year.
- Average Council Tax increase of 4.99%, £1.55 per week for a band D equivalent property, in line with the maximum increase permitted by government without the need for a referendum, to protect front line services.

3. Recommendations

3.1 It is recommended that the Cabinet:

- a. Approves the 2023-24 Budget for West Northamptonshire set out in this report, and recommends the Budget to the Full Council meeting on 22 February 2023, including:
 - I. an estimated net revenue budget of £826.069m (£382.391m excluding Dedicated Schools Grant) as set out in Appendix A.
 - II. an average Band D Council tax of £1,693.73 for West Northamptonshire Council, which represents an average increase of 4.99%. (2.99% increase in 'core' Council Tax and 2% Adult Social Care precept).
 - III. fees and charges schedule as detailed in Appendix D.
 - IV. dedicated schools grant budget of £443.7m as detailed in Appendix E.

- V. the Capital Strategy as set out in section 7 and Appendix F1, and Capital Programme as set out in Appendix F2.
 - VI. the Flexible Use of Capital Receipts Strategy set out in Appendix G.
 - VII. the Treasury Management Strategy set out in Appendix J.
 - VIII. setting the authorised limits for borrowing as set out in Appendix F1 section 8.13 and 8.14.
- b. Recommends the following to Full Council on 22 February 2023, to ensure that the revenue and capital budget and all associated financial policies can be delivered in a safe and legal manner from 1 April 2023 and also to ensure there is flexibility to manage the overall budget in the year:
- i. To delegate authority to the Executive Director - Finance to manage any variation in budget prior to the start of 2023-24 as a result of final confirmation of the local government finance settlement, or as a result of unforeseen commitments; in consultation with the Finance Portfolio Holder.
 - ii. To delegate authority to the Executive Director - Finance in consultation with the portfolio holder for Finance to amend the capital programme for 2023-24 going forward so that it accurately reflects issues such as slippage on current year projects that will need to be added to the programme, any amendments made to existing capital programmes, adjustments to accommodate any future use of capital receipts policy and for any other reason where the capital programme needs to be adjusted.
 - iii. To note the use of reserves as summarised in the table contained at paragraph 5.102.
 - iv. To delegate authority to the Executive Director - Finance to employ earmarked reserves for the purposes they were set up for including the release of the risk reserve if required.
 - v. To delegate authority to the Executive Director – Finance in consultation with the portfolio holder for finance to release the general contingency fund of £11.1m if required in the year.
 - vi. To note the Executive Director – Finance has delegated authority to amend fees and charges.
- c. For the Dedicated Schools Grant (DSG):
- i. Notes the allocations and planned usage of the DSG for 2023-24.
 - ii. Following consultation with the Schools Forum, delegates authority to the Executive Director - People to determine the DSG 2023-24 schools funding formula, high needs funding arrangements and the Early Years Funding Formula in line with Department for Education guidance.
- d. Considers the Section 25 statement of the Chief Finance Officer detailed in section 8 of the report.
- e. Notes that car parking charges are still in the process of being considered following budget consultation and discussions with local business leaders and other interested parties. Final charges will be confirmed at the Cabinet meeting.

- f. Notes the consultation feedback on the budget in Appendix H.
- g. Notes the feedback from the Overview and Scrutiny Committee in Appendix I.

4. Reason for Recommendations

- 4.1 To ensure that the Council complies with its Constitution and all other relevant requirements in setting the budget for West Northamptonshire Council.

5. Report Background

- 5.1 The 2023-24 budgets of West Northamptonshire Council will comprise the:
 - General Fund
 - Dedicated Schools Grant (DSG)
 - Public Health Grant
 - Housing Revenue Account (subject to a separate report on the same agenda)
 - Capital Programme
- 5.2 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, but excluding those related to the provision of council housing.
- 5.3 The DSG is the funding source for the day to day running of schools and early years provision, high needs support and other specific Education related costs.
- 5.4 The Public Health budget funds a range of local public health activities that aim to protect and improve the health and wellbeing of the West Northamptonshire population and reduce inequalities in order to enable people to live healthy, happy and productive lives.
- 5.5 The Housing Revenue Account (considered in a separate report elsewhere on the agenda) includes all revenue expenditure and income on activities related to the Council's role as a housing landlord.
- 5.6 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.

Corporate Plan

- 5.7 The Corporate Plan sets out the Council's priorities, and the way in which we will achieve our vision to make '*West Northamptonshire a great place to live, work, visit and thrive*'.
- 5.8 The plan is based upon the Council's six priorities:
1. **Green and Clean** - *Environment and Wellbeing*
 2. **Improved Life Chances** – *Health, Social Care and Families*
 3. **Connected Communities** – *Transport and Connectivity*
 4. **Thriving Villages and Towns** – *Place shaping and homes*
 5. **Economic Development** – *Growth and prosperity*
 6. **Robust Resource Management** – *Transparency and financial probity*
- 5.9 The budget is aligned to the delivery of the Corporate Plan and the strategic principles set out below draw on the Corporate Plan priority to ensure robust resource management.
- a. The Council will set a balanced budget, which is stable and sustainable and fully reflects the levels of service and performance set out in the Council's Corporate Plan.
 - b. Resources will be maximised through increases in Council tax for 2023-24 to the maximum allowable within referendum limits.
 - c. Council Tax will be harmonised across the whole of West Northamptonshire by 2023-24.
 - d. Income streams from fees and charges will be maximised through increases where appropriate after considering market conditions.
 - e. External funding via grants and contributions will be sought where this supports the achievement of corporate priorities.
 - f. Wherever possible, efficiencies will be delivered through service transformation and efficiency initiatives as set out in the Council's Transformation Strategy.
 - g. Opportunities to invest in improved services will be explored. Any investment decisions will consider both capital and revenue implications, including whole life costs and income.
 - h. Financial implications of decisions will be underpinned by a robust business case and risk assessment.
 - i. Reserves will be maintained at a level that protects services to residents and Earmarked Reserves will be used for the purpose for which they were created.

Financial Position 2022-23

- 5.10 The council delivered a small underspend against its 2021-22 budget and published the details in the provisional outturn report that Cabinet has previously considered.

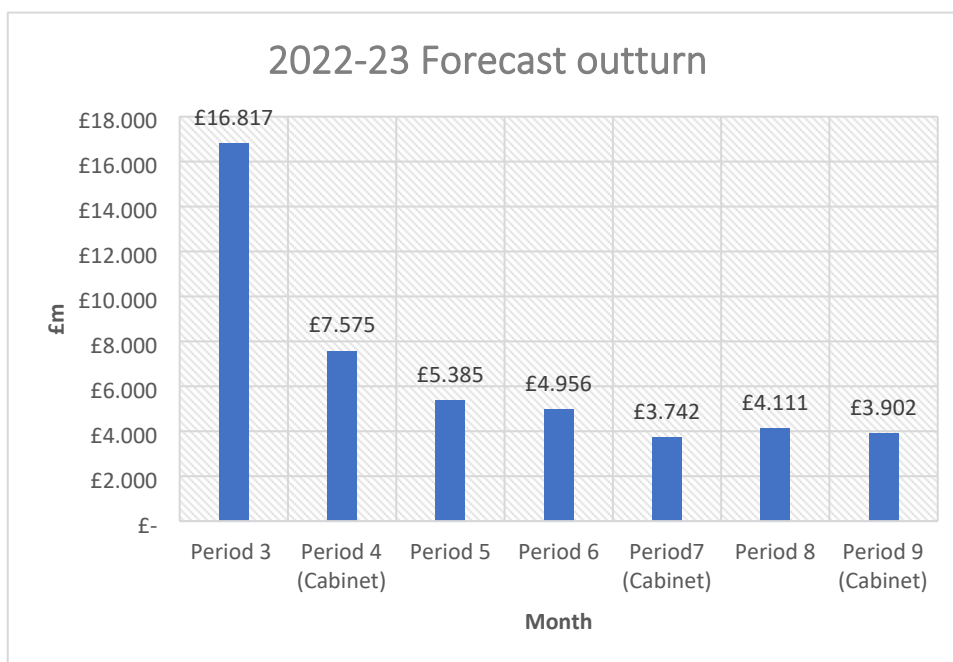
5.11 However, during 2022-23 the Council has seen a significant impact on its finances as a result of a number of external factors beyond its control. The specific drivers of these cost pressures in 2022-23 are highlighted below:

- The Ukrainian war causing unpredictable global economic pressures.
- Inflationary and cost of living pressures impacting on the cost of providing services across the whole organisation. With the Retail Price Index (RPI) standing at 13.4% and the Consumer Price Index (CPI) standing at 10.5% at the time of drafting this report. The highest level of inflation in over 40 years which has an impact on service provision across all of the services delivered by the Council.
- Ongoing financial impact of COVID latent demand allied with the withdrawal of significant COVID funds that had previously been received and had mitigated some income lines that have not recovered to pre pandemic levels.
- Significant demand led and inflationary pressures within the Children's Trust.
- Significant cost and demand led pressures within Home to School Transport.
- Significant demand led pressures within Adult Social Care.
- Cost of living pay award significantly greater than the amount included at the time of setting the budget.

5.12 As a result of these externally driven financial challenges management teams across the organisation focussed on reducing the cost-of-service delivery, or increasing income in their respective areas to support the council to deliver spend more closely in line with the budget, while ensuring that services are still maintained and that there isn't a corresponding reduction in service provision.

5.13 The 2022-23 Quarter 3 report is currently forecasting an outturn pressure of £3.9m which is a small adverse movement of £0.2m from the position reported previously to Cabinet in December 2022. Focus continues with services working towards the delivery of a balanced position for 2022-23. The significant improvement in the Council's financial position since the start of the financial year has been achieved because of the swift action taken by management when it became apparent that the external factors highlighted earlier in this report were having a significant impact on the Council's finances. Current projected overspend represents a variance of just over 1% of Council's net budget for the year.

5.14 The monthly position of the Council can be summarised in the bar chart below:



5.15 The position has improved significantly from the opening forecast in year overspend of £26.9m because of three main interventions:

- The use of the general contingency budget of £10.1m
- The delivery of significant management actions across the organisation to assist with bringing the overall position back into balance
- The proactive and immediate introduction of a Spending Restrictions Panel (SRP) which considered all expenditure over £500 and all vacant posts and only approved the expenditure if it was deemed to be absolutely essential.

5.16 Whilst management has made huge strides to bring the budget for the current financial year back into balance it will continue to work hard to reach a balanced financial position by the end of the financial year.

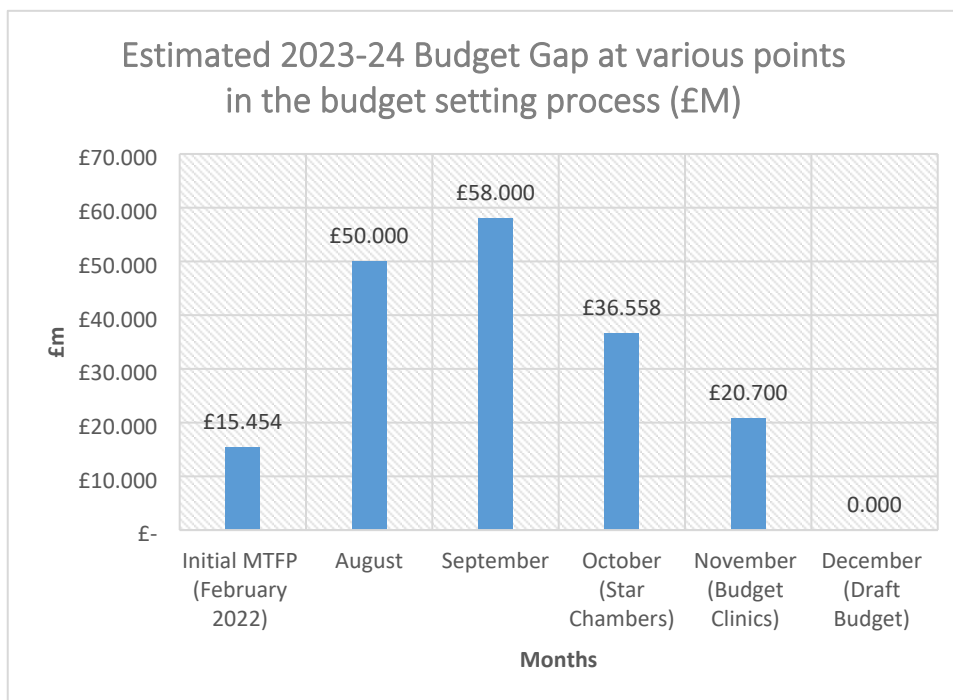
Revenue Budget 2023-24

5.17 The council's 2022-23 financial position forms the cornerstone of the 2023-24 budget setting process, with all known on-going financial issues and opportunities reflected in the draft 2023-24 base budget position.

5.18 Given the external factors that became evident early in this financial year (2022-23) it was no surprise that when the opening position for the 2023-24 budget process was calculated it was significantly greater than the position published in the medium-term financial plan (MTFP) that was presented to full council in February 2022 as part of setting the final budget for 2022-23.

5.19 However, what was a surprise was the scale of financial challenge the authority faced for 2023-24 at the start of the process and the significant amount of work, challenge, effort and ambition that would be required to get the authority even close to a balanced draft budget for next year.

- 5.20 The chart below sets out the scale of budget deficit from the opening deficit set out in the MTFP in February due to the estimated height of the pressure calculated over the summer, through the reduction in the pressure as we went through the different stages of the detailed budget setting process.



- 5.21 An initial early review of the existing Medium Term Plan was completed prior to the start of the star chambers process to highlight emerging risks and issues given the economic context, impact of increasing inflationary trends and to understand where key changes in expenditure pressures were starting to be incurred.
- 5.22 This analysis showed that the initial estimate of a budget gap of £15.5m had risen to £50.0m by the end of August and up to a peak of £58.0m by the end of September.
- 5.23 Whilst these pressures continued to mount management teams across the organisation were dealing with the significant financial impacts head on and were working hard to generate options to reduce costs and increase efficiencies and income.
- 5.24 This information was brought together as part of the star chambers process which saw the deficit reduce to £36.6m by the end of that process. An additional round of budget clinics were brought in and these saw the deficit position improve further to £20.7m.
- 5.25 Finally, another round of Cabinet and Senior management team meetings took place to finalise draft proposals and incorporate the outcome of the Government's Autumn Statement to produce the proposals contained within the draft budget.
- 5.26 It is clear that members have had to take some difficult decisions in order to deliver a balanced budget but services have been protected as far as possible and such decisions were required in order to deliver a balanced budget against the backdrop of the budget deficits being faced as a result of the external, national and global issues that were impacting upon the finances.

- 5.27 The budget proposals put forward provide a balance of moving to areas of good practice across all services, increasing fees and charges where the users of those services have a choice, addressing under-utilisation in some service areas where the same service can be provided elsewhere within the area by being as economic and efficient as possible.
- 5.28 The different stages of the budget process are described in the sections below.

Star Chambers Process

- 5.29 A key part of the budgeting process this year has been the continuation of the 'star chamber' process that was initially developed as part of the 2022-23 budget setting process. This process involved the leader of the Council, all portfolio holders, the Chief Executive, the Chief Finance Officer and his deputy, other Executive Directors, Assistant Directors and members of the Finance, HR and Transformation teams. Each of the main services of the Council were worked through in detail with the relevant Cabinet members and senior officers present to understand the financial pressures of each area as well as the savings and efficiencies that could be delivered to offset some of the pressures.
- 5.30 The purpose was to scrutinise all of the current year's budget and get a view from service directors on:
- Current year financial position including recurrent nature of both pressures and mitigating action plans.
 - Trend analysis and modelling on inflationary and demand led pressures currently experienced in 2022-23, including future year projections.
 - Any projects they wish to highlight within the directorate or current issues to be aware of.
 - Any new efficiencies they could propose to help to close the budget gap that was being forecast and savings over the longer term from strategic initiatives.
 - Staffing and vacancy levels, planned recruitment and restructuring plans

- 5.31 Upon the completion of the star chambers process the budget gap has reduced from a peak of £58m to a revised gap of £36.6m.

Budget Clinics

- 5.32 Clearly a budget gap of £36.6m is still significant equating to approximately 11% of the current year's net budget. As a result, a further round of budget scrutiny took place to firm up on some of the budget proposals but to also go through each of the directorate budgets again and consider each budget pressure line by line to ensure that all budget growth put forward was absolutely essential.
- 5.33 At the end of the process the budget gap had reduced further to £20.7m

Government Funding Review - Provisional Local Government Financial Settlement

- 5.34 This was published by Government on 19 December 2022 and details the central government funding assumptions and grant allocations for 2023-24. In summary the provisional settlement outlined that the Council would expect to receive additional funding of £2.5m when compared to funding assumptions included in the Draft Budget. The final settlement is expected to be announced in February 2023, which is likely to follow the publication of this report. Therefore further changes may be required to reflect the final funding position for 2023-24, and delegated authority is sought to update the budget accordingly.

Robustness Reviews

- 5.35 In addition to the Star Chambers process and Budget Clinics completed as part of the Draft Budget process, following the publication of the Draft Budget a series of budget robustness sessions have been undertaken to further review the Draft Budget proposals and ensure that there are robust delivery plans in place. This process involved the Chief Finance Officer and his deputy, other Executive Directors, Assistant Directors and members of the Finance, and Transformation teams.
- 5.36 Within each session a detailed review of draft savings proposals by Directorate has been completed, with each proposal assessed to confirm its achievability, and to ensure that delivery plans are in place and progressing. Where proposals have been identified as high risk, these have been removed. This process identified £3.4m of savings proposals which were now deemed not to be deliverable.

Cabinet and Senior Management Team meetings

- 5.37 The Council's management team received regular budget updates and worked collectively to ensure there was a joined up understanding of the budget, that estimates were realistic and delivery plans where required were put in place. Cabinet also received regular briefings throughout the budget process and provided a strategic steer and review of the development of the 2023-24 Budget and Medium Term Plan.

2022-23 Financial Position

- 5.38 Since the publication of the draft budget the Council has undertaken the Quarter 3 budget monitoring process. Within this process emerging pressures have been identified in year and where these have been assessed as recurrent the full year impact has been incorporated into the Final Budget and medium-term position.

Changes from Draft to Final Budget 2023-24

- 5.39 Budget movements between Draft and Final Budget 2023-24 are detailed in Appendix C, with a summary of the changes detailed below in Table 1.

Table 1

Movement	£m
Reduction in contract inflation	-1.208
Increase in unavoidable pressures	1.222
Funding changes	
Provisional settlement movements	-2.533
Collection fund movements	-0.265
Business rates movements	-0.440
	-3.238
Budget robustness	
Children's preventative commissioning	0.224
Transfer to Dedicated Schools Grant	3.000
Park run parking concession	0.035
Withdrawal of Racecourse parking charges	0.060
Mayorhold saving not deliverable	0.047
	3.366
Refinement to savings proposals since draft	-0.159
Increase in contingency to balance	0.017
Overall Position	0.000

5.40 The key changes in on-going spending pressures are listed below;

- Waste Disposal- Inflation assumptions have been updated to reflect the latest economic position. Updated waste disposal tonnages forecasts have also been revised based on the latest volumetric information that became available after the publication of the Draft Budget, resulting in a net reduction of £0.6m
- Utilities inflation- in January 2023 the government confirmed the continuation of the Energy Bills Discount Scheme (EBDS) to run from 1 April 2023 to 31 March 2024, therefore utilities inflation assumptions have been revisited to incorporate the impact of the extension of the discount scheme for the Council. This has resulted in reduction of £0.1m
- Leisure Centre reduction in management fee income - a provision required for Leisure services delivery reflecting both covid impacts and significantly increased energy costs which could impact on contract, resulting in an increase in pressure of £0.3m.

5.41 Following the review of the savings proposals as part of the robustness clinics, proposals assessed as red risk have been removed from the Final Budget with key movements including;

- £3.0m following a review of high needs placements has identified underutilisation of DSG funding. Further detailed work has now been completed to substantiate the level of saving associated with this proposal and as such has resulted in the proposal being reassessed and removed from the budget.

5.42 These changes have been funded primarily by increases in government grant funding allocations of £2.5m, including an additional year of new homes bonus of £3.5m plus an additional collection fund surplus of £0.3m.

- 5.43 Following detailed reviews of one-off funding requirements within the draft budget, additional one off funding of £1.1m has been included in these final budget proposals as set out in Appendix B5.

2023-24 Final Budget Proposals

- 5.44 The 2023-24 Final Budget continues to build on the work carried out over the first two years of the organisation, but also incorporates the financial impact of the unprecedented and challenging economic conditions experienced by the Council throughout 2022-23.
- 5.45 The Budget and Medium-Term Financial Plan has been prepared using the latest service intelligence and financial information available, incorporating prudent estimates and financial assumptions. A full list of budget proposals is detailed in Appendix B, with a summarised position listed below;

Pay related costs – Total £9.0m
(Equivalent figure for 2022-23 £5.9m)

- 5.46 The Final Budget includes pay related costs of £9.0m which includes the following:
- Adjustment to base budget to reflect the final 2022-23 pay award at £1,925 per person plus 0.25% in line with the locally agreed pay negotiations. This agreement exceeded what was included as a budget assumption for 2022-23 and therefore we need to include this additional amount in the base budget to ensure it 'catches up' with the current agreement.
 - Contractual and non-contractual increments where staff are not at the top of their pay grade for 2023-24.
 - Cost of living increase for 2023-24 based on 4.5% increase.
 - Provision for increase to National Living Wage.
- 5.47 This total cost has decreased by £0.8m since the draft budget as a result of the reduction in national insurance costs. As announced as part of the provisional settlement, the increase in national insurance contributions has been reversed and the funding the Council receives to support the increase in national contributions has been removed.
- 5.48 In addition to the implementation of the new pay structure and associated terms in early 2023, local pay bargaining will commence with the six trade unions recognised for pay negotiation purposes on the pay award for 2023-2024. Negotiations will commence in January and the pay award will be applied from 1 April 2023.

Contract Inflation – Total £17.9m
(Equivalent figure for 2022-23 £8.1m)

- 5.49 Contractual Inflation of £17.9m has been included in the 2023-24 final budget. These are contractual commitments reflecting a number of inflation indices across all services.
- 5.50 This total cost has decreased by £1.2m from the draft budget as a result of revisiting the inflation assumptions applied to ensure they incorporate the latest inflation data and intelligence, with Place contract inflation reducing by £1.1m.

- 5.51 The Place and Economy Directorate proposals include contract inflation proposals totalling £4.6m which include key contracts such as the collection and disposal of waste, the operation and management of household waste recycling centres, home to school transport, maintenance of the highways' street lights.
- 5.52 Utilities inflation proposals for properties, street lighting and traffic signals totalling £2.5m.
- 5.53 Adult Social Care inflation proposals total £10.2m for 2023-24, which includes £9.2m of inflationary cost related pressures across independent care provision, such as residential and nursing placements, homecare, supported living and day care. The calculated inflation takes account of the 9.7% increase in the national minimum wage to £10.42 in April 2023 and forecast rise in Consumer Price Index (CPI). It is important that social care providers receive uplifts to reflect the significant increase in their costs on staff, energy and fuel in order to continue to deliver safe services to our eligible clients. In addition, provision has been made for the inflationary pressure on utilities within the service's in house provider homes of £0.6m and the contractual increase in the indexation on the PFI unitary charge for the Specialist care centres of £0.4m.

Unavoidable Base Budget pressures – total £50.2m
(Equivalent figure for 2022-23 £16.8m)

- 5.54 Ongoing pressures total £50.2m in 2023-24. This total cost has increased by £1.2m from the draft budget as set out in table 1, this is as a result of;
- Waste disposal tonnages forecasts have been revised based on the latest volumetric information that became available after the publication of the Draft Budget resulting in an increase of £0.5m.
 - Leisure Centre reduction in management fee income- a provision required for Leisure services delivery reflecting both covid impacts and significantly increased energy costs which could impact on contract, resulting in an increase in pressure of £0.3m.
 - £0.2m increase in the Place and Economy structural deficit proposal as a result of emerging pressures in 2022-23.
- 5.55 The total cost has increased by a further £1.6m from the draft budget as a result of changes to the funding position announced in the provisional settlement which include;
- An increase of £1.3m in the level of Adults Social Care reserve set aside for additional burdens in relation to the Adult Social Care Discharge Grant.
 - £0.4m due to the realignment of central government grants into the settlement funding assessment.

5.56 Of the total unavoidable pressures of £50.2m the most material of these pressures are as follows:

Adult Social Care

5.57 Adult Social Care Services are experiencing demand led pressures which have resulted in 2023-24 growth proposals of £22.0m, including;

- £7.0m structural budget adjustment to reflect the current demand and costs for Independent Care seen in 2022-23 across Older Persons and Learning Disability Services
- £4.7m legacy cost avoidance savings that did not reduce overall expenditure in 2022-23 due to demand outstripping planned reductions in unit costs. The planned interventions across these workstreams did assist demand management in 22-23 but were exceeded by an increase in the number of people requiring support at increased cost
- It is anticipated that there may be new burdens for social care following the Chancellors Autumn Statement announcement on social care funding. The estimated increase of £4.8m in funding will be set aside until it is clearer if there are additional burdens associated with the new funding
- £1.8m forecast on demographic growth required to cover the increased cost of new clients eligible for social care with increased acuity and complex needs. This has been calculated with forecast population statistics for West Northamptonshire provided by the Institute of Public care. (Office for National Statistics base data)
- The National Discharge fund to support hospital discharge ended on 31st March 2022. This fund supported the costs of discharging individuals that no longer needed to be in hospital. The removal of this funding has increased the requirement for independent care placements in Adult Social Care to maintain hospital flow, with a required growth of £1.7m.

Home to School Transport

5.58 There is a cost increase of £4.9m on home to school transport which is a trend that is being experienced nationally and is primarily related to transporting children with special educational needs. The number of children with education, health and care plans has risen which has a direct impact on the children that receive transport. Fuel costs have increased significantly, and there is also a shortage of both drivers and passenger assistants which has resulted in increased wages and price increases. Our policies are also outdated, having last been updated in 2010 and don't reflect best practice or the effects of things like Academies. We also need to update our systems, processes and procurement of drivers to ensure we get best value.

Children's Trust

5.59 From 1st November 2020, the Northamptonshire Children's Trust was incorporated to deliver 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.

- 5.60 Making a difference to children, young people and families is of high importance to West Northamptonshire Council as a joint owner of Northamptonshire Children's Trust. The financial proposals contained within the NCT business plan build on the recent ILACS Ofsted inspection which was encouraging and highlighted the tangible progress being made and the commitment of colleagues at the Council and the Children's Trust working in partnership in improving services, alongside areas to focus on further development.
- 5.61 A contract sum for the Children's Trust totalling £150.94m has been provisionally agreed for 2023-24 – a net increase across the County of £13.49m from the current year, which is indicative of the national picture of rising costs of children's social care and lack of supply, and a position that has been informed by the forecast outturn for this financial year. The Contract Sum of £150.94m has been split into two parts, this consists of a Base Contract Sum (£141.43m) and a "drawdown payment" relating to actuals on agreed elements of demand led services (£9.509m) which will be based on the 2022-23 and 2023-24 outturn position, to ensure we only lock in actual demand costs in the contract sum.
- 5.62 The WNC share of the agreed contract sum is £84.28m, which is a £7.53m increase from the current year, and is included as an unavoidable base budget pressure.
- 5.63 In addition to this, one off revenue investments of £1.25m are included in the budget recognising further investment required in the improvement journey and to deliver efficiencies. These are set out in more detail Appendix B.

One-off Budget Pressures - Total (£4.8m)
(Equivalent figure for 2022-23 £10.509m)

- 5.64 One-off pressures are time limited expenditure and funded via one-off funding. This includes activity where there is uncertainty about the timing or impact of a planned change, for specific projects or invest to save schemes, including;
- £1.25m is included in the Budget recognising further investment required in the Children's Trust improvement journey and to deliver efficiencies.
 - £0.6m funding for the pay and grading programme which will harmonise the pay scales structure across the Council.

- £0.6m increase in bad debt provision.
- £0.5m Economic Growth Reserve – cash flow enabling major events, expectation to deliver income through events to offset expenditure.
- £0.45m Vulcan Works – funding in year budget deficit position with funds to be repaid to reserve once surpluses are delivered.

5.65 The one of funding requirement has increased since draft budget by £1.1m, of which the key movement is the increased provision required for aged debt.

5.66 The one-off schemes are funded through various earmarked reserves and there is a requirement for each scheme to have strategy to ensure costs are time limited or if subsequently recognised as an on-going requirement, that they are introduced into the base budget in future budget rounds. A detailed breakdown to the individual projects is detailed in Appendix B5.

Efficiencies and Income Generation -Total £32.3m
(Equivalent figure for 2022-23 £19.3m)

5.67 A total of £23.4m efficiencies and £8.9m income generation proposals are included in the final Budget for 2023-24.

5.68 Total efficiencies has reduced by £3.4m since the draft budget of which the key movement is the removal of the following proposal;

- £3.0m - a review of high needs placements has identified underutilisation of DSG funding. Further detailed work has now been completed to substantiate the level of saving associated with this proposal and as such has resulted in the proposal being reassessed and removed from the budget.

5.69 These proposals have been aligned into key themes as detailed below with full detail provided in Appendix B.

5.70 This category has been broken down into the following sub-themes:

• Charging and Income	£8.9m
• Demand and Prevention savings	£2.1m
• Process and Policy savings	£3.9m
• Redesign and Reorganisation savings	£11.0m
• Technology and Innovation savings	£1.0m
• Buying and Commissioning savings	£0.1m
• Technical savings	<u>£5.3m</u>
Total Efficiencies and Income Generation	£32.3m

Charging and Income – Total £8.9m

- 5.71 These proposals are based on service review of existing charging models. Where appropriate this means maximising income generation, ensuring inflationary increases are incorporated or identifying opportunities for new income generation. Key proposals include:
- £3.2m resulting from the realignment of investment income budget including additional investment returns due to rising interest rates.
 - £1.0m Adults Social Care review of external funding opportunities across the Directorate.
 - £0.7m following a review of Green Waste charging.

Demand and Prevention – Total £2.1m

- 5.72 These proposals specifically focus on the review of key services areas experiencing demand led pressures and management of demand levels through the implementation of both prevention strategies and demand management solutions. Key proposals include:
- £1.0m ensuring Adult Social Care services are focused on meeting the needs and optimising outcomes for those West Northamptonshire Residents that are eligible for services.
 - £0.5m savings to be driven through Adult Social Care winter planning. Joint working across the health and social care system will drive savings against the expected normal surge in costs and demand over the winter period.
 - £0.5m Temporary accommodation prevention and management plan - reduction in temporary accommodation spend through improved move on and reduced use of expensive nightly purchased accommodation.

Process and Policy - £3.9m

- 5.73 These proposals look at where services can operate differently and focus on driving improvements through service review of both process and policy, key proposals include:
- Following actuarial advice a much improved funding position means that the council is able to reduce its pension contribution rate by 3% to ensure an optimum level of resources are invested in the fund.
 - Review of home to school transport policy.
 - Revenue savings resulting from Street Lighting capital investment.

Redesign and Reorganisation - Total £11.0m

- 5.74 These include proposals that focus on service redesign, and the continuation of the organisation development following local government reorganisation looking at optimising service operating models and processes. Proposals include:

- The restructure of the reablement service has increased the number of people who will benefit from reablement and therapeutic intervention reducing the need for long term care spend, resulting in a proposed saving of £1.7m.
- Domiciliary care aligned to Local Area Partnerships (LAP) to reduce travel time and more efficient deployment of staff alongside the introduction of electronic call monitoring will drive £1.5m of efficiencies against current levels of expenditure in the independent care sector.
- £1.0m driven by the progression and improvement of independent outcomes across Learning Disability services, resulting in individuals receiving the care that they need.
- £1.0 from the implementation of a new Corporate Services target operating model.

Technology and Innovation - total £1.0m

- 5.75 Budget proposals where the Council is driving cost reduction through digital innovation, proposals include:
- Optimisation of the use of single handed care, further drive on reducing the need for two carers via use of Assistive Technology £1.0m

Buying and Commissioning – Total £0.1m

- 5.76 These proposals look at where the Council can buy things differently or combine legacy contracts to get better economies of scale. Budget proposals are driven from savings on contracts due to renegotiation or consolidation.

Technical Adjustments – Total £5.3m

- 5.77 These proposals are where there is a saving as a result of a technical or financing change in a particular budget.

General Contingency - Total £11.1m

- 5.78 The 2022-23 budget included a general contingency of £10.1m, funded through the base budget. The contingency is currently forecast to be fully utilised in 2022-23 and has proved critical in supporting the management of the budget in these exceptional times.
- 5.79 The need for a general contingency was proven in this financial year and whilst ordinarily you shouldn't need a significant contingency, given the turbulent times we are currently operating in, now is not seen as the time to be withdrawing such a safeguard which has proved invaluable in the overall management of this year's budget. The contingency represents approximately 3% of the net budget.
- 5.80 The general contingency is to cover any associated risks within the budget and will be available to adjust budgets if necessary, given:
- the current financial risks driven by external macro-economic factors outside the Council's control

- the continued stabilisation of the budgets inherited from predecessor authorities
- the uncertainty of the economic recovery post pandemic
- the continued and rising demand for statutory services.

5.81 The release of this contingency will be at the discretion of the Executive Director of Finance in consultation with the Finance portfolio holder and will seek to provide fall back funding for any financial pressures that emerge in the services in the year or for projects the Cabinet wishes to progress.

2023-24 Budget Summary

5.82 The following table sets out the total budget for 2023-24 by Directorate (excluding DSG). This is based on the split of the 2022-23 baseline plus/minus the budget movements allocated as shown in Appendix B.

	Opening Base Budget £m	Pay related costs £m	Contract Inflation £m	Unavoidable Budget pressures £m	Budget Pressures - one-off (funded from reserves) £m	Efficiencies and income generation £m	General Contingency £m	Revised MTFP £m
Adult Social Care	103.1	0.0	10.2	22.0	0.0	(10.1)	0.0	125.2
Education Services	4.6	0.0	0.0	0.6	0.0	(0.5)	0.0	4.6
Northamptonshire Children's Trust	69.9	0.0	0.0	7.5	1.3	0.0	0.0	78.7
Place and Economy	78.5	0.0	7.2	9.6	0.3	(5.6)	0.0	90.0
Chief Executive Office	2.7	0.0	0.0	0.4	0.0	(0.6)	0.0	2.5
Community and Opportunities	10.4	0.0	0.0	2.8	1.5	(1.7)	0.0	12.9
Corporate Services	21.4	0.0	0.5	0.8	0.2	(5.4)	0.0	17.4
Centrally Controlled	30.5	9.0	0.0	5.8	1.2	(7.6)	0.9	39.9
Finance	10.8	0.0	0.0	0.7	0.5	(0.7)	0.0	11.2
Total Service Expenditure	331.8	9.0	17.9	50.2	4.8	(32.3)	0.9	382.4

Funding Assumptions

5.83 The Autumn Statement presented by the Government on the 17 November 2022, set out the national economic picture highlighting the financial challenges currently being experienced on both a national and local basis. The impact of the COVID 19 pandemic, combined with the current energy crisis and its subsequent impact on inflationary pressures and the cost of living, are creating a unique set of economic conditions that present a significant challenge to public sector finances.

5.84 The Autumn statement confirmed that departmental budgets in both 2023-24 and 2024-25 will remain in line with budgets set at the Spending Review last year along with specific funding announcements impacting local government.

5.85 The provisional **Local Government Finance Settlement** was announced by government on 19 December 2022. The key points in the provisional settlement, and their variation compared to the Council's Budget assumptions is as follows:

- **Council Tax Referendum Threshold** – the provisional settlement confirmed that the threshold for core council tax will be set at 3% from April 2023. Local authorities with Adult Social Care responsibilities will be able to set an Adult Social Care precept of up to 2%. The draft budget had prudently assumed 4.99%.
- **Compensation for freezing of Business Rates** – the Autumn statement announced the freezing of the business rates multiplier at 49.9p, with local authorities being compensated for the loss of income. This compensation along with the baseline funding from April 2023 will be increased in line with CPI as opposed to RPI.
- **Revenue Support Grant** – this grant income has been increased in line with CPI representing a £0.4m increase compared to draft budget. In addition to the inflationary increase, existing grants of £0.4m have also been rolled into this funding stream, however this is a net nil effect to the Council overall.
- **New Homes Bonus (NHB)** - There will be a new round of NHB payments in 2023-24, which will not attract new legacy payments, for the Council this represents additional funding of £3.5m in 2023-24 compared to Draft Budget.
- **Services Grant** - the services grant will reduce in 2023-24, this is in part to reflect the reduction in National Insurance payments. This represents a reduction in funding compared to draft budget of £1.5m which will offset some of the funding benefits highlighted above.
- **Lower Tier Support Grant** – this grant funding has been removed in 2023-24, driving a reduction in funding of £0.5m from Draft Budget assumptions applied.
- **National Living wage** - this will increase for people aged 23 years and over to £10.42 from April 2023. This additional pressure has been built into the Budget proposals.
- **Adult Social Care Funding** - the provisional settlement confirmed additional social care funding of £2.8bn in 2023, specific funding announcements for the Council are;
 - Social Care Grant funding of £19.0m for 2023-24, which represents a further benefit of £0.9m compared to Draft Budget. This increase incorporates the existing independent living fund at £0.4m, so a net benefit of £0.5m.
 - Specific hospital discharge funding of £1.4m is confirmed for 2023-24, this funding may be accompanied by additional burdens to be confirmed and therefore this funding will be transferred into an earmarked reserve pending confirmation.

- Additional Adult Social Care market sustainability and improvement grant of £3.4m which is in line with the assumptions applied with the Draft Budget process. This funding will be transferred to an earmarked reserve pending confirmation of additional burdens. Along with the Adult Social Care Discharge Grant there will be a total Adult Social Care reserve of £4.8m.

5.86 Additionally the government has confirmed that both the Fair Funding Review and Business Rates Baseline Reset will not be implemented in the next two years (2023-24 and 2024-25). Business Rates income over and above the baseline funding level set by government is retained by the Council, subject to a levy of around 40% that is paid to government. The delay in resetting the baseline means that WNC is able to retain the growth achieved over the last 9 years. However when implemented this is likely to result in a reduction of funding through the loss of growth to date. This change is reflected within the budget and drives a change in the medium term.

5.87 The overall financial impact of these funding changes is set out in the table below (excluding Dedicated Schools Grant and reserve funding).

	2023-24 Draft Budget £k	2023- 24 Final Budget £k	Change £k
Council Tax Income	(240,612)	(240,613)	(0)
Council Tax Collection Fund Surplus	(4,029)	(4,295)	(265)
Business Rates Income	(53,853)	(56,541)	(2,688)
Business Rates Growth	(12,876)	(10,628)	2,248
Business Rates - Section 31 Grant	(23,670)	(23,670)	0
Improved Better Care Fund	(10,270)	(10,069)	201
Adult Social Care Discharge Fund	0	(1,412)	(1,412)
Social Care Grant	(18,090)	(18,967)	(877)
ASC Market Sustainability and Improvement Fund	(3,500)	(3,407)	93
2023/24 Services Grant	(3,457)	(1,948)	1,509
New Homes Bonus	0	(3,510)	(3,510)
Lower Tier Support Grant	(496)	0	496
Rural Services Delivery Grant	(393)	(393)	0
Total Funding	(371,248)	(375,451)	(4,204)
Transfer to Adult Social Care Reserve			1,318
Reduction of NI budget			(797)
Adjustment for Business Rates Rolled in Grants			445
Net Movement			(3,238)

- 5.88 The final settlement details are expected in February 2023, and will be announced following the publication of the final budget, therefore delegated authority is sought to enable and further changes announced to be updated within the 2023-24 budget.
- 5.89 The overall Council Tax base for 2023-24 has been calculated and is set at 142,060.8, an increase of just over 1.76% from 2022-23. Annual increases at 1.5% are assumed to continue throughout the MTFP period.
- 5.90 Council Tax Harmonisation over a three-year period was agreed by the Shadow Authority in February 2021, with 2023-24 marking the final year in the move to harmonisation whereby all properties across the entire area will pay the same amount of Council Tax. This means that the average Band D rate in the former Daventry and South Northamptonshire Districts will need to increase by more than 4.99% (if this is set as the average increase) to reach harmonisation.
- 5.91 The table below sets out the average increases in the West Northants Council Band D Council Tax in each area in 2023-24 that are required in order to reach.

	Average Band D Council Tax 2022/23	Average Band D Council Tax 2023/24	Increase (£)	Increase (%)
Ex-Daventry Area	£1,596.06	£1,693.73	£97.67	6.12%
Ex- Northampton Area	£1,624.42	£1,693.73	£69.31	4.27%
Ex-South Northamptonshire Area	£1,607.71	£1,693.73	£86.02	5.35%
Average	£1,613.23	£1,693.73	£80.50	4.99%

- 5.92 It should be noted that the percentage increases quoted are the average increases within each of the predecessor Council areas. Individual taxpayers will see different increases depending on the impact of Special Expenses and Parish Precepts as well as the increases determined by the Police, Fire & Crime Commissioner.
- 5.93 A Local Council Tax Reduction Scheme (LCTRS) for 2023-24 has to be agreed by 31 January 2023 for the financial year 2023-24. At the meeting held on 3 November 2022 full council approved an LCTRS for 2023-24 which retains a 20% minimum contribution for working age claimants.
- 5.94 The significant Council Tax Collection Fund Deficit that arose in 2020-21 as a result of Covid-19 has been spread over 3 financial years in line with regulations, with 2023-24 being the final year of the deficit expected at the time of £1.066m. Monitoring of the Collection Fund during 2022-

23 shows an actual surplus of £4.295m which is a positive movement of £5.361m on the collection fund which benefits the authority for next year.

Fees and Charges

- 5.95 Income from fees and charges represents an important source of funds to the Council and enables a range of services to be provided within the area and beyond. West Northamptonshire's Draft Budget generates income in the region of £24.3m with approximately £22.3m coming from Fees and Charges set out in Appendix D.
- 5.96 In order to deliver a balanced budget all discretionary fees and charges (those not set by statute) have been scrutinised in an attempt to maximise income on services where residents and business have a choice about whether they want to pay for a particular service or not. Where possible fees have been increased in line with September CPI at 10.1%, however where appropriate services have put forward alternative proposals. This has helped to reduce the budget deficit forecast at the start of the process and therefore protect vital front line services.
- 5.97 Many fees have not been increased for several years and therefore have fallen behind even in respect of inflationary pressures you would normally expect them to increase by each year. With inflation running at such high levels which has the impact on increasing the cost of providing the very services funded through fees and charges it is essential that they are thoroughly reviewed for 2023-24. This review is simply good practice as consumers have a choice about whether they want to pay for these services or not. In some cases the review has been carried out by looking at other local authorities' fees and charges and carrying out benchmarking based on that information to ensure that the Fees and Charges proposed in Appendix D are not significantly out of kilter with other authorities.
- 5.98 This is the third year that West Northamptonshire Council has been able to set its fees and charges. Since the formation of the Council all fees and charges have been harmonised apart from taxi fees.
- 5.99 Since the Draft Budget the fees for Physical Activity have been increased for 2022-23 and removed where no longer applicable or new fees added. The fees are determined in December by the leisure operators and each contract stipulates maximum percentage that prices can be increased by. 2022-23 prices have increased to reflect inflationary pressures and market demand. The waiver for full week on-street parking permits has been amended to ensure consistency with day charges.

General Fund Balance and Earmarked Reserves

- 5.100 The Council has inherited reserves from the former Districts and Borough authorities as well as the disaggregated County Council. Many of these were earmarked for a specific purpose, although some are more flexible to manage unforeseen issues and risks.
- 5.101 Due to the ongoing audits at the former Councils and the audit of the 2021-22 accounts the opening 2022-23 reserve balances for West Northamptonshire Council are still to be confirmed. Reserve and carry-forward drawdowns were approved in 2021-22 as part of the provisional outturn and should any adjustments be required prior to confirming the final outturn this would also affect the opening balances.

5.102 The following table provides a breakdown of the current estimated level of reserves and also estimates how those reserves may be utilised over the next year with an estimated level of reserves included at 31 March 2024.

Description	Opening Balance as at 01/04/22	2022/23 Net Commitments	Expected Balance as at 31/03/23	2023/24 Net Commitments	Expected Balance as at 31/03/24
	£000	£000	£000	£000	£000
General Balance	(40,000)	5,000	(35,000)	0	(35,000)
Risk Reserve	(40,482)	15,732	(24,749)	5,381	(19,368)
Transformation Reserve	(10,373)	631	(9,742)	173	(9,569)
Invest to save	(1,151)	0	(1,151)	0	(1,151)
Service Specific Reserves	(15,981)	5,159	(10,822)	669	(10,153)
Other Reserves Total	(67,986)	21,522	(46,464)	6,223	(40,241)
Section 31 Grants	(19,575)	12,683	(6,892)	0	(6,892)
Ringfenced / Technical	(17,944)	6,800	(11,144)	2,212	(8,931)
Ringfenced / Technical Reserves Total	(37,519)	19,483	(18,036)	2,212	(15,823)
Specific Covid reserves	(4,706)	3,096	(1,610)	1,269	(341)
Specific Covid Reserves Total	(4,706)	3,096	(1,610)	1,269	(341)
Earmarked Reserves Total	(110,211)	44,102	(66,109)	9,704	(56,405)
Grand Total	(150,211)	49,102	(101,109)	9,704	(91,405)

Changes from Draft to Final Budget

5.103 The opening reserve balances have been updated to include a minor adjustment to the 2021-22 outturn.

5.104 The main changes to 2022-23 commitments include a £2m forecast reduction in service specific reserve commitments and the inclusion of £0.6m Business Rates Retention (BRR) funded projects.

5.105 The changes to 2023-24 commitments from draft budget include the increase in one off funding requirements of £1.1m along with £0.6m movement on specific/ringfenced reserves.

5.106 An explanation of the main reserves is included below.

General Fund

5.107 General fund balances are the 'contingency of last resort' and the S151 officer is of the view that general fund balances as a minimum should cover 5% of the net budget. The opening balance of £40m comfortably covers this minimum level. The £5m commitment is a budgeted reserve drawdown to fund part of the general contingency that is being used to cover 2022-23 budget

pressures. It is therefore anticipated that general fund balances will be £35.0m at the beginning of the financial year 2023-24 and will remain at that level throughout the year.

Risk Reserve

- 5.108 Within the estimated level of reserves there are a number that could be described as 'smoothing' reserves. These were set up to deal with fluctuations and volatility in areas such as business rates income. The risk reserve will be continually monitored and released via S151 approval to deal with any unplanned risks identified during the year.
- 5.109 The 2023-24 movement on the risk reserve includes the one-off funding requirement of £4.8m as set out in Appendix B, along with the remaining balance of COVID un-ringfenced funding.

Transformation Reserves

- 5.110 This includes the £6.2m reserve held to fund any one-off transformational programmes or activities identified during the year and the £4.2m BRR Sustainability Fund.

Invest to Save Reserves

- 5.111 During 2021-22 a reserve of £1.2m was set up to be released for invest-to-save initiatives as they come forward. This reserve is released at the discretion of the S151 officer.

Service Specific Reserves

- 5.112 There are reserves set up at the request of services for specific purposes. They are drawn down when the service incurs expenditure for the purpose the reserve was set up for. Many of these reserves were set up by predecessor authorities. The reserves should be reviewed on a regular basis and if no longer required they should be repurposed for another need or transferred to the risk reserve or general fund balances.

Section 31 Funding Reserve & Ringfenced / Technical Reserves

- 5.113 The Section 31 funding reserve is held to offset the risk to the collection fund from the impact of COVID on business rates and council tax income and is released into the revenue account when required.
- 5.114 Section 31 reserves total £19.6m which will be utilised specifically to offset any collection fund deficit experienced relating to the impact on income collection due to COVID. Based on the current in year position there is a balance of £6.9m that can be utilised at the discretion of the S151 officer.
- 5.115 The ringfenced/technical reserve holds the Public Health grant reserve, Insurance Reserve and Enterprise Zone reserve.

Specific COVID reserves

- 5.116 This includes the Contain Outbreak Management Fund (COMF) and community testing funding alongside other specific COVID relate funding and will be released to cover expenditure as its

reported via S151 approval. Currently the COMF reserve is estimated to be fully committed in 2022-23.

Medium Term Financial Plan Forecasts

5.117 Although the final Budget for 2023-24 shows a balanced position, there is considerable uncertainty in the medium term due to:

- Economic uncertainty and forecast inflationary levels over future years.
- Establishing post pandemic levels of demand and changes in consumer behaviours over future years.
- Confirmation of the implementation of Business Rates reform, resetting the business rates baseline and the fair funding review.
- One off Council Tax benefit surpluses which we are benefitting from in 2023-24.

5.118 The council's medium term position is set out in the table below, which builds in known risks and opportunities but also includes a material level of risk given level of unknown factors driven by both the current economic conditions and confirmation of the Final Settlement announcement due in February 2023.

5.119 As part of the provisional settlement announcement the government has confirmed that the business rates baseline reset will not be implemented until 2025-26 at the earliest. The Medium Term Financial Plan has been updated to reflect this change in funding assumption, which materially improves the 2024-25 position.

5.120 Business Rates income over and above the baseline funding level set by government is retained by the Council, subject to a levy of around 33% that is paid to government. The delay in resetting the baseline means that WNC is able to retain the growth achieved over the last 9 years. However when implemented, it is assumed, this will result in a reduction of funding and the budget assumes all S31 grants are rolled into the main business rates income. This change is reflected within the budget and drives a change in the medium term.

5.121 Whilst it is anticipated that some of this government funding will be redistributed it is incredibly difficult to estimate how much benefit we will gain from this re-distribution.

5.122 The table shows a significant opening budget deficit for 2025-26 of £31.0m, which is driven by the inclusion of the business rates baseline reset now forecast in 2025-26.

5.123 It is also important to highlight that the Autumn Statement indicated that the threshold for Council Tax increases would remain at 5% for 2024-25. As a result, the funding in 2024-25 assumes a further increase of 4.99% in Council Tax. At this stage this is just a **financial planning assumption** in line with the current year's budget principles. A decision has not yet been taken on Council Tax increases for 2024-25 as this would be subject to a political decision.

5.124 An increase of 4.99% in 2024-25 would deliver approximately £7.2m of additional Council Tax receipts over and above what was previously assumed. Therefore if the financial planning

assumption was that there would be no increase in Council Tax the 2024-25 deficit would increase immediately to £17m.

	2023-24 £0	2024-25 £0	2025-26 £0	2026-27 £0
Net Expenditure Budget	826,069	834,496	849,669	869,238
Funding Budget	-826,069	-824,498	-818,641	-828,106
Budget Gap	0	9,998	31,028	41,132

6. Other Funds

- 6.1 The Council also receives ring-fenced grant funding for specific service delivery including Schools and Public Health Services. These are also reviewed within the Council's final budget proposals and detailed below.

Dedicated Schools Grant

- 6.2 School Funding is received through the Dedicated Schools Grant (DSG), and is split into four blocks, each with its own formula to calculate the funding to be distributed to each Local Authority (LA), and with specific regulations on what each block of funding can be spent on.
- **Schools Block** – funds primary and secondary maintained schools and academies through the school's funding formula, and growth funding for new and growing schools.
 - **Early Years Block** – funds the free entitlement for 2, 3 and 4 years olds in all early years settings in the private, voluntary and independent (PVI) sector, as well as maintained nursery schools.
 - **High Needs Block** – funds places in special schools, resource units and alternative provision, and top-up funding for pupils with Education, Health and Care Plans (EHCPs) in all settings.
 - **Central Schools Services Block** – funds services provided by the local authority centrally for all schools and academies (ongoing responsibilities), for example School Admissions, and historical commitments previously agreed between the local authority and Schools Forum such as pension strain costs.
- 6.3 The detailed calculation methodology for each block is explained in Appendix E.
- 6.4 The Education and Skills Funding Agency (ESFA) confirmed the DSG funding allocations for 2023-24 through the schools, high needs and central school services national funding formulae (NFF) on 16 December 2022.
- 6.5 The DSG allocations include a mainstream schools additional grant indicative allocation of £10.7m in the schools block, and £2.5m high needs additional funding through the high needs block for 2023-24. This relates to the Autumn statement announcements and are on top of the

allocations calculated under the national funding formula but are subject to the same DSG grant conditions.

6.6 The table below shows the final published allocations for West Northamptonshire Council.

	Schools Block £m	High Needs Block £m	Central Schools Services Block £m	Early Years Block £m	Total £m
2022/23	320.5	60.9	4.3	26.6	412.3
Provisional 2023/24	327.0	63.7	3.9	26.6	421.2
Final 2023/24	343.5	68.1	3.9	28.2	443.7
Increase /(decrease)	23.0	7.2	(0.4)	1.6	31.4
% Increase / (decrease)	7.2%	11.8%	(9.3%)	6.1%	7.6%

Schools Block

6.7 The Autumn Statement included an announcement that the core budgets in England will receive an additional £2.3 billion of funding in 2023-24 and £2.3 billion in 2024-25, restoring 2010 levels of per pupil funding in real terms, and providing an average cash increase for every pupil of more than £1,000 by 2024-25, compared to 2021-22.

6.8 The increase however, whilst welcome, is still not in line with inflationary cost increases such as energy costs, and rising teachers' wage costs due to cost of living increases and pressures for sector wide salary incentives to avoid serious recruitment and retention problems.

High Needs Block

6.9 The increase in the High Needs Block represents the authority's share of the £965 million national increase for 2023-24. WNC's High Needs Block is increasing by £7.2 million – 11.8% from 2022-23 which is in line with the England average (some authorities have seen increases of up to 13%).

6.10 Nationally, there is an inherent pressure within the High Needs Block relating to the growth in the demand for young people with special educational needs and disabilities (SEND). It is seven years since reforms were introduced to better support children and young people with special educational needs and disabilities (SEND) and the allocation of funding available to support pupils with high needs has become a national issue.

6.11 The current year level of overspend within WNC is forecast at £1.6m but is not currently at a level that requires a recovery plan to be submitted to the ESFA, however the council cannot let cumulative, structural deficits continue.

- 6.12 The existing pressures which have resulted in the High Needs block overspend are expected to continue into future years and this presents risks around affordability of provision for pupils with high needs. Therefore, a range of actions are being proposed or taken as part of the SEND improvement programme to address the predicted financial pressures.
- 6.13 The government announced an extension for the next three years, from 1 April 2023 to 31 March 2026, for the DSG 'statutory override'. This allows councils' SEND deficits to be ringfenced away from their core council budget. Analysis from the County Councils Network (CCN) and the Society of County Treasurers reveals that local authority deficits in SEN are now at approximately £2.4bn in 2022-23 – six times higher than levels in 2018.

Central Schools Services Block

- 6.14 The Central School Services Block (CSSB) comprises two elements, ongoing responsibilities and historic commitments.
- 6.15 The historical responsibilities element for WNC is decreasing by £0.43m to £1.75m in 2023-24. The Government started to reduce this funding in 2020-21 to withdraw this funding, over time with 20% reduction per year, based on the historic commitments local authorities entered before 2013-14.
- 6.16 This reduction leaves a funding gap of £0.43m against the expenditure requirement even after a review of service efficiencies and disinvestments which will be met through the WNC general fund.

Consultation

- 6.17 The Council undertook a school budget consultation running from 1 November to 30 November 2022, and the outcomes from the consultation were presented to the December Schools Forum for voting on where required.
- 6.18 The local authority's proposal to top slice £2.2m from the schools block in 23-24 (as per the 22-23 budget) was not agreed in December by schools forum, which instead opted for a £1.6m top slice (the maximum 0.5% transfer from the schools to high needs block permissible without a disapplication request to the Secretary of State). This is likely to increase the high needs block deficit in 23-24 by £0.6m.
- 6.19 The final schools funding formula remains a local authority decision and the submission to the Education Skills and Funding Agency (ESFA) was made on 20 January 2023.
- 6.20 The Council undertook a budget consultation on planned early years funding arrangements for 2023-24, inviting early years education providers to feedback on the proposals. The consultation ran between 3 January and 27 January 2023 with the roles to be discussed at the February Schools Forum meeting, which includes voting on the local authority proposal to retain 5% of the funding centrally to provide excellent support, advice and guidance. All Councils are required to consult with providers and schools forum annually on their local early years funding formulas, including agreeing central spend by 28 February 2023. Indicative budgets for Early Years providers are to be published by 31 March 2023.

Public Health Grant

- 6.21 The Public Health Grant funds a range of local public health activities that aim to protect and improve the health and wellbeing of the West Northamptonshire population and reduce inequalities in order to enable people to live healthy, happy and productive lives. The Service objectives are defined through Public Health statutory responsibilities, these are categorised under Health Improvement, Health Protection and Healthcare Public Health (three pillars of Public Health) and include:
- Improve the health and wellbeing of individuals or communities through enabling and encouraging healthy lifestyle choices as well as addressing underlying issues such as poverty, lack of educational opportunities and other such areas
 - Provide or make arrangements to provide 0-19 Services including maternity and health visitors, school nurses and weighing and measuring of children
 - Provide or make arrangements to provide for health checks
 - Provide or make arrangements to secure the provision of open access sexual health services in their area
 - Provision of a public health advice service, in relation to commissioning health services to the Integrated Care Board
 - Provide advice and information to the health and care system to ensure health protection.
- 6.22 As at October 1st 2022, the Public Health Service has been disaggregated across both North and West Northamptonshire Council's.
- 6.23 Public Health grant for 2022-23 is £19,107,223 with amounts for 2023-24 to be confirmed. Any additional grant received would be ringfenced for additional public health responsibilities.

7. Capital Strategy and Capital Programme

- 7.1 The Capital Strategy plays a vital contribution to the economic growth of West Northamptonshire and to the effective delivery of front line services. The Council recognises the importance of the Strategy in facilitating the achievement of the organisation's corporate priorities and how those priorities are derived from local, regional and national agendas.
- 7.2 The Capital Strategy is not just about finance, it is a whole organisational approach to effective, long term planning and investment for the benefit of our citizens. However, affordability is a key driver when assessing the Council's capital investment portfolio, and the authority's current policy is to minimise the need for borrowing to fund capital schemes.
- 7.3 The Capital Strategy demonstrates how the Council will make expenditure and investment decisions in line with the Corporate Plan which sets out the Council's priorities. It sets out the

key objectives and broad principles to be applied by the Council when considering capital investment and its funding and provides the context for how the Medium Term Capital Programme seeks to support the realisation of the Council's vision and corporate priorities.

- 7.4 The West Northants Capital Strategy has been updated with reference to the latest Prudential Code and Treasury Management Code of Practice.
- 7.5 The strategy includes the Minimum Revenue Provision (MRP) Policy for the authority. MRP is the amount the authority is required to set aside annually in revenue for the repayment of debt principal. The 2023-24 Strategy, including the MRP policy is shown in appendix F1
- 7.6 The Strategy also provides details of the Council's planned future capital programme and capital funding expectations. The emphasis will be on ensuring a robust mechanism to deliver our priorities within the finances available – as such, the final budget takes into account the schemes already approved in year through Cabinet and Full Council.
- 7.7 Capital proposals were discussed at Star Chambers in September and October 2022. As a result, a number of proposals were identified, many of which required further investigation. Therefore, the draft budget included only proposals which were fully funded and consequently relatively low risk to the council.
- 7.8 Since the draft budget, work has been undertaken to better understand the remaining proposals to ensure that the WNC capital programme is affordable and sustainable. These proposals have been categorised as:
- **Essential / business critical** – These proposals have been challenged to ensure that they are categorised correctly. Failure to undertake these schemes could have several serious consequences for the authority such as breach of contract and breach of health and safety regulations. We are recommending that these schemes are approved.
 - **Part funded** – these schemes have been challenged to ensure appropriate levels of match funding by WNC. We are recommending that these schemes are approved subject to confirmation of funding.
 - **Invest to Save / Income generation / cost avoidance** – Services have been asked to submit further analysis and assessment of cost and savings assumptions. We have also considered any cost avoidance benefits which are difficult to quantify. It is recommended that these schemes are approved subject to further sign off of a detailed business case by Executive Leadership Team and the Capital and Assets Board. The business case should identify revenue budgets where savings will be achieved or outline any identified cost avoidance.
 - **Desirable** – all other schemes have been classed as desirable. Taking into account the overall affordability of the capital programme these schemes have not been put forward for approval at this time.
- 7.9 All proposals are shown in appendix F2.
- 7.10 A summary financial position for the proposals is shown in the tables below.

Final Capital Budget Proposals	2023-24	2024-25	2025-26	2026-27 onwards	Total
	£k	£k	£k	£k	£k
Fully Funded	12,592	12,909	2,250	2,250	30,001
Self-funded borrowing / Invest to save	5,642	40	216	216	6,114
Part funded schemes	8,239	200	200	4,900	13,539
Essential schemes	3,456	6,472	2,911	2,859	15,697
Total schemes recommended for approval	29,929	19,621	5,576	10,225	65,351

Capital financing of new proposals	2023-24 £k	2024-25 £k	2025-26 £k	2026-27 onward s £k	Total £k
Prudential Borrowing	10,162	6,612	3,226	4,675	24,675
Grant Funding	19,667	12,909	2,250	2,250	37,076
External Funding	100	100	100	3,300	3,600
Total Funding for schemes recommended for approval	29,929	19,621	5,576	10,225	65,351

- 7.11 The estimated revenue implications of borrowing for the new proposals is built into future years revenue budget projections and is summarised below:

Revenue implications	2023-24 £k	2024-25 £k	2025-26 £k	2026-27 £k	Total £k
Interest and MRP	365	1,018	1,387	1,664	4,434

- 7.12 A number of schemes have identified revenue savings as part of their proposal. Some of these will represent actual savings against existing budgets and some are through the avoidance of future costs. Cashable revenue savings have been built into the revenue budget.
- 7.13 There are a number of proposals for capital schemes which require more work before they can be included in the capital programme. When they are ready to be considered, they will go through either the in-year appraisal process or through a future year's budget setting process.

Capital Programme by Directorate	Approved Capital Programme (2023-24 to 2025-26)	New Capital Proposals	Total 2023-24 to 2026-27
	£k	£k	£k
Adults, Housing & Communities	19,817	10,350	30,167
Assets and Environment Capital	28,519	13,859	42,378
Children's	31,843	874	32,717
Corporate	402	9,238	9,640
Economic Growth & Regeneration	21,229	0	21,229
Finance	0	1,010	1,010
Highways and Waste Capital	24,060	30,020	54,080
Total	125,870	65,351	191,221

7.14 When added to the existing capital programme, this results in a final general fund capital programme of £191.2m over the four year period 2023-27.

7.15 The tables below summarise the total general fund capital programme

West Northants GF Capital Budget	2023-24	2024-25	2025-26	2026-27 onwards	Total
	£k	£k	£k	£k	£k
Approved Budget 2023-24 to 2025-26 as at Jan 2023	71,330	40,448	14,092	-	125,870
New capital bids	29,929	19,621	5,576	10,225	65,351
Total	101,259	60,069	19,668	10,225	191,221

WN Revised Capital Financing as at February 2023	2023-24 £k	2024-25 £k	2025-26 £k	2026-27 onwards £k	Total £k
Capital receipts	85	85	0	0	170
Prudential Borrowing	29,620	21,807	13,343	4,675	69,445
Internal Borrowing	226	239	0	0	465
S106	6,119	3,750	0	0	9,869
Community Infrastructure Levy (CIL)	14,117	1,000	393	0	15,510
Grant Funding	47,276	22,888	2,632	2,250	75,046
Funded from Reserve	0	0	0	0	0
Revenue Funding	0	0	0	0	0
External Funding	3,816	10,300	3,300	3,300	20,716
Total Funding	101,259	60,069	19,668	10,225	191,221

7.16 The Housing Revenue Account (HRA) capital budget will be presented to Cabinet and Full Council in February as part of a separate HRA budget setting report.

8. Section 25 Statement

8.1 The robustness of the proposed estimates and the adequacy of the proposed reserves must be addressed in the formal report to be made in February 2023 to both the Cabinet and full Council by the Chief Finance Officer (Section 151 Officer). This report is required under Section 25 of the Local Government Act 2003 prior to the Council agreeing its 2022-23 budget.

8.2 The setting of the budget is a function reserved to Council. The Council is required to set a balanced budget each year. In each financial year the Council must make its budget calculation in accordance with Sections 43-47 of the Local Government Finance Act 1992. In particular the Council must calculate the following:

- The expenditure the authority estimates it will incur in the coming year in performing its functions and will charge to the revenue account for the coming year.
- An allowance for contingencies that the authority considers appropriate in relation to expenditure to be charged to the revenue account in the coming year.
- The financial reserves that the authority estimates it will be appropriate to raise in the coming year in order to meet its estimated future expenditure.
- The financial reserves sufficient to meet a revenue account deficit for any earlier financial year that has not already been provided for.

8.3 Cabinet is required to consider the recommendations it wishes to make to Council on the calculations set out above. These calculations determine the Council Tax requirement for the year.

- 8.4 The Council is required to set a balanced budget. Once the budget is agreed by Council, the Cabinet cannot make any decisions which conflict with that budget, although variations and in-year changes may be made in accordance with the Financial Regulations which have been adopted by the Council.
- 8.5 The Council must then issue its precept before 1st March in the financial year preceding that for which it is issued.
- 8.6 When meeting these statutory obligations the Council must have regard to the advice of its Chief Finance Officer appointed under Section 151 of the Local Government Act 1972.
- 8.7 Furthermore, under Section 25 of the Local Government Act 2003 the Chief Financial Officer has a duty to report to the authority on the robustness of the estimates that underpin the calculations required of the Council.
- 8.8 The Section 151 Officer's comments on the robustness of the 2023-24 budget estimates and the adequacy of contingencies and reserves are set out in this report and structured so as to assist Council in making the budget calculations, determining the Council Tax requirement and setting the precept.
- 8.9 The commentary below is structured so as to ensure that Council has advice relevant to each of the calculations that Council must make when setting the Budget:

The expenditure the authority estimates it will incur in the coming year in performing its functions and will charge to the revenue account for the coming year.

- 8.10 Councillors will be familiar with the approach taken by the majority of local authorities to building the base budget for the new financial year.
- 8.11 Firstly, the base budget for the old year is reviewed and adjustments are made for structural deficits and surpluses in the base. These may arise from higher than expected growth in demand resulting in overspends in the previous financial year that continue into the new financial year. Similarly, mitigating savings identified in the old year may also continue into the new year.
- 8.12 Secondly, adjustments are made for pay and price inflation.
- 8.13 Thirdly, adjustments are made for demographic changes which could result in growth in demand-led services such as Children's Services and Adult Social Care.
- 8.14 Finally, assessments are made of the level of income that will be available from different sources to meet the cost of service delivery.
- 8.15 The estimated expenditure and income are then compared and this typically results in the identification of savings targets required to close the gap between expenditure and income.
- 8.16 Each of these points is addressed below.

Base Budget Review 2023-24

- 8.17 The Executive Leadership Team (ELT) has thoroughly reviewed the 2022-23 budget. The 2022-23 budgets are reviewed on a monthly basis as part of the budget monitoring process which has been fully embedded across both Service and Finance Teams. All risks and opportunities are highlighted as part of this process and reviewed by the both the S151 officer and the Executive Leadership Team.
- 8.18 A fundamental part of the budgeting process this year has been a round of budget scrutiny of all of the service budgets which has been referred to as a 'star chamber' process. This involved the leader of the Council, all portfolio holders, the Chief Executive, the Chief Finance Officer and his deputy, other Executive Directors, Assistant Directors, the Director of Transformation and members of the Finance, HR and Transformation teams.
- 8.19 The purpose was to scrutinise all of the current year's budget and get a view from service directors on:
- Current year financial position including recurrent nature of both pressures and mitigating action plans.
 - Trend analysis and modelling on inflationary and demand led pressures currently experienced in 2022-23, including future year projections.
 - Any projects they wish to highlight within the directorate or current issues to be aware of.
 - Any new efficiencies they could propose to help to close the budget gap that was being forecast and savings over the longer term from strategic initiatives.
 - Staffing and vacancy levels, planned recruitment and restructuring plans
- 8.20 The budget proposals have been stress-tested through these 'star chamber' budget workshops, discussions on key financial issues, and robustness challenge sessions with Finance and Transformation staff, as described earlier in this report.
- 8.21 Given the particular challenges in formulating the budget proposals for 2023-24 a further round of 'budget clinics' were introduced this year to scrutinise every line of proposed growth and to seek further proposals to reduce the budget deficit wherever possible. These clinics involved the Chief Executive, Chief Financial Office and his deputy, Executive Directors and Assistant Directors, Finance and Transformation staff and worked well to reduce the budget gap further.
- 8.22 Furthermore, a 'budget robustness' exercise was carried out between draft and final budget to ensure, as far as possible, that the efficiency proposals contained within the final budget were deliverable and services were confident they could be delivered.
- 8.23 The level of base budget contingency has also been maintained to deal with concerns and pressures highlighted by services between draft and final budget.

Inflation and demographic changes

- 8.24 The Council has included provision for a pay award within the budget, as set out within this report. Inflation has also been included for the Council to meet its commitments under the National Living Wage.
- 8.25 The Budget and Medium Term Financial Plan has been prepared using the latest service intelligence and financial information available, incorporating prudent estimates and financial assumptions.
- 8.26 The Council has made realistic assumptions based on the current economic data available to meet the future cost of contractual and other inflationary pressures in 2023-24. The proposed budget takes into account the prevailing national rates of inflation, projected interest rates and relevant service-specific cost indices (such as the building cost index).
- 8.27 The government has allowed local authorities to levy a 2% increase on Council Tax Social Care precept in order to support this service area.
- 8.28 Councillors can take assurance both from the methodologies used and service intelligence applied by officers that lead to estimates of demand-led cost increases.

Income projections

- 8.29 The budget incorporates the latest provisional funding position announced by the government on 19 December 2022 which provisionally set out the central grant funding allocations and business rates baseline for the Council. Within this announcement the government confirmed that both the Fair Funding review and Business Rates Baseline reset will not be implemented within the next 2 yrs. These assumptions have been reflected in the budget and medium term financial position.
- 8.30 With regard to **Council Tax**, the Local Government Finance Act 1992 (as amended by Section 72 of the Localism Act 2011) requires the Council, when setting Council Tax, to determine whether or not the increase is 'excessive'. If the increase is deemed 'excessive', a referendum must be held on the implementation of the increase. An increase is excessive unless it is within parameters determined by the Secretary of State. The parameters set out within the Local Government Finance Settlement for 2023-24 deem that any increase over 5% is deemed excessive (3% on 'core' council tax and 2% on Social Care precept). The Council's budget proposes an average increase of 2.99% in 'core' council tax and 2% on the Social Care precept. Therefore, under the proposals Council tax can be increased without the need for a referendum. The projections of Council Tax income are considered to be an area of low financial risk for the Council in 2023-24.
- 8.31 With regard to fees and charges, all services chargeable to the general public have been reviewed. This is to ensure that the fees and charges for the following year are up to date, meet service needs and are congruent with legislative requirements.

Contingencies

- 8.32 Even with a high level of due diligence, both the current economic conditions and cost of living pressures being experienced nationally are key factors that could put additional pressure on budgets, particularly in relation to inflation, the cost of utilities, service demand and post COVID levels of demand.
- 8.33 As set out earlier in this report, a contingency of £11.1m has been included within the 2023-24 budget to help manage the risk and volatility in relation to these issues. This equates to a contingency of approximately 3%. The contingency will be managed by the Executive Director of Finance in consultation with the Finance Portfolio Holder, with budget transferred to services in 2023-24 if ongoing pressures are confirmed through the Council's monthly budget monitoring process that cannot be mitigated against.

Adequacy of Reserves

- 8.34 The Council holds a number of reserves, as set out earlier within this report. In determining a prudent level of reserves to maintain, the Chief Financial Officer has taken into account a number of factors. These include:
- The latest forecast of the 2022-23 year end outturn position.
 - The scale, scope and deliverability of planned efficiency savings. These have been fully reviewed, risks are known and project plans are in place where required.
 - Any risk and inherent service pressures from demography and demand.
 - The funding settlement from the Government
 - The current and future level of inflation and interest rates.
- 8.35 Reserves are reviewed as part of the Council's budget monitoring process taking into consideration the in year financial position and required drawdown and working closely with services to understand the delivery of one off funded service projects.
- 8.36 Paragraph 5.102 of this report provides an estimate of the levels of reserves anticipated at the end of this financial year and therefore available at the start of 2023-24.
- 8.37 The Section 151 Officer's assessment of the general fund balance is that as a minimum it should cover 5% of the net budget, which would equate to £19.1m (excluding DSG), therefore the general fund balance of £35m comfortably covers the minimum expected level. For a new organisation it would also be reasonable to hold balances in excess of other similar sized unitary organisations to cover any increased uncertainty or risk.
- 8.38 It should be noted that brought forward reserve balances from previous financial years cannot be formally confirmed until the prior year audits on the predecessor Councils have been concluded. At the time of writing, Daventry District Council and South Northamptonshire Council's 2020-21 audits have been concluded, and Northampton Borough Council and Northamptonshire Council's 2020-21 audits are in progress.

- 8.39 The HRA budget setting report highlights that a reasonable level of HRA balances to hold for 2023-24 is £5m.

Concluding remarks

- 8.40 Given the information contained within this report in respect of the process undertaken to formulate the budget for 2023-24 the S151 Officer believes the budget proposals are realistic and robust for all of the areas of spend (revenue and capital) contained within this report and also in respect of the HRA budget which appears elsewhere on this agenda.
- 8.41 Given the information contained within this report in respect of the levels of reserves expected to be at the disposal of the authority the S151 Officer is satisfied that the level of reserves are adequate to support the needs of the authority for both the general fund and the housing revenue account.
- 8.42 Taken together, the S151 Officer believes he has discharged his responsibility under S25 of the Local Government Act 2003.

9. Implications (including financial implications)

Resources and Financial

- 9.1 The resource and financial implications of the Council's draft plans are set out in the body of, and appendices to, this report.

Legal

- 9.2 The setting of the budget is carried out in accordance with the Budget and Policy Framework Procedure Rules set out in the Constitution.
- 9.3 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).
- 9.4 The robustness of the proposed estimates and the adequacy of the proposed reserves must be addressed in the formal report to be made in February 2023 to the Cabinet by the Chief Finance Officer (Section 151 Officer) and then recommended by Cabinet to Full Council. This report is required under Section 25 of the Local Government Act 2003.

Risk

- 9.5 The Budget for 2022-23 included a general contingency of £10.1m in recognition of the risks associated with constructing the budget for West Northamptonshire Council as a new organisation. Work has been undertaken during the year to ensure that detailed budgets properly reflect the staffing establishment and the cost of delivering services. However, given the increased level of risk associated with external economic factors it is proposed that the general contingency remains in place for the financial year 2023-24.
- 9.6 Whilst the progress made in compiling the statutory accounts for predecessor authorities provides some reassurance regarding the levels of inherited reserves, provisions and liabilities,

these accounts are still subject to audit and as such there remains a risk that there may be some changes. The level of balances and reserves is considered sufficient to manage these risks.

- 9.7 Significant risks remain in demand led budgets such as Adult and Children Social Care placements, particularly in light of understanding post pandemic demand levels and the longer-term impact from current hospital discharge levels. There are also potential ongoing impacts on income from fees and charges such as car parking. The Budget has been constructed having due regard to these risks.
- 9.8 The detailed General Fund budgets are subject to continual review and refinement. Since vesting day, Directorates and Finance have worked together, reviewing budgets, prioritised by risk, to ensure they are sufficient to cover West Northamptonshire Council's commitments, this is now embedded within the established budget monitoring process.
- 9.9 The S151 officer has highlighted that he believes the budget for 2023-24 will be a year of further financial stabilisation where financial issues may continue to emerge throughout the year that will need to be addressed. Continuing to incorporate a base budget contingency within the budget plans provides some resource to be able to continue to deal with such issues if they do emerge.

Consultation Process

- 9.10 The draft budget was subject to a full, six-week public consultation exercise which began 21 December 2022 and concluded on 31 January 2023.
- 9.11 There are three statutory instruments underpinning the need for Budget consultation:
- Section 65 of the Local Government Finance Act (1992);
 - Section 149 of the Equality Act (2010), specifically 'Due regard' to [the] impact of proposed changes;
 - Section 3 of the Local Government Act (1999), and Best Value provisions.
- 9.12 The Council undertook an extensive communications campaign to support the consultation and encourage public participation. This included issuing media releases and reminder news articles to 370 newsrooms and individuals (hyperlocal, local, regional and national, print, digital and broadcast). It was promoted regularly through the Council's website, with 14 posts on social media channels reaching more than 60,000 users and generating nearly 5,000 engagements including comments, reactions and click-throughs to the consultation information. The consultation was also promoted in three editions of the council's e-newsletter as well as parish council briefings and through internal channels (e.g. staff) to encourage further participation.
- 9.13 Councillors, local MPs, town and parish councils, partner organisations, voluntary and community sector organisations, representatives of protected characteristic groups, local business groups, and members of the West Northamptonshire Residents' Panel and the Council's Consultation Register were invited to give their views and asked to promote the consultation to their members, or within their local area where appropriate.

- 9.14 Local people, organisations and other interested parties were able to have their say about the Draft Budget proposals in a range of ways, by visiting the Draft Budget Consultation webpage and completing the questionnaire or requesting a paper questionnaire; visiting the Draft Budget Consultation webpage and completing the questionnaire or requesting a paper questionnaire; emailing haveyoursay@westnorthants.gov.uk; writing by post to the council, giving verbal feedback by telephone and posting comments on the Council's social media pages.
- 9.15 A toolkit was also developed to enable user groups/forums to hold their own discussions, and provide their feedback as a collective group.
- 9.16 The Draft Budget 2023-24 Consultation received a total of 1203 responses. 1175 were received via West Northamptonshire Council's online consultation platform, 1 has been received via post, 27 were received by email. Most of the responses received were from local residents (1042, or 89 per cent). 1 response has been received from a group of facilitators that wished to provide a response as a group or organisation. Summary details are provided below with detailed information provided within Appendix H.
- 9.17 Proposal to increase Council Tax by 2.99% to address additional costs to statutory service provision: 31% agree, 56% disagree, 13% neither agree nor disagree or don't know. 417 comments received on proposal. 304 comments received on negative impacts and how these could be avoided.
- 9.18 Proposal to increase Council Tax by a further 2 per cent to fund the increase in costs providing Adult Social Care: 34% agree, 51% disagree, 15% neither agree nor disagree or don't know. 326 comments received on proposal. 168 comments received on negative impacts and how these could be avoided.
- 9.19 Proposal to maximise the income from certain discretionary services in order to support essential services: 30% agree, 52% disagree, 18% neither agree nor disagree or don't know. 355 comments received on proposals.
- 9.20 The invitation to comment on the Draft General Fund Capital Programme 2023-2027 received 148 comments.
- 9.21 Proposal to review services: 26 % agree, 58 % disagree, 16% neither agree nor disagree. 496 comments received on proposals.
- 9.22 Additional comments on the Draft Budget were invited, 97 further comments were received.
- 9.23 Draft Housing Revenue Account (HRA) Budget 2022-23 proposal to increase rent by 7 per cent across the councils housing stock: 42% agree, 27% disagree, 31% neither agree nor disagree or don't know. 172 comments received on proposal.
- 9.24 Draft Housing Revenue Account (HRA) Budget 2022-23 proposal to increase garage rents and commuter surcharges by 10 %: 50% agree, 15% disagree, 35% neither agree nor disagree or don't know.
- 9.25 Draft Housing Revenue Account (HRA) Budget 2022-23 proposal to increase general service charges by 10%: 31% agree, 38% disagree, 31% neither agree nor disagree or don't know.

- 9.26 Additional comments on the HRA Capital Programme were invited, 34 further comments were received.
- 9.27 613 respondents that accessed the consultation questionnaire provided demographic information. 17 confirmed they were responding on behalf of an organisation, and 596 stated they were responding as individuals.
- 9.28 Scrutiny and cabinet members have received regular progress updates throughout the consultation period. It is recognised that the broad range of savings and efficiency proposed within the draft budget proposals to address next year's funding pressures come at a time where households are facing cost of living challenges and difficult financial decisions and this is reflected within the feedback that has been received. Feedback on increasing Council Tax, car parking and waste collection and management feature highly within the consultation.
- 9.29 The content of the public consultation exercise is being considered by Cabinet to further shape the budget recommendations that will be made to Council, with consideration around balancing this feedback with the need to ensure the Council is able to address its severe financial pressures, protect the most vulnerable and meet the rising demand for services.

Corporate Overview and Scrutiny Consideration of the Budget

- 9.30 The Corporate Overview and Scrutiny Committee met on four occasions (either through a public committee meeting or a task and finish group) to consider the draft budget.
- 9.31 Budget scrutiny is included within the work programme 2022-23 for Corporate Overview and Scrutiny Committee (the Committee).
- 9.32 **Meeting 1 (7 November 2022)**- The Committee commenced its budget Scrutiny process for 2023-24 focussing on the Northamptonshire Children's Trust budget and the key cost drivers to the Children's Trust budget. At this meeting the Committee agreed it would undertake budget scrutiny over a series of four meetings.
- 9.33 **Meeting 2 (5 January 2023)**– The Committee considered the approach they were going to take for the rest of budget scrutiny.
- 9.34 **Meeting 3 (10 January 2023)** – The committee scrutinised the draft Budget 2023/2024 putting key questions to the Leader of the Council, Assistant Cabinet Member for Finance and the Executive Director for Finance (Chief Finance Officer) on key areas of the budget.
- 9.35 The Committee also identified three areas of the draft budget to focus on:
- Fees and Charges
 - Capital Programme
 - Care – Robustness of Budgets
- 9.36 The Committee requested:
- Interim results of the Budget Consultation process as they are received, and these have been provided

- For the capital and revenue budget to be mapped to the priorities of the Council and this has been provided.

- 9.37 **Meeting 4 (31 January 2023)** – At this meeting the Committee, which took the form of a Task and Finish Group of the whole Committee, Members received a short update on the draft Budget by the Chief Finance Officer who made reference to any changes that had emerged since the draft budget 2023-24 was produced.
- 9.38 Following the short address of the Chief Finance Officer, the Task and Finish Group then split into three breakout groups, each looking at one of the key areas of the draft budget that had been identified previously. The lead councillor from each breakout group fed back the views and comments of each of the breakout groups. Each breakout group had 45 minutes to consider the key areas.
- 9.39 **Meeting 5 (6 February 2023)** – The Committee will be meeting (after the publication of this report) to collate their findings from the budget scrutiny process and make recommendation to Cabinet on the budget. This will be sent as an appendix “to follow”.

Community Impact/Equalities

- 9.40 The Council has a strong commitment to equality and diversity. This means considering how all groups and individuals within our community get the services they require and are not disadvantaged, and that services are available to them to meet their needs. Equality Impact Assessments help the Council to make informed decisions and to ensure that those who share a protected characteristic are not disproportionately negatively affected by any proposed changes.
- 9.41 The potential impact of the proposals on those groups has been assessed and, taking into account mitigating action that is planned or that is in place, of the ESAs completed some have led to the need for a full EQIA and these will be published once consultation has concluded and before budget proposals are finalised.
- 9.42 The Equality Impact Assessments will be reviewed again following an analysis of the results from the budget consultation process.

Climate Impact

- 9.43 All proposals have been reviewed and considered on an individual basis for any environmental impact.

10. Background Papers

- 10.1 The following documents disclose important facts on which the report is based and have been relied upon in preparing the report

- Autumn Statement – November 2022
[Autumn Statement 2022 HTML - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/speeches/autumn-statement-2022)
- West Northamptonshire Council budget 2022-23, approved 24 February 2022
[Agenda for Council on Thursday 24th February 2022, 6.00 pm - West Northamptonshire Council \(moderngov.co.uk\)](https://www.moderngov.co.uk/agenda/council/24th-february-2022)
- West Northamptonshire 2023-24 Draft Budget and Medium Term Plan, approved 20 December 2022
[Agenda for Cabinet on Tuesday 20th December 2022, 6.00 pm - West Northamptonshire Council \(moderngov.co.uk\)](https://www.moderngov.co.uk/agenda/cabinet/20th-december-2022)
- Local government Provisional Settlement announced on 19 December 2022
[Provisional local government finance settlement: England, 2023 to 2024 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/provisional-local-government-finance-settlement-england-2023-to-2024)