

# WEST NORTHAMPTONSHIRE COUNCIL CABINET

13<sup>th</sup> FEBRUARY 2024

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

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**Report Title**                      **2024-25 Final Budget and Medium-Term Financial Plan**

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## Approvers

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<b>Head of Communications</b>	Becky Hutson	5 <sup>th</sup> February 2024

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## 1. Purpose of Report

- 1.1 This report sets out the 2024-25 final budget 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 that it 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 and strategies:
  - Revenue Budget 2024-25
  - Dedicated Schools Grant Budget 2024-25
  - Public Health Grant 2024-25
  - Medium Term Financial Plan to 2027-28
  - Capital Strategy and Capital Programme to 2027-28
  - Flexible use of Capital Receipts Strategy 2024-25
  - Treasury Management Strategy
  - Reserves forecast 2024-25
- 1.4 The budget presented within this report includes consideration of the budget consultation process and feedback. The process enabled 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 Budget proposals have also been subject to further review and comment through the Overview and Scrutiny Committee. Their observations and recommendations are included as an Appendix (I).
- 1.6 Since the publication of the draft budget, the Government published the 2024-25 Provisional Local Government Financial Settlement in late December 2023. This report includes updated funding assumptions reflecting the changes announced in the provisional settlement.
- 1.7 The Final Settlement will be announced by Government in February 2024, which may result in further changes to funding allocations for the Council, therefore delegated authority is also sought through this report to enable corrections in the budget to reflect that.
- 1.8 Since the draft report in December the Council has also undertaken further review of the budget proposals included within this report alongside any key financial assumptions applied at draft budget stage, to ensure the budget remains robust and deliverable and is based on the latest intelligence and information available.

1.9 Cabinet will consider the final budget for 2024-25 at this meeting (13 February 2024) for recommendation to the Full Council meeting on 22 February 2024.

## **2. Executive Summary**

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2.1 West Northamptonshire Council provides a large range of services to residents and businesses across the area including care to vulnerable adults and children, education, the collection, recycling and disposal of waste, leisure and community wellbeing, highways, planning, economic development, environmental services, libraries and cultural services, housing benefit, council tax support and 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 line with our statutory duties and in the most cost-effective way possible, as well as supporting our ambitions for place and the environment.

2.3 Now in its third year of operation, the Council continues to drive forward the delivery of the Corporate Plan and its key corporate priorities. This is still being done against a backdrop of rising local and national demands, continued global economy issues and a tight fiscal environment, within the current financial year and across the medium-term horizon.

2.4 During 2022-23 the Council worked tirelessly to manage the in-year financial position and was successful in broadly coming in on balance at the year end.

2.5 Throughout 2023-24 the Council has continued to experience the financial impact of both increasing costs for the services we buy and provide and rising demand pressures on key service areas. This is in line with the experience of many other local authorities across the country and reflects the key issues impacting local government on a national level, including:

- Inflationary and cost of living pressures impacting on the cost of providing services and the number of people needing our help.
- Demand led and cost pressures within Children and Adults Social Care statutory services.
- Increasing costs and demand for the services we provide to Children with special educational needs and disabilities (SEND).
- Increasing costs and demand for home to school transport provision.
- Increase in demand for temporary accommodation and increased levels of homelessness.

2.6 The full year impact of these in-year (2023-24) financial pressures and the effect of sustained and significant increases in demand-led services going forward, have driven material growth in the budget requirement highlighted at the start of the 2024-25 budget planning process. This has

been seen alongside an increased level of complexity and financial risk when planning across the medium term.

- 2.7 The Council has a robust budget planning and setting process, which, this year, began in June 2023 giving senior officers and Cabinet members an opportunity to challenge, scrutinise and validate all budgets' proposals. This guided the Council through an extremely challenging budget-setting process and was critical in enabling the delivery of a balanced and robust 2024-25 budget.
- 2.8 To help maintain and protect the required levels of service provision, the final 2024-25 budget includes a core average Council Tax increase for West Northamptonshire Council of 2.99% in line with the maximum limit set by Government and confirmed within the provisional settlement, without triggering a local referendum, as well as utilising the allowable adult social care precept increase of 2% in full. The combined total results in a proposed increase by WNC of 4.99% on the average Council Tax calculated for the West Northamptonshire area.
- 2.9 The Council Tax increase and growth in properties will contribute around £13.1m per year, to be used to protect local service provision. It would represent West Northamptonshire Council's part of the Council Tax, based on an average Band D property, of £1,778.25 in 2024-25, equivalent to £34.20 per week. The average proposed annual increase since last year on a Band D property across the area would be £84.52, or £1.63 per week. This Band D figure does not include the Council Tax for individual town and parish councils or the precept set by the Office for the Northamptonshire Police, Fire and Crime Commissioner.

### **2024-25 Revenue Budget Headlines**

2.10 Key headlines for the 2024-25 final budget include:

- Setting a balanced budget, based on the latest information 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 and the delivery of the Corporate Plan can be met despite significant increases in demand and cost of statutory services.
- £60.4m of additional base budget growth which reflects the increased demand for services encountered in this financial year and expected next year.
- Identifying service efficiencies of £24.1m which maintains and protects services as much as possible and the ongoing development of strategic initiatives to help reduce and prevent demand in the medium term.
- Fees and Charges reviewed and where appropriate increased to reflect increased cost of service delivery or an inflationary uplift, where residents and businesses have a choice about whether they wish to use that service or not.

- Average Council Tax increase of 4.99%, taking the average charge of WNC's part of the Council Tax for a Band D equivalent property to £1,778.25 for the year, in line with the maximum increase permitted by Government without the need for a referendum.

### **3. Recommendations**

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3.1 It is recommended that the Cabinet:

- a) Approves the 2024-25 Budget for West Northamptonshire set out in this report, and recommends the Budget to the Full Council meeting on 22 February 2024, including;
  - I. an estimated net revenue budget of £889.5m (£414.5m excluding Dedicated Schools Grant) as set out in Appendix A.
  - II. an average Band D Council Tax of £1,778.25 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 as detailed in Appendix D.
  - IV. Dedicated Schools Grant budget of £475m as detailed in Section 7 and Appendix E.
  - V. Capital Strategy additions as set out in Appendix F1 and 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) Note the final tax base for West Northamptonshire at 142,664.60 Band D equivalent properties, as set out in paragraph 5.91.
- c) Recommends the following to Full Council on 22 February 2024, to ensure that the revenue and capital budget and all associated financial policies can be delivered from 1 April 2024 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 2024-25 as a result of final confirmation of the local government finance settlement, or as a result of unforeseen commitments; in consultation with the Cabinet Member for Finance.
  - II. To delegate authority to the Executive Director - Finance in consultation with the Cabinet Member for Finance to amend the capital programme for 2024-25 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 5.103.

- 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 £10.0m if required in the year.
  - VI. To note the Executive Director – Finance has delegated authority to amend fees and charges.
- d) For the Dedicated Schools Grant (DSG):
- I. Notes the provisional allocations and planned usage of the DSG for 2024-25 pending the final DSG settlement.
  - II. Following consultation with the Schools’ Forum, delegates authority to the Executive Director for Children’s Services to determine the DSG 2024-25 schools funding formula, high needs funding arrangements and the Early Years Funding Formula in line with Department for Education guidance.
- e) Considers the Section 25 statement of the Chief Finance Officer detailed in section 8 of the report.
- f) Notes the consultation feedback on the budget in Appendix H.
- g) Notes the feedback from the Overview and Scrutiny Committee in Appendix I.
- h) Delegate authority to the Executive Director – Finance to take the necessary steps to introduce the new premiums on long term empty properties and second homes at the earliest opportunity as set out in paragraphs 5.94 to 5.96.

#### **4. Reason for Recommendations**

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- 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**

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- 5.1 The 2024-25 budgets of West Northamptonshire Council will comprise the:

- General Fund
- Dedicated Schools Grant (DSG)
- Public Health Grant
- Capital Programme
- Housing Revenue Account (subject to a separate report on the same agenda).

- 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 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 to enable people to live healthy, happy and productive lives.
- 5.5 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.
- 5.6 The Housing Revenue Account includes all revenue expenditure and income on activities related to the Council's role as a housing landlord.

### **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, children 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 budget principles set out below underpin the Corporate Plan to ensure robust resource management:
  - a. The Council will set a balanced budget, based on the latest intelligence and information available.
  - b. The budget will be prudent and sustainable, reflecting the levels of service and performance set out in the Council's Corporate Plan.

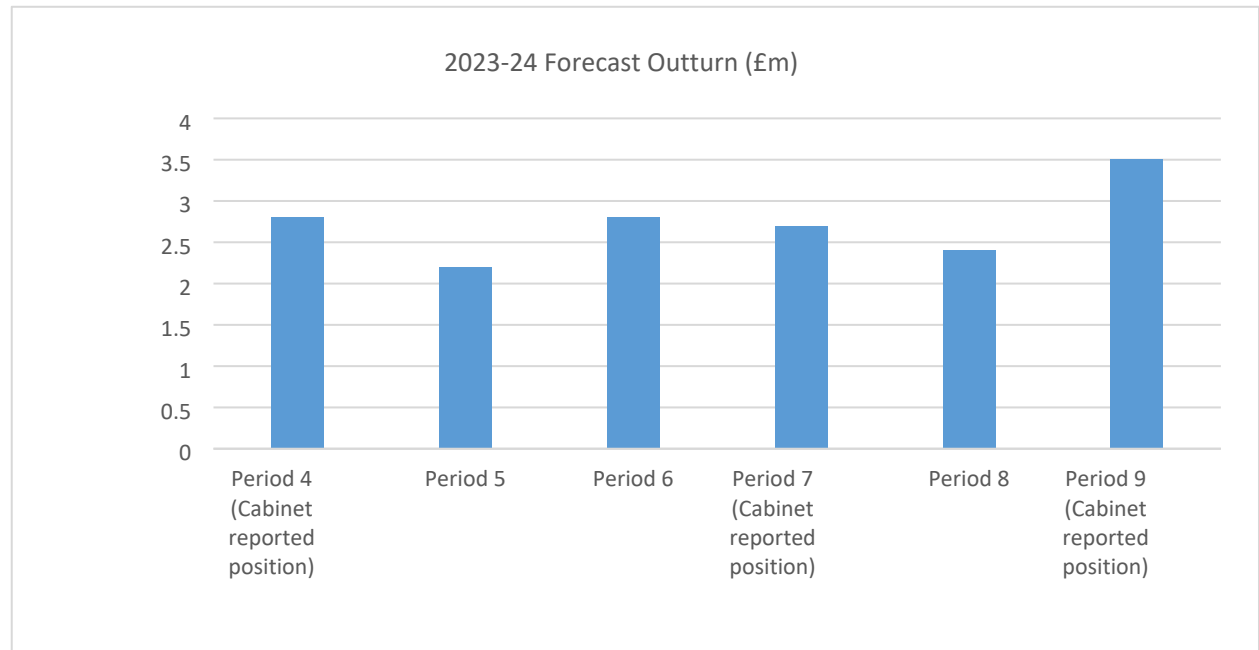
- c. Resources will be maximised through increases in Council tax and (for the HRA budget) Housing Rents to the maximum levels allowable by the Government.
- d. Income streams from fees and charges will be maximised through increases where appropriate after considering market conditions.
- e. A commitment to maximise service efficiencies to maintain and protect services.
- f. Opportunities to invest in improved services or long-term efficiency initiatives will be explored. Investment decisions will consider both capital and revenue implications, including whole life costs and income, underpinned by a business case.
- g. Non-statutory service investment will need to be funded by matching efficiencies once the Council has identified a balanced budget.
- h. Reserves will be used for the purpose for which they were created and maintained at a level that protects services to residents.

### **Financial Position 2023-24**

- 5.10 The current financial year (2023-24) has seen the continuation of challenging micro and macro-economic factors, including:
- Inflationary and cost of living pressures impacting on the cost of delivering of services and the amount of people presenting to us with need
  - Increase in demand and cost in the following key areas and statutory duties;
    - Temporary accommodation and increased levels of homelessness
    - Children's and adult social care provision
    - SEND provision
    - Home to School transport
  - The inflationary pressure from third party suppliers
  - The ongoing pressures seen in construction and other supply chains
- 5.11 The 2023-24 Period 9 report, which is presented as a separate agenda item, is currently forecasting an outturn pressure of £3.5m which is an increase of £0.8m from the position reported previously to Cabinet in December 2023. Whilst this variance is less than 1% of the net budget focus continues with services management teams working towards the delivery of a balanced position, as far as possible, for 2023-24.
- 5.12 Whilst the forecast spending for 2023-24 has been quite stable, the latest increase in cost pressures reflect the ongoing challenges in managing demand led budgets. Where significant pressures have been identified, as detailed above, there have been ongoing actions to mitigate



pressures and the overall corporate position from month to month has not changed as significantly as the previous year (2022-23) as can be seen from the table below:



## Revenue Budget 2024-25

### Budget Refresh

5.13 Given the complexity of the budget setting process and extremely difficult financial challenge of preparing a balanced budget, the 2024-25 budget process started earlier this financial year beginning in June 2023 with a budget refresh exercise. This enabled service review of the existing budget proposals including assessment of both recurrent risks and efficiency and improvement opportunities emerging within the 2023-24 in year monitoring process. It also allowed us to assess any impact from changes in economic conditions or service specific intelligence received since the 2023-24 budget was set.

5.14 The budget refresh process was key to give an indicative baseline position prior to the commencement of the 2024-25 budget and star chambers process. The budget gap that materialised through the budget refresh process resulted in an increase from the predicted funding gap of £10m assumed for 2024-25 when we set the budget last year, to a revised budget gap of £31.7m. The increase was primarily due to unforeseen service pressures being encountered in the 2023-24 financial year and described above.

### Star Chambers Process

5.15 The 2024-25 budget process continued to use the 'Star Chambers' approach, with service sessions throughout September 2023 to review and finesse both the outcome from the budget refresh exercise and to identify new emerging pressures and savings opportunities.

5.16 This process was a collaborative approach to budget planning and addressing the financial gap, which was owned across all of the Executive Directors and their directorate leadership teams and key to ensuring the Council could balance its budget. These sessions involved the Leader of the Council, Cabinet Portfolio Holders, the Chief Executive, the Chief Finance Officer, the Assistant Director (Strategic Finance), other Executive Directors, Assistant Directors and members of the Finance, HR, DTI, Communications and Property and Estates Teams.

5.17 The purpose was to scrutinise the current year's budget and get a view from service directors on:

- The in-year financial position including recurrent nature of both pressures and mitigating action plans
- The outcomes from the budget refresh exercise including inflationary and demand led pressures
- New efficiencies and income generation opportunities in both in 2024-25 and over the medium term
- New emerging essential cost pressures identified within the current financial year
- Current projects in delivery and potential pipeline projects
- Opportunities to drive operational efficiencies through technology, restructuring and other means
- New schemes proposed for the capital programme, and
- How services benchmarked in terms of spend and cost

5.18 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.

### **Budget Clinics**

5.19 Budget clinics took place with Directors to follow up on actions from Star Chambers and to review further efficiencies and income generation proposals that could be explored and contribute towards reducing the budget gap.

### **Government Funding Review - Provisional Local Government Financial Settlement 2024-25**

5.20 The Provisional Local Government Financial Settlement was published on 18 December 2023, providing provisional details on central government funding assumptions and grant allocations for 2024-25. For the Council this resulted in a reduction in funding of £1.8m from draft budget due to the reduction in specific grant funding allocations.

- 5.21 The Council responded to the Government's consultation on the provisional settlement highlighting concern about the financial pressures currently being faced and specifically highlighting the estimates on Council Tax income for the Council included in their calculations were overstated which in turn restricted the amount of minimum income guarantee funding received.
- 5.22 On 24 January, the Government announced additional funding of £600m for Local Authorities ringfenced to Adults and Children's Services. We have estimated that West Northants will receive approximately £3.5m of this additional funding. This in no way addresses the scale of current and predicted growth in terms of demand and the cost of care in these services but it has been incorporated into these final budget proposals. However, the actual detailed allocations for authorities will not be released until the final settlement details are issued.
- 5.23 The Final Settlement is expected to be announced in early 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 2024-25, and delegated authority is sought to update the budget accordingly.

#### **Robustness Sessions**

- 5.24 In January, following the publication of the draft budget, Directorate budget robustness sessions were undertaken to further review budget proposals to ensure robust delivery plans are in place. This process involved the Chief Executive, Chief Finance Officer and his deputy, other Executive Directors, Assistant Directors and members of the Finance team.
- 5.25 These sessions enabled a further detailed review of each draft budget savings proposal and assessment to ensure that plans are in place and progressing to ensure delivery. Where proposals have been identified as high risk, these have been removed.
- 5.26 The sessions were also an opportunity for services to highlight any emerging issues or risks they were aware of so consideration could be given as to whether they should be incorporated into the final budget or not. Risks were highlighted in Adult Social Care regarding the cost of care for commissioned providers, Concessionary Travel and Temporary Accommodation but these were not incorporated into service budgets as mitigations were also presented to manage the pressures within the service as much as possible. However, there was an acknowledgement that if the service could not manage these emerging pressures they would need to be underwritten by the base budget contingency.

#### **Cabinet and Senior Management Team meetings**

- 5.27 Cabinet received regular briefings throughout the budget process and individual portfolio holders were engaged in the details and decisions for their areas.
- 5.28 Cabinet met informally to consider all of the budget proposals and to determine which ones should be incorporated into the draft budget proposals.

- 5.29 The proposals contained in the final budget appendices stem primarily from these processes to ensure there is a robust budget in place, concerns are listened to and addressed and that there is collective responsibility, ownership and delivery of the proposed budget for 2024-25.
- 5.30 Corporate Overview and Scrutiny Committee have also been engaged much earlier in the process and received details on the initial budget gap and the proposals being considered to balance the budget. This is following a commitment last year to engage with the Committee earlier and in a more meaningful way.
- 5.31 Feedback and recommendation from the Overview and Scrutiny Committee review is presented in a separate report within Appendix I.

### **Changes from Draft to Final Budget**

- 5.32 Budget movements between Draft and Final Budget 2024-25 are detailed in Appendix C, with a summary of the changes detailed below in Table 1.

<b><i>Funding Changes</i></b>	<b>£k</b>
Provisional Settlement reduced grant income	1,835
Increase in Council Tax income	(879)
Business Rates Income	(2,795)
Estimated impact of further announcement on additional grant funding - allocations to be confirmed in the final settlement	(3,485)
<b>Increase in funding assumption</b>	<b>(5,324)</b>
<b><i>Service Budgets</i></b>	
Increase in General Contingency base budget	3,361
Borrowing costs recalculated to reflect final Capital Programme Growth	1,264
Increase in Bad Debt Provision	500
Minor Adjustments	199
<b>Movement in expenditure</b>	<b>5,324</b>
<b>Net Movement</b>	<b>0</b>

- 5.33 Key changes from the draft budget are driven in the main by changes in funding assumptions applied, the changes are based on both the provisional settlement information and the latest intelligence confirmed on taxbase growth and a review of base budget pressures.
- 5.34 At the draft budget stage it was highlighted that the budget plans proposed were inherently more risky than in previous years as the base budget contingency had been reduced to £5m and not all unavoidable growth requested and evidenced by services was awarded to services. Instead,

growth was restricted to 90% of the amounts requested which in effect create an immediate additional efficiency target for services,

- 5.35 Furthermore, the budget robustness sessions held between draft and final budget highlighted concerns and risks not included in the draft budget within Adult Social Care, Concessionary Travel and Temporary Accommodation. As there was no certainty on the likelihood of these risks actually materialising, it was agreed not to increase budgets in these areas but recognise and underwrite the risks using the general bases budget contingency.
- 5.36 As a result of these three factors it is proposed that the additional anticipated net funding is added back to the General Base Budget contingency taking it up to £10m recognising the need to safeguard against the risks highlighted above.

#### Funding Changes

- 5.37 Within the provisional settlement announced on 18 December 2023 the Council's government grant allocation was reduced overall by £1.8m, which was largely due to a material reduction in the level of 2024-25 Services Grant. This grant has been reduced and reallocated in part to fund increases in other settlement grants, with no overall incremental increase to support the increased demand led pressures being experienced by the council.
- 5.38 Following the provisional settlement further analysis has been undertaken to confirm both Council Tax and Business Rates 2024-25 income streams. This has resulted in an increase in an overall increase of £3.7m.
- 5.39 On the 24 January, the Government announced further funding for Adults and Childrens Social Care in addition to that confirmed within the provisional settlement. This ringfenced budget is to be allocated as part of the Adult Social Care grant, the final budget includes an estimated allocation for the Council of £3.0m to be confirmed in the final settlement. In addition to an increase in social care funding the Government also committed to additional funding to Local Authorities through increasing the minimum funding guarantee to 4%, along with an increase in Rural Services Delivery grant. All assumptions are to be confirmed in the final settlement but as included in the table above the final budget proposals estimate this to be a total increase in Government Grants of £3.485m.

#### Base Budget Changes

- 5.40 Through the budget robustness clinics base budget pressures and savings proposals were reviewed and adjusted for based on the latest information available. The most material of which is additional treasury growth which has been included to reflect the revenue impact of growth within the capital programme.

- 5.41 The changes as a result of the robustness clinics are net growth of £2.0m made up of an increase in the corporate bad debt provision of £0.5m, revised borrowing costs, based on the final capital programme of £1.3m and £0.2m of other smaller budget adjustments.
- 5.42 The balance of funding of £3.4m has been utilised to increase the level of general contingency held within the budget, which is vital to manage potential budget fluctuation and volatility in 2024-25, as has been the case in both 2022-23 and 2023-24.

### **Transfer of functions from the South East Midlands Local Enterprise Partnership (SEMLEP)**

- 5.43 The South East Midlands Local Enterprise Partnership (SEMLEP) was established in 2011, as one of 39 Local Enterprise Partnerships (LEPs) set up by the Government to drive economic development in England. The SEMLEP geographical region covers six local authority areas (West Northants, North Northants, Milton Keynes, Bedford, Central Beds and Luton) and provides principal functions of strategic economic planning, the growth hub which supports and strengthens business and careers hub which links schools and colleges with employers to create world-class careers opportunities. In 2023 the Government announced that it would cease core funding of LEPs from April 2024 and for these functions to be delivered by local authorities.
- 5.44 Since the publication of the draft 2024-25 WNC budget, it has been agreed by the six local authorities that these principal LEP functions will transfer to West Northamptonshire Council as host and accountable body from April 2024.
- 5.45 The 2024-25 expenditure budget is anticipated to be in the region of £1.9m which is made up of £0.6m of operational costs such as rent, marketing, consultancy and management fees. The remainder is salary costs for twenty-four staff members.
- 5.46 The Local Enterprise Partnership services will be met with income from various sources such as funding from Department for Levelling up Housing and Communities, Department for Business and Trade, and Careers and Enterprise Company through the Department for Education. The use of approved SEMLEP reserves through the Growing Places Fund will also be utilised for the first year of West Northamptonshire Council's management.
- 5.47 The LEP arrangements will be reviewed in 2024-25 to review how the ongoing costs will be funded without reliance on one-off funds.

### **Final Budget 2024-25 Proposals**

- 5.48 The proposed 2024-25 budget proposals are summarised below and set out in detail within Appendix B.

#### *Pay related costs – Total £7.5m*

- 5.49 The final budget includes pay-related costs of £7.5m which includes the following:
- Cost of living increase for 2024-25 equivalent to an overall 4.5% increase.

- Contractual and non-contractual increments for staff not at the top of their pay grade for 2024-25.
- Base budget adjustment for the final costs of the 2023-24 annual pay award.
- Review of pay grades incorporating increases in national living wage.

*Contract Inflation – Total £14.0m*

- 5.50 Contractual Inflation of £14.0m has been included in the final budget. These are contractual commitments reflecting a number of inflation indices across all services. Key movement from prior year inflation is driven by the reduction in required growth for utilities inflation reflecting the national picture of reducing energy inflation rates.
- 5.51 Adult Social Care inflation proposals total £7.8m for 2024-25, which includes inflationary cost related pressures across independent care provision such as residential and nursing placements, homecare, supported living and day care.
- 5.52 The Place and Economy Directorate proposals include contract inflation proposals totalling £5.2m 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' streetlights and utilities contracts. The movement from draft budget includes the realignment of £1.5m Home to School transport inflation to unavoidable growth, this is to reflect the prior year growth element within the proposal.

*Unavoidable Base Budget Pressures – Total £38.8m*

- 5.53 The most material of these pressures are as follows:

**Children's Trust**

- 5.54 From 1 November 2020, the Northamptonshire Children's Trust (NCT) was set up to deliver children's social care and targeted early help on behalf of Northamptonshire County Council, and since 1 April 2021 these services have been delivered on behalf of North Northamptonshire Council and West Northamptonshire Council. Our Trust has a business plan that it is working to and based on a number of shared objectives around improving the outcome for children and service delivery plans designed to improve practice and meet financial imperatives as we continue on the improvement journey.
- 5.55 Making a difference to children, young people and families is a priority for West Northamptonshire Council as a joint owner of Northamptonshire Children's Trust because the trust is the way that we fulfil our statutory duties to our children. Our Trust has made good progress in terms of the Ofsted focus areas with improvements seen in the workforce, in practice and in outcomes and this was highlighted in the Ofsted focus visit of October 2023. We have worked closely with our Trust to agree financial proposals contained within the NCT 2024-25

contract sum submission that will build on this progress and our joint aim of securing a judgement of 'good' at the next Ofsted inspection (expected to take place October 2025).

- 5.56 Progress towards this was praised by inspectors as being encouraging, they highlighted the tangible progress being made and the commitment of colleagues at the Council and the Children's Trust working in partnership to continue improving services, alongside targeting areas where we know we still need to improve.
- 5.57 A core contract sum totalling £177.4m has been agreed for 2024-25 – a net increase across the County of £26.5m from the current year, which is indicative of the national picture of rising costs of children's social care and lack of supply of placements (£11.3m) and demographic growth (£2.7m). It also includes a structural deficit position informed by the forecast outturn for this financial year (£21.5m) as these pressures on placement, demand and inflation have materialised. These pressures are reduced in part by savings proposals totalling £9.0m.
- 5.58 The WNC share of the agreed Children's Trust contract sum is £99.1m, which is a £14.8m increase from the current year which is included as an unavoidable base budget pressure. It is important to highlight that unlike the other service areas the full unavoidable pressure was given to the Trust. This recognises the improvement journey is ongoing and that the wide ranging transformation work we are doing with the Trust will take time to impact demand into the trust, the costs paid for care and in time reduce children in care, the use of agency staff and help make the trust more operationally efficient.
- 5.59 In addition to this, one-off revenue investments totalling £3.3m are included in the budget recognising further investment required in the improvement journey and to deliver efficiencies through transformation. This funding is contingent upon completion and submission of business cases and will be released following approval through a joint board that has been set up to oversee transformation and efficiencies.

### **Adult Social Care**

- 5.60 Adult Social Care Services are experiencing a continued increase in demand led pressures on independent care budgets and nationally it has once again risen to one of the most pressured areas for many councils. This increase has resulted in 2024-25 growth proposals of £12.0m, including;
- £6.9m structural budget adjustment, reflecting the full year effect of 2023-24 independent care placements demand and cost pressures above base budget driven by more people staying in placements for longer, people living longer and an increased pressure from our hospital discharge pathways.
  - £4.4m 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).

- Additional growth of £1.0m to support the hospital discharge process matched by an expected increase of the same value in the Adults Discharge Grant.

### **Home to School Transport**

- 5.61 There is an additional growth requirement of £3.7m to support pressures currently being experienced in the delivery of home to school transport, which is reflective of current national trends and driven by a combination of Special Educational Needs (SEN) demand led pressures in terms of both numbers of eligible users, the complexity of needs and significant increases in costs from suppliers.
- 5.62 This includes allowance for both demographic growth and full year effect of 2023-24 demand pressures totalling £2.8m along with £0.9m contractual inflation.

### **Temporary Accommodation**

- 5.63 Housing services also require additional budget growth totalling £1.3m to reflect the current pressure being experienced, and which includes an increase of £0.4m from draft to final budget to adjust for current levels of demand being experienced within 2023-24. The additional requirement since draft will be offset by Homelessness Prevention Grant so will not have a net impact on the budget.
- 5.64 This also mirrors the national picture with an increasing number of cases in 2023-24 requiring emergency accommodation alongside increasing costs of expensive nightly purchased accommodation. This is exacerbated by the national trend in no-fault evictions by landlords, the cost-of-living crisis impacting debt and rent arrears and the shortage of suitable private or public sector accommodation.

### *One-off Budget Pressures - Total £4.5m*

- 5.65 One-off pressures are time limited expenditure and funded via one-off funding. This includes growth where there is uncertainty about the timing or impact of a planned change, for specific projects or invest to save schemes. The main scheme included;
- £3.3m of jointly agreed and funded transformation activities to support the Children's Trust in its improvement journey and to make it more efficient in its service delivery.

### *Efficiencies and Income Generation – Total £24.1m*

- 5.66 A total of £17.0m efficiencies and £7.1m income generation proposals are included in the final budget for 2024-25. These proposals have been aligned into key themes as detailed below with full detail provided in Appendix B.

5.67 This category has been broken down into the following themes:

• Charging and Income	£7.1m
• Demand and Prevention savings	£0.5m
• Process and Policy savings	£5.9m
• Redesign and Reorganisation savings	£9.7m
• Buying and Commissioning savings	£0.1m
• Technical savings	£0.8m
• <b>Total Efficiencies and Income Generation</b>	<b>£24.1m</b>

5.68 The final budget efficiency and income generation proposals have been subject to review and scrutiny through both the Star Chambers and Budget Clinic processes, including deliverability assessment and as such only green and amber proposals have been included. The robustness of the savings proposals has been further tested between draft and final budget through a series of 'budget robustness' workshops.

*Charging and Income: - Total £7.1m*

5.69 These proposals are based on service review of existing charging models to ensure the Council fees are aligned with national benchmarks, we are maximising income and we have identified all grant funding opportunities. Where appropriate this means maximising income generation, ensuring inflationary increases are incorporated or identifying opportunities for new income generation. They also include, in the case of planning, nationally set fees and charges. Key proposals include:

- An estimated increase in treasury management investment income due to higher interest rate yields of £1.5m.
- An estimated increase in planning income of £1.0m following Government confirmation of increasing in planning application fees in December 2023.

5.70 Movement from draft to final includes an additional £0.9m, including the utilisation additional of funding to support demand led pressures within Temporary Accommodation and within corporate services ensuring DTI project resource is charged to the projects they are supporting.

*Demand and Prevention – Total £0.5m*

5.71 These proposals specifically focus on the review of key service areas experiencing demand led pressures and management of demand levels through the implementation of both prevention strategies and demand management solutions. These will be delivered over a number of years as many of the activities will take time to deliver savings. Key proposals include:

- £0.3m efficiency proposal delivered through the further development of the overall Temporary Accommodation programme including focus on both demand management and prevention strategies along with reducing the use of expensive nightly accommodation.

5.72 In 2024-25 the Council will be progressing a number of transformation activities working with the Children's Trust, SEND teams, customer services, Local Area Partnerships (LAPS) and family hubs to increase the Council's early help offer and do more to prevent families and people moving into crisis. While prevention is, by its nature, a long-term strategy, we are identifying more areas where early intervention offers short, medium and long-term efficiencies. This is particularly the case in the demand led services. Strategies and business cases for these are being developed but we are not yet at a point that they could be included in the budget.

5.73 There are now 32 projects being progressed within the Children's Trust whose leadership team are working closely with both councils and the DFE. Specific transformation programmes on the front door, prevention and early help proposals are currently being developed and based on business cases being approved by the new joint Transformation and Efficiency Board, funding from the separate reserve outlined will be released.

*Process and Policy – Total £5.9m*

5.74 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:

- £1.7m efficiency to be delivered through a targeted reduction in the use of temporary agency resource.
- £1.0m through the realignment of budgets to reflect current levels of vacancies.

*Redesign and Reorganisation - Total £9.7m*

5.75 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:

- £1.7m Strength based working reablement – Restructure of the service has increased the number of people who will benefit from reablement and therapeutic intervention reducing the need for long term care spend.
- £2.1m Positive Living Outcomes - Implementation of a four year Supported Accommodation Strategy that will provide people with care and support needs with sustainable support and housing options.
- £2.4m Optimisation of WNC Adult Social Care in-house provision – a full review of WNC's in house services to ensure optimal usage.
- £1.0m Domiciliary Care Redesign – 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.

- £1.0m Targeted efficiencies on service restructures, ensuring the final services areas not yet redesigned following the transfer to WNC now bring together staff, systems and teams into single services with shared processes.

*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.

*Technical Adjustments – Total £0.8m*

- 5.77 These proposals are where there is a saving as a result of a technical or financing change in a particular budget. Key movements from draft to final are a result of the increase in general contingency balance to utilise estimated additional funding, this has moved from a reduction of £2.5m to an increase of £1.1m.

**General Contingency - Total £10.0m**

- 5.78 The 2024-25 budget includes £10.0m of base budget funded general contingency. This is an increase from the draft budget position of £3.4m, driven by improvements in the funding budget assumptions applied between draft and final budget. This contingency has proved critical in managing the budget for the current and previous financial years and also guards against the risks inherent in service budgets as part of these proposals.
- 5.79 The release of this contingency will be at the discretion of the Executive Director of Finance in consultation with the Finance portfolio holder.

**Final Budget Summary**

- 5.80 The following table sets out the total draft budget for 2024-25 by Directorate (excluding Dedicated Schools Grant). This shows how the budget is built from the current year to the proposed budget for 2024-25.

**Table 2**

Directorate	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	Revised MTFP £m
Adult Social Care	130.0	0.88	7.8	12.0	-	(7.9)	142.8
Education Services	5.7	0.17	-	0.1	-	(0.7)	5.3
Northamptonshire Children's Trust *	80.0	-	-	14.8	3.3	(0.3)	97.8
Place and Economy	91.6	0.76	5.2	3.2	1.0	(5.8)	96.0
Chief Executive Office	2.8	0.10	0.0	0.0	-	(0.2)	2.7
Communities and Opportunities	12.8	0.27	-	2.5	0.1	(2.0)	13.6
Centrally Controlled Budgets	27.0	4.59	0.3	3.5	0.1	(2.7)	32.8

Corporate Services	17.8	0.45	0.5	2.5	-	(3.5)	17.8
Finance	10.9	0.29	0.2	0.3	0.1	(1.1)	10.7
<b>Total Service Net Budget</b>	<b>378.6</b>	<b>7.49</b>	<b>14.0</b>	<b>38.8</b>	<b>4.5</b>	<b>(24.1)</b>	<b>419.4</b>

- Includes contract value of £99.1m plus grant income budget passported to through to NCT.

### Funding Assumptions

- 5.81 The Autumn Statement was announced by the Chancellor on 22 November 2023, along with the Office for Budget Responsibility (OBR) publishing its economic and fiscal outlook which set out their forecast to 2028-29. The statement set out the Government's focus on its three key economic priorities of reducing inflation, economic growth and reducing debt for both 2024-25 and over the medium term
- 5.82 The Autumn Statement provides a high-level view on the overall position and expectation of the economy and also highlights national funding streams that will be utilised to seek to deliver against the Government's policy objectives. Whilst there were a number of announcements made, there was no reference to major changes in departmental spending limits and therefore local government funding streams.
- 5.83 The provisional Local Government Finance Policy Statement and Financial Settlement followed the Autumn Statement and was published by Government on 18 December 2023. The provisional settlement announcement reflected the tone of the Autumn statement resulting in an overall net reduction in grant funding for the Council of £1.8m.
- 5.84 The key announcements in the provisional settlement, and their variation compared to the Council's Budget assumptions are as follows:
- **Council Tax** – referendum threshold confirmed at 2.99% for Local Authorities from April 2024, along with an additional 2% for Local Authorities with social care responsibilities.
  - **Business Rates Income** – confirmation that September Consumer Price Index (CPI) of 6.7% will be applied. The settlement confirmed that the small business rates multiplier will remain at 49.9p in line with 2023-24, with an increase to the standard multiplier of 6.7% to 54.6p. Overall Local Authorities should receive a 6.7% increase on business rates income that forms part of the core spending power assumptions. The Department for Levelling Up Housing and Communities (DLUHC) has now de-coupled the two multipliers and will apply different policies and annual increases to each of them.
  - **Revenue Support Grant** has been increased in line with CPI resulting in a £0.2m increase from the draft budget position, incorporated within business rates income assumptions.
  - **New Homes Bonus (NHB)** – a new round of NHB payments in 2024-25, which will not attract new legacy payments, for the Council this represents additional funding of £0.2m compared to draft budget.
  - **Services Grant** – a reduction in services grant in 2024-25, this grant has been materially reduced on a national basis and utilised in part to fund increases in other settlement grant

funding. This has resulted in a reduction in funding for the Council of £1.8m compared to the draft budget position.

- **Minimum funding guarantee** – As part of the provisional settlement the government committed to all local authorities receiving at least a minimum increase of 3% in core spending power funding, with additional funding allocated where authorities are lower than 3%, resulting in the Council receiving £0.3m additional funding . Following a further government announcement on 24 January this minimum funding level has increased to 4%, an estimated increase of £0.7m in total has been included in the final budget to be confirmed as part of the final settlement.
- **Rural Services Grant** – whilst no increase within the provisional settlement, a further estimated increase as part of the Government announcement on 24 January resulting in a small increase from draft budget.
- **National Living Wage** will increase by 9.8% to £11.44, along with the lowering of the age threshold from 23yrs to 21yrs.

5.85 The provisional settlement also confirmed additional social care funding across the following grants:

- Within the provisional announcement an increase in Adult Social Care (ASC) grant funding of £0.2m when compared to the draft budget position. However on 24 January the government announced further funding for Adult and Children’s Social Care on top of that announced within the provisional settlement with allocations to be confirmed as part of the final settlement, an assumed further increase of £3.0m has been included in the final budget assumptions.
- A net increase in ASC market sustainability and improvement funding in line with draft budget assumptions totalling £6.4m, likely to be subject to conditions similar to those announced in 2023-24.
- Confirmed Hospital discharge grant funding of £2.4m in line with draft budget assumptions.
- Improved Better Care Fund – grant funding allocation in line with 2023-24 funding with no inflationary increase applied.

5.86 The table below details the funding assumptions applied within the final budget:

**Table 3**

	<b>2023-24 MTFP £000</b>	<b>2024-25 MTFP £000</b>	<b>Change £000</b>
Council Tax Income	(240,613)	(253,693)	(13,080)
Council Tax Collection Fund	(4,295)	(5,596)	(1,301)
Business Rates Income	(90,839)	(106,148)	(15,309)

Improved Better Care Fund	(10,069)	(10,069)	(0)
Social Care Grant	(18,967)	(25,223)	(6,256)
Adult Social Care Discharge Grant	(1,412)	(2,353)	(941)
Market Sustainability Grant	(3,407)	(6,366)	(2,959)
Services Grant	(2,028)	(319)	1,709
New Homes Bonus	(3,510)	(2,644)	866
Rural Services Delivery Grant	(439)	(508)	(69)
Minimum funding guarantee	0	(668)	(668)
Other Central Grants	(922)	(922)	0
<b>Total Funding</b>	<b>(376,501)</b>	<b>(414,509)</b>	<b>(38,008)</b>

### **Business Rates Income**

- 5.87 Forecast Business Rates income has increased by £15.3m in 2024-25 which includes assumptions on growth and a reassessment and review of the levels of appeals and bad debts following last year's introduction of the 2023 rating list. DLUHC are now applying different arrangements to those on the small business rate multiplier, to those on the standard multiplier, which is a change to its accounting and reporting.
- 5.88 The provisional statement confirmed that September CPI of 6.7% would be applied to the standard multiplier whilst freezing the small business multiplier, with local authorities being fully compensated for the loss of income. In addition, the Retail, Hospitality and Leisure relief was extended for a further year, which will potentially reduce business rates income with local authorities fully compensated for the loss of income.
- 5.89 Within the provisional settlement there was no further policy announcement on the reset of the business rates baseline, the final budget includes an assumption that this will be reset in 2025-26, although this is looking increasingly unlikely.

### **Council Tax Income**

- 5.90 The final 2024-25 budget assumes an increase in the core Council Tax rate of 2.99%, along with an additional 2% adult social care precept in line with flexibilities confirmed within the provisional settlement. This provides the Council £13.1m of additional income to contribute towards supporting key services to maintain levels of service delivery. Going forward an increase of 2.99% has been applied over the medium term.
- 5.91 The overall Council Taxbase for 2024-25 has been estimated at 142,664.60 (Band D equivalent properties), an increase of just over 0.4% from 2023-24 which is lower than previously assumed based on the latest in year intelligence as growth has been lower than expected. This is thought to be down to the higher interest and mortgage rates, high inflation and delays in the supply chain for materials. Annual increases at 1.5% are assumed to continue throughout the MTFP period. Changes to Council Tax regulation on Houses in Multiple Occupation also had a detrimental impact on the taxbase calculation.

- 5.92 A Local Council Tax Reduction Scheme (LCTRS) for 2024-25 has to be agreed by 31 January 2024 for the financial year 2024-25. At the meeting held on 14 November 2023 Cabinet recommended a LCTRS for 2024-25 which retains a 20% minimum contribution for working age claimants.
- 5.93 The in-year monitoring of the Collection Fund during 2023-24 shows an actual surplus of £5.6m, an increase of £1.3m from the £4.3m surplus for 2022-23. The surplus is higher following a review of our bad debt policy after the harmonisation of accounting arrangements.

### **Premiums on Long Term Empty Properties and Second Homes**

- 5.94 Legislation has been laid to allow premiums to be levied on long term empty properties and second homes with a view to encouraging them being brought back into use when housing is in short supply.
- 5.95 Based on the advice received so far it is currently believed that the long-term empty premium covered by the new legislation can be implemented for 2024-25 but the second homes premium cannot be implemented until 2025-26.
- 5.96 Delegated authority is sought for the Executive Director – Finance to take the appropriate steps to implement these premiums at the earliest opportunity in order to incentivise house owners to bring those vacant properties back into use at the earliest opportunity so that the local supply of housing can be maximised.

### **Fees and Charges**

- 5.97 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 £50.2m with approximately £27.5m coming from the Fees and Charges set out in Appendix D.
- 5.98 In order to deliver a balanced budget all discretionary fees and charges (those not set by statute) have been scrutinised to maximise income on services where residents and business have a choice about whether they want to pay for a particular service or not.
- 5.99 The annual review of fees and charges is completed as part of the draft budget process to ensure charges reflect the impact of any inflationary increases of the cost of service delivery and where appropriate are benchmarked against other providers.
- 5.100 Fees and charges have been subject to further review between draft and final budget. Changes from the draft budget are principally related to the Physical Activity fees and charges. These charges have been excluded from the final schedule as the responsibility for setting these charges falls with the Leisure operators

### **General Fund Balances and Earmarked Reserves**



- 5.101 The Council has inherited reserves from the former district and borough councils as well as the former county council. Many of these were earmarked for a specific purpose, although some are more flexible.
- 5.102 Due to the ongoing review of the balance sheet disaggregation from the former county council, the opening reserve balances for West Northamptonshire Council are still to be finalised. Reserve and carry-forward drawdowns were approved in 2021-22 and 2022-23 as part of the provisional outturn and should any adjustments be required prior to confirming the final outturn these would also affect the opening balances.
- 5.103 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 2025.

Description	Opening Balance as at 01/04/23 £000	2023-24 Net Commitments £000	Expected Balance as at 31/03/24 £000	Opening Balance Adjustment £000	2024-25 Net Commitments £000	Expected Balance as at 31/03/25 £000
<b>General Balance</b>	<b>(35,000)</b>	<b>0</b>	<b>(35,000)</b>	<b>0</b>	<b>0</b>	<b>(35,000)</b>
Risk Reserve	(20,902)	2,237	(18,665)	4,591	655	(13,419)
Budget Investment	(7,094)	5,800	(1,293)	(4,591)	5,455	(430)
Transformation Reserve	(9,228)	4,235	(4,993)	0	2,813	(2,181)
Invest to save	(1,151)	38	(1,113)	0	0	(1,113)
Service Specific Reserves	(21,103)	5,403	(15,699)	0	5,734	(9,966)
<b>Other Reserves Total</b>	<b>(59,407)</b>	<b>17,644</b>	<b>(41,764)</b>	<b>0</b>	<b>14,656</b>	<b>(27,108)</b>
Section 31 Grants	(87)	0	(87)	0	0	(87)
S106 Reserves	(2,474)	0	(2,474)	0	31	(2,442)
Ringfenced / Technical	(15,486)	6,116	(9,370)	0	3,282	(6,089)
<b>Ringfenced / Technical Reserves Total</b>	<b>(18,047)</b>	<b>6,116</b>	<b>(11,931)</b>	<b>0</b>	<b>3,313</b>	<b>(8,618)</b>
Specific Covid reserves	(1,702)	1,220	(482)	0	120	(361)
<b>Specific Covid Reserves Total</b>	<b>(1,702)</b>	<b>1,220</b>	<b>(482)</b>	<b>0</b>	<b>120</b>	<b>(361)</b>
<b>Earmarked Reserves Total</b>	<b>(79,156)</b>	<b>24,980</b>	<b>(54,177)</b>	<b>0</b>	<b>18,090</b>	<b>(36,087)</b>
<b>Grand Total</b>	<b>(114,156)</b>	<b>24,980</b>	<b>(89,177)</b>	<b>0</b>	<b>18,090</b>	<b>(71,087)</b>

### Changes from Draft to Final Budget

- 5.104 The opening reserve balances have been updated to include the drawdown from the Risk Reserve in 2021-22 in respect of the expected Final Outturn position. In addition to this the £0.7m forecast drawdown from the Adult Learning reserve is no longer required in 2022-23.
- 5.105 The changes to 2023-24 commitments from draft budget include a forecast commitment of £0.3m against the Transformation Reserve to fund WNC's share of the implementation of the replacement children's social care case management system. Following a further review of service specific reserves there have been various minor changes resulting in a net reduction in commitments of £0.2m

- 5.106 Changes to 2024-25 commitments include £0.8m against the Transformation Reserve to fund WNC's share of the implementation of the children's social care case management system, £0.3m various minor movements against budget investment reserves and £1.2m additional commitments against service specific reserves.
- 5.107 The final budget includes £4.5m one off service expenditure in 2024-25, which is time limited expenditure and funded appropriately through one off funding.
- 5.108 An explanation of the main reserves is included below.

#### **Risk Reserve**

- 5.109 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.

#### **Budget Investment**

- 5.110 Budget investment reserves are set up using balances from the risk reserve to fund approved one-off budget proposals. This includes £5.8m commitments against prior year proposals in 2023-24 and £4.6m proposals in 2024-25.

#### **Transformation Reserves**

- 5.111 This includes the £4.0m reserve held to fund any one-off transformational programmes or activities identified during the year and the £1m Business Rates Retention Sustainability Fund.

#### **Invest to Save Reserves**

- 5.112 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. There currently remains a balance of £1.1m in this reserve.

#### **Service Specific Reserves**

- 5.113 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. All reserves have been reviewed and where it has been deemed that they are no longer required they have been transferred to the risk reserve.

#### **Section 31 Funding Reserve & Ringfenced / Technical Reserves**

- 5.114 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 has been almost completely used for this purpose. The ringfenced/technical reserve holds the Public Health grant reserve, Insurance Reserve and Enterprise Zone reserve.

## 6. Medium Term Financial Plan Forecasts

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6.1 Although the Budget for 2024-25 shows a balanced position, there is considerable uncertainty in the medium term due to:

- Economic uncertainty and impact of both national and global events on forecast inflationary levels over future years
- Establishing post pandemic levels of local demand and changes in consumer behaviours over future years
- The impact of domestic inflationary and interest rate pressures and continued cost of living impact
- Confirmation of the implementation of Business Rates reform, resetting the business rates baseline and the fair funding review
- Confirmation of future Council Tax threshold limits and subsequent political decisions on Council Tax increases.
- The outstanding and promised reform to address the national challenges of Children’s services, SEND and Adults Social Care in terms of both demand and the cost to address it
- One off funding benefit surpluses which we are benefitting from in 2024-25.
- Uncertainty on the continuation of government funding streams (New Homes Bonus, Minimum Funding Guarantee etc).

6.2 The Council’s medium-term position is set out in the table below, and when projected forward leads to a medium-term gap of £90m over 4 years starting with a 2025-26 deficit of £53.6m. This demonstrates the importance of continual focus on reducing and managing demand more effectively and reducing the cost of service delivery.

	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net Budget Requirement	414,509	447,129	482,247	515,975
Total Funding	(414,509)	(393,580)	(409,525)	(426,310)
<b>Budget Gap</b>	0	53,550	72,722	89,665

6.3 The medium-term position currently assumes business rates reset in 2025-26, however with no announcements on business rates reform within the provisional settlement, should this move to future years this would drive a material improvement in the medium-term position.

6.4 In addition to this over the medium term the budget includes an assumed 2.99% increase in Council Tax rates from 2025-26 onwards, any future increase in rates would again contribute towards improving the position over the medium term.

6.5 In terms of government grant funding and given the level of uncertainty around future grant funding over the medium term, a prudent view has been taken with no inflationary increases applied within the medium term, although should the business rates baseline be confirmed there will be a level of reallocation of funding across other settlement funding streams.

## **7. Other Funds**

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7.1 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 budget proposals and detailed below.

### **Dedicated Schools Grant**

7.2 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 working parent entitlement for under 2s and 2 year olds and free entitlement for 2, 3 and 4 years olds in all early year's 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.

7.3 The calculation methodology for each block is explained in Appendix E.

7.4 The Education Skills and Funding Agency (ESFA) confirmed the DSG funding allocations for 2024-25 through the schools, high needs and central schools services national funding formulae (NFF) on 19 December 2024.

7.5 The table below shows the final allocation for West Northamptonshire Council from the December announcement.

### **2024-25 Final Settlement by DSG Block £k**

<b>DSG Block</b>	<b>Schools</b>	<b>Early Years Provision</b>	<b>High Needs</b>	<b>Central Schools Services Block</b>	<b>TOTAL</b>
2023-24 (updated November 2023)	343,470	27,845	68,263	3,939	443,517
Provisional 2024-25 (updated October 2023)	350,385	27,845	69,091	3,670	450,991
Final 2024-25	355,414	45,213	70,695	3,698	475,020
Increase/ (decrease) from 2023-24	11,944	17,368	2,432	-241	31,503
<b>% increase/ decrease</b>	<b>3.48%</b>	<b>62.37%</b>	<b>3.56%</b>	<b>-6.12%</b>	<b>7.10%</b>

### **Schools Block National Funding Formula**

- 7.6 The Government have changed a small number of existing features of the funding formula for 2024-25 school funding as outlined in Appendix E.
- 7.7 The minimum per pupil levels in 2024-25 will be set at £4,610 per pupil for primary schools and £5,995 per pupil for secondary schools.
- 7.8 Overall, school funding for mainstream schools and high needs is increasing by more than £1.8 billion in 2024-25 compared to 2023-24, taking the total funding to over £59.6bn.
- 7.9 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 National Funding Formula**

- 7.10 The increase in the high needs block for WNC is £2.4m which is a marginal improvement from the provisional settlement and remains close to the minimum uplift in percentage terms.
- 7.11 Nationally, regionally and in WNC 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).
- 7.12 WNC is in the bottom quartile in terms of the high needs block funding per pupil received across all local authorities nationally but demand is increasing in excess of many areas for SEND services, which means that it is becoming increasingly difficult to manage demand and price increases.
- 7.13 The current year level of overspend within the WNC High Needs Block is forecast at £5.10m and therefore the Council is looking at cumulative, structural deficits continuing as demand outstrips funding increases.

- 7.14 The uplift in funding is not sufficient to meet even the current forecast structural deficit in the high needs block, before the impact of demographic growth and inflationary rises are factored in resulting in the need for significant efficiencies to be identified to prevent the deficit from escalating year on year.
- 7.15 The 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 and WNC capital programme to address the predicted financial pressures.

### **Central Schools Services Block National Funding Formula**

- 7.16 The Central Services School Block (CSSB) provides funding to local authorities to carry out central functions on behalf of maintained schools and academies. The block comprises of two elements: ongoing responsibilities and historic commitments.
- 7.17 However, the historical funding part of the block is being unwound each year by a 20% reduction. The services funded by this have gradually had their costs “shunted” to the general fund and this had been built into the medium-term revenue plan, however due to increasing pressures on the general fund due to rising demand in adults and children’s social care, temporary accommodation and the impact of inflation this will have to be reviewed against the uncommitted CSSB balances held for the 2024-25 financial year.

### **Early Years Block National Funding Formula**

- 7.18 The increase in the early years block is predominantly due to the significant changes to the Early Years Funding Entitlements for 2024-25 and beyond, with an expansion of the entitlements extended to working families.
- 7.19 In July 2023 the DfE consulted on proposals relating to the funding systems to support the new working parent entitlements. The main changes include a new funding formula (EYNFF) covering both the 2-year-old disadvantaged entitlement and the new 2-year-old-working-parent entitlements to be introduced from 1 April 2024.
- 7.20 In addition, there is a new methodology for the funding formula for children aged between 9 months to 2-year-old-working-parent entitlements (referred to as under 2s) which will be rolled out from 1 September 2024.
- 7.21 The Council sought views from Early Years education providers on funding arrangements in West Northants as part a consultation throughout January 2024. The proposed rates for childcare funding hours and central expenditure as detailed in the consultation overview will be taken to the next schools forum on 14 February for consideration.

## **Public Health**

7.22 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 particular the budget supports the Delivery of the West Northamptonshire Health and Wellbeing Strategy 'Live Your Best Life' alongside system partners and underpins the Local Area Partnership Place Delivery model. 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 to 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.

7.23 Public Health grant for 2023-24 is £19,730,445 with amounts for 2024-25 still to be confirmed. Any additional grant received would be ringfenced for additional public health responsibilities.

## **Capital Strategy and Draft Capital Programme 2024-25 onwards**

7.24 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.

7.25 The Council has a clear priority to address the Climate Change agenda and all capital investment proposals will be considered with this in mind.

7.26 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.

7.27 However, affordability will be a key driver when assessing the Council's capital investment portfolio and the authority's policy is to minimise the need for borrowing to fund capital schemes.

- 7.28 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.
- 7.29 The West Northants Capital Strategy has been updated with reference to the latest Prudential Code and Treasury Management Code of Practice.
- 7.30 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.
- 7.31 The 2024-25 Strategy, including the MRP policy is shown in appendix F1.
- 7.32 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 the Capital and Assets Board (CAB), Cabinet and Full Council.
- 7.33 Capital proposals were discussed at star chambers in September and October. The Capital Team used this as a basis for setting the draft capital programme, following a rigorous analysis of proposals to ensure that the programme is affordable and sustainable.
- 7.34 These proposals were categorised as:
- 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 the identification of revenue budgets where savings will be achieved or the recognition of cost avoidance.**
  - 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.**
  - 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. **We are recommending that these schemes are not approved on the grounds of affordability.**



7.35 Since the draft budget, a number of additional schemes have been requested for inclusion in the GF capital programme. These have undergone the same analysis as for the draft budget and are included in the capital proposals log (appendix F2). In summary, the additional schemes since draft budget are as follows:

- Fully funded
  - Weekly Food Waste Collections £334k
- Invest to Save
  - Bus Shelter Advertising £2m
  - Strategic Acquisition, for the delivery of Council Services £900k
  - Replacement MDFs (additional to original proposal in draft budget) £94k
- Essential
  - DTI Office Optimisation Costs £616k
  - Next Generation Network (now termed Unified Digital Network) £998k
  - Operational Buildings - extension of existing block budget, plus inflation 2024-25 £300k, 2025-26 £315k, 2026-27 £331k, 2027-28 £347k
  - Inflation on Property Minor Works Budget 2024-25 £23k, 2025-26 £24k, 2026-27 £25k, 2026-27 £26k
- Desirable
  - Capital Improvements Regeneration Areas £50k p.a. for 4 years

7.36 We have one additional scheme that has been included for completeness but is subject to further scrutiny and **which is recommended for approval, subject to the submission of a further business case and final sign off by ELT and the Capital and Assets Board.**

7.37 Scheme requiring additional approval

- Potential capitalisation of DTI staff costs £950k

This scheme needs to be assessed alongside the overall service restructuring proposal and the delivery of existing savings within the department.

7.38 A summary financial position for the proposals is shown in the tables below.

<b>Capital Budget Proposals</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28 onwards</b>	<b>Total</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>
Fully Funded	3,754	0	0	2,250	6,004
Self-funded borrowing / Invest to save	7,502	0	0	0	7,502
Part funded schemes	2,128	1,693	1,743	6,496	12,061
Essential schemes	19,932	2,077	2,505	3,973	28,486
Schemes requiring additional approval	950	0	0	0	950
<b>Total schemes recommended for approval</b>	<b>34,266</b>	<b>3,769</b>	<b>4,249</b>	<b>12,719</b>	<b>55,003</b>

Desirable	1,100	135	135	135	1,505
<b>Total</b>	<b>35,366</b>	<b>3,904</b>	<b>4,384</b>	<b>12,854</b>	<b>56,508</b>

<b>Capital financing of new proposals</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28 onwards</b>	<b>Total</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>
Prudential Borrowing	25,860	2,093	2,523	5,441	35,917
Grant Funding	5,044	0	0	2,250	7,294
External Funding	2,918	1,474	1,518	4,814	10,724
Reserve	250	0	0	0	250
Revenue Funding	194	202	208	214	818
<b>Total Funding for schemes recommended for approval</b>	<b>34,266</b>	<b>3,769</b>	<b>4,249</b>	<b>12,719</b>	<b>55,003</b>
Borrowing for Desirable schemes	1,100	135	135	135	1,505
<b>Total Funding for Schemes submitted.</b>	<b>35,366</b>	<b>3,904</b>	<b>4,384</b>	<b>12,854</b>	<b>56,508</b>

7.39 The estimated revenue implications of borrowing for the new proposals (excluding desirable schemes) over the medium term is as follows:

<b>Revenue implications</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28 onwards</b>	<b>Total</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>
Interest and MRP	855	1,987	2,348	2,838	8,028

7.40 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.

7.41 These schemes (with the exception of desirable schemes) have been added to the current GF capital programme. The tables below summarise the total general fund capital programme.

<b>Indicative WN Capital Programme by directorate</b>	<b>Approved Capital Programme as at Feb 23 (2024-25 to 2026-27)</b>	<b>New GF capital proposals</b>	<b>Total 2024-25 to 2027-28</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>
Adult Social Care	14,100	14,502	28,602
Assets and Environment Capital	36,230	27,052	63,282
Children's	38,486	2,720	41,206
Children's Trust	504	0	504
Corporate	9,598	5,978	15,576
Economic Growth & Regeneration	19,626	500	20,126
Finance	1,229	0	1,229
Highways and Waste Capital	32,621	1,262	33,883
Housing & Communities	8,673	2,988	11,660
<b>Total</b>	<b>161,067</b>	<b>55,003</b>	<b>216,069</b>

<b>West Northants GF Capital Budget</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28 onwards</b>	<b>Total</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>
Approved Budget 2024-25 to 2026-27 as at Feb 2024	129,789	17,525	13,753	0	161,067
New capital bids	34,266	3,770	4,248	12,718	55,002
<b>Total</b>	<b>164,055</b>	<b>21,295</b>	<b>18,001</b>	<b>12,718</b>	<b>216,069</b>

<b>WN Revised Capital Financing as at February 2023</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28 onwards</b>	<b>Total</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>
Capital receipts	0	0	0	0	0
Prudential Borrowing	80,114	13,244	10,675	5,440	109,473
Internal Borrowing	485	0	0	0	485
S106**	7,945	0	0	0	7,945
Community Infrastructure Levy (CIL)**	2,755	393	0	0	3,148
Grant Funding	57,046	2,632	2,250	2,250	64,178
Funded from Reserve	227	0	0	0	227
Revenue Funding	983	202	208	214	1,607
External Funding	14,500	4,824	4,868	4,814	29,007
<b>Total Funding</b>	<b>164,055</b>	<b>21,295</b>	<b>18,001</b>	<b>12,718</b>	<b>216,069</b>

7.42 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**

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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 2024 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 2024-25 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 virements and in-year changes may be made in accordance with the Financial Regulations which have been adopted by the Council and delegations being sought as part of this report.

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 2024-25 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 this authority to building the base budget for the new financial year.
- 8.11 Firstly, the base budget for the prior year is reviewed and adjustments are made for structural deficits and/or 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, for example care packages that are put in place on an ongoing basis. Similarly, mitigating savings identified in the prior year should in most cases 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 demanded 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 2024-25**

- 8.17 The Executive Leadership Team (ELT) has thoroughly reviewed the 2023-24 budget. The 2023-24 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 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, and members of both the Finance and Human Resource 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 2023-24, 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.
- How the service benchmarks in terms of costs or demand.
- Longer term transformation changes or schemes in the pipeline over the MTFP.

8.20 As part of the budget setting process there are three significant but separate budget check and challenge processes. The budget proposals have been stress-tested through 'star chamber' budget workshops, budget clinics and budget robustness sessions. These deep dive and check and challenge sessions (as described in detail earlier in the report) are outside of the member budget scrutiny process, informal cabinet briefings and workshops and the budget consultation process.

8.21 In line with the 2023-24 budget process a series of budget clinics were undertaken following the star chambers process to further scrutinise the budget proposals at a more granular level . These clinics involved the Chief Executive, Chief Financial Officer and his deputy, Executive Directors and Assistant Directors and Finance 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 in line with 2023-24 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 2024-25. 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.
- 8.29 The budget process is very detailed and robust and commenced in detail for the 2024-25 budget in June 2023.

### **Income projections**

- 8.30 The budget incorporates the latest provisional funding position announced by the government on 18 December 2023 which provisionally set out the central grant funding allocations and business rates baseline for the Council. These assumptions have been reflected in the budget and medium term financial position. As described earlier we await the final settlement details which we expect in early February.
- 8.31 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 Provisional Finance Settlement for 2024-25 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 2024-25.
- 8.32 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**

- 8.33 Current economic conditions and cost of living pressures being experienced nationally continue to be key factors that could put additional pressure on budgets, particularly in relation to inflation, and increasing service demand levels experienced in 2023-24 particularly in relation to demand led service such as social care and temporary accommodation.
- 8.34 As set out earlier in this report, a contingency of £10.0m has been included within the 2024-25 base budget to help manage the risk and volatility in relation to these issues. This equates to a contingency of 2.4%. The contingency will be managed by the Executive Director of Finance in consultation with the Finance Portfolio Holder, with budget transferred to services in 2024-25 if ongoing pressures are confirmed through the Council's monthly budget monitoring process that cannot be mitigated against.

### **Adequacy of Reserves**

- 8.35 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 2023-24 year-end outturn position.
  - The scale, scope and deliverability of planned efficiency savings. These have been fully reviewed, benefit profiles have been agreed, risks are known and project plans are in place where required setting out the key milestones that the project will be monitored against.
  - Any risk and inherent service pressures from demography and demand.
  - The provisional funding settlement from the Government.
  - The current and future level of inflation and interest rates.
- 8.36 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.
- 8.37 Paragraph 5.103 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 2024-25.
- 8.38 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 £20.7m (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.

### **Balance Sheet Opening Balances**



- 8.39 The Council was given the responsibility to manage the County Councils accounts closure, debts and balance sheet splits under formal arrangements agreed with DLUCH and put in place under the LGR transition.
- 8.40 The former County Council accounts were formally signed off by Ernst Young external auditors in January 2024 following extensive work by the Councils Finance teams. The closing balances of the former County Council need to be split between West and North Northants to provide opening balances for the creation of the two new authorities.
- 8.41 Whilst the vast majority of opening balances have been agreed the split of the capital financing requirement (CFR) and the consequential impact on the cash opening balances for the two new authorities has not been settled and the authorities are seeking a DLUCH determination on this matter using arrangements under the transition regulations.
- 8.42 The closing cash balance of the County Council was approximately £40m and the final determination of the CFR will determine how this cash balance is split between the two authorities.
- 8.43 As a result there will be a cash transfer from one authority to the other which could then have a consequential impact on the revenue account.
- 8.44 Information has been provided to our current external auditors (Grant Thornton) that estimates the revenue impact should the worst case scenario prevail, where the Councils cash balances were inadequate and therefore a borrowing requirement was created. It is not anticipated that the worst case scenario will prevail but the overall impact has been flagged for consideration.

### Medium Term Financial Planning

- 8.45 The medium-term financial plan covered earlier in the report showed the following:

	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Net Budget Requirement	414,509	447,129	482,247	515,975
Total Funding	(414,509)	(393,580)	(409,525)	(426,310)
<b>Budget Gap</b>	0	53,550	72,722	89,665

- 8.46 Whilst this position does look challenging there are some important points that need to be taken into account when considering this position:
- The model is a **cumulative** model and is therefore prudent by assuming that the deficit is not resolved in 2025-26. If the £53.5m problem is solved in 2025-26 (and the deficit has been solved each year since vesting day) then the deficit shown above for 2026-27 reduces by that amount and becomes an estimated deficit of £19.2m. The £19.2m is the real **incremental** increase in the medium term between 2025-26 and 2026-27 which then brings into focus the new, and much more manageable, challenge for 2026-27.

- The model is very sensitive and is based on prudent assumptions. If for example the business rates are not re-set in 2025-26 and Council Tax increase thresholds remain at 4.99% then the above position immediately improves by £15-20m just on those two assumptions.
- In the four budgets we have set so far, our starting deficits were significant each year. For example, for 2023-24 it started with a £58m deficit and for 2024-25 we started with a £32m deficit so we have a track record of resolving significant budget deficits by employing the robust budget processes detailed in the report.
- To date, as WNC, we have identified over £90m of savings to deliver balanced budgets.
- We are very focussed on the medium-term position and continually developing projects that will significantly improve the medium term position. This pipeline of medium-term projects which will take investment and time to deliver are not incorporated into the medium-term position until we have more certainty on the project going ahead and a clearer idea on the financial benefits that will be delivered. Again, this is a very prudent approach. We include the savings when we are confident that they will be delivered, so our MTFP is not based on the ‘hope factor’ of delivering savings that may not materialise. However, taking this approach does make the medium-term position look worse than it is likely to be in reality.

### **Concluding Remarks**

- 8.47 Given the information contained within this report in respect of the processes undertaken to formulate the budget for 2024-25 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.
- 8.48 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.
- 8.49 Taken together, the S151 Officer believes he has discharged his responsibility under S25 of the Local Government Act 2003.

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

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### **Resources and Financial**

- 9.1 The resource and financial implications of the Council’s draft proposals 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 2024 to Cabinet by the Chief Finance Officer (Section 151 Officer) and then if agreed will be 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 2023-24 included a general contingency of £11.0m in recognition of the risks associated with constructing the budget for West Northamptonshire Council as a new organisation. This balance has been broadly maintained at £10.0m as part of the work undertaken to balance the 2024-25 budget. Through the Council's budget monitoring process, service budgets are closely monitored on a monthly basis by both service managers and finance officers, giving early visibility of both emerging risks and opportunities.
- 9.6 In addition to this the Council has implemented a robust budget planning process through which service proposals have been subject to scrutiny and challenge. However there still remains a level of risk associated with external factors and economic pressures beyond the Council's control including increasing service demand and costs of delivery being experienced in 2023-24. Therefore, it is prudent to continue to hold contingency to mitigate any risks.
- 9.7 There is a proposal in the draft budget which restricts the amounts of unavoidable budget growth for services to 90% of the amount they requested during the budget planning process. In total this reduced the budget proposals by £3.7m. This approach is different to the one used in previous years where services were generally allocated the increased budget to meet their predicted demand and cost pressures.
- 9.8 While there is always a possibility that the trajectory of demand and cost will slow or reduce due to changes in external circumstances or trends assuming that there will be 10% less growth creates both an immediate efficiency target and risk if the services see an onward increasing trend of demand or increased cost. In the event that the final settlement provides additional funding (above our assumptions) this would therefore be the first risk that will need to be addressed.
- 9.9 This approach makes the budget inherently riskier and presents a challenge for budget holders to immediately address to ensure they do not overspend their budgets and is the reason why the additional funding expected has been used to top the base budget contingency up to £10m from the £6.7m included in the draft budget.

9.10 The Council's statutory accounts are still subject to audit and as such there remains a risk that there may be some changes to reserves and balances. Once these closing balances have been finalised the opening balances for North and West Northamptonshire will need to be established and are still subject to final agreement as detailed earlier in the report

### **Consultation and Communications**

9.11 This budget is presented to Cabinet following the public consultation where people's views have been sought on the proposals put forward.

9.12 Budget consultation commenced on 13 December, the day after Cabinet considered the draft budget proposals and closed on 23 January. The responses to the budget consultation have been analysed and form part of this final budget report.

9.13 The draft budget has also been considered by the Corporate Overview and Scrutiny Committee who will also provide their views and comments to Cabinet before they consider the final budget for recommendation to Full Council in February.

9.14 The timeline for the rest of the budget process is as set out below:

- Publish final budget report – 5 February 2024
- Final Local Government Funding Settlement – early/mid-February 2024
- Cabinet considers final budget – 13 February 2024
- Council Tax Setting and budget report published – 14 February 2024
- Full Council considers final budget – 22 February 2024.

9.15 Throughout this process, the draft budget and consultation arrangements have been extensively promoted across a broad range of communication channels to ensure public awareness and encourage participation in the process across West Northants. This ranged from news outlets, websites and social media to local community engagement channels, with specific targeting of audiences including hard-to-reach groups and included :

- Local media: A series of media releases that went to circa 365 newsrooms and individuals (including hyperlocal, local, regional, and national, print, digital and broadcast) from the council's Communications Team.
- Social media:
  - 25 promotional posts across our Twitter, Facebook, LinkedIn and Instagram accounts, reaching a cumulative total of 28,766 accounts, prompting 850 engagements through clicks, likes and shares.
  - Facebook advertising throughout the consultation period reached 7,800 accounts, gaining 22,709 page impressions, and prompting 267 clicks.
- An animated explainer video introducing the budget was created in-house, posted across the Council's social media channels and published on our YouTube channel and Consultation Hub.
- Online council news pages: Internal communications and external public pages.

9.16 Detail about the consultation was also circulated via email, twice, to those registered on the council's Consultation Register and Residents Panel (over 500 contacts) initially and as a reminder, as well as being sent to WNC councillors and parish councils. Wider promotion of the consultation was encouraged through these means.

9.17 The Draft Budget 2024-25 Consultation received a total of 654 responses. 647 were received via West Northamptonshire Council's online consultation platform, 7 by email. There were no responses sent via post.

- Respondents were asked to select the closest representation of how they wished to answer the consultation, the majority selected local residents (520, or 82 per cent).
- The consultation detail has been widely promoted using several means including local press, social media, and newsletters.
- Proposal to increase Council Tax by 2.99 per cent to address additional costs of our service provision: 38 % agree, 52 % disagree, 10 % neither agree nor disagree. 305 comments received on proposal. 203 comments received on negative impacts and how these could be avoided.
- Proposal to increase Council Tax by a further 2 % to fund the increase in costs providing Adult Social Care: 37 % agree, 46 % disagree, 17 % neither agree nor disagree. 243 comments received on proposal. 139 comments received on negative impacts and how these could be avoided.
- Proposal to increase some fees and charges in line with inflation, in order to help fund services: 50 % agree, 32 % disagree, 18 % neither agree nor disagree or don't know. 132 comments received.
- The invitation to comment on the Draft General Fund Capital Programme 2024-2028 received 72 comments. Additional comments on the Draft Budget were invited, 65 further comments were received.
- Draft Housing Revenue Account (HRA) Budget 2024-25 proposal to increase rent by 7.7 % across the council's housing stock: 57 % agree, 28 % disagree, and 15 % neither agree nor disagree or don't know. 112 comments received on proposal. 60 comments received on negative impacts and how these could be avoided.
- Draft Housing Revenue Account (HRA) Budget 2024-25 proposal to increase garage rents by 7.7 %: 65 % agree, 12 % disagree, 23 % neither agree nor disagree or don't know.
- Draft Housing Revenue Account (HRA) Budget 2024-25 proposal to increase general service charges by 7.7 % in line with current inflation: 51 % agree, 29 % disagree, 20 % neither agree nor disagree or don't know.
- Investment plans of £54m in social housing during the next financial year, as part of a total five year capital programme amounting to £279m: 54 % agree, 25 % disagree, 21 % neither agree nor disagree. 94 comments received.
- Additional comments on the HRA Capital Programme were invited, 22 further comments were received.
- 292 respondents that accessed the consultation questionnaire provided some demographic information.

9.18 Further detail on the draft budget consultation is provided within Appendix H.

## **Budget Scrutiny and Overview Committee**

- 9.19 Corporate Overview and Scrutiny carried out their budget consultation work over seven meetings between the 16 September 2023 and 6 February 2024. Their report and findings are contained at Appendix I

### **Climate Impact**

- 9.20 All proposals have been reviewed and considered for any environmental impact which has identified increases in emissions associated with a small number of proposals. The increases are a result of the need to provide services to an increasing number of residents across West Northamptonshire and for this reason are currently unavoidable. Any increase in emissions associated with these proposals will be monitored and managed as part of the Council's ongoing carbon reduction work.

### **Community Impact**

- 9.21 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.
- 9.22 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 none have highlighted a need to progress to a full impact assessment.
- 9.23 A number of changes have been made during consultation to the proposed budget since the draft budget was published in December 2023, none of those changes have resulted in any changes to the findings in the screening forms and therefore no further review of the screening forms were required at this time.
- 9.24 The equalities screening process is a live ongoing process and the current assessments will be reviewed on an ongoing process through implementation of specific proposals.

## **10. Background Papers**

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- 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  
[Autumn Statement 2023 \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk)
  - West Northamptonshire Council budget 2023-24, approved 22 February 2023

<https://westnorthants.moderngov.co.uk/documents/s10478/2023-24%20Final%20Budget%20Report%20-%20Full%20Council.pdf>

- Local Government Provisional Settlement 2024-25  
[Provisional local government finance settlement: England, 2024 to 2025 - GOV.UK](https://www.gov.uk/government/news/provisional-local-government-finance-settlement-england-2024-to-2025)  
([www.gov.uk](https://www.gov.uk))