

WEST NORTHAMPTONSHIRE COUNCIL CABINET

21 DECEMBER 2021

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

Report Title	Draft Budget 2022-23 and Medium Term Financial Plan
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1. Purpose of Report

- 1.1 This report sets out the draft Budget 2022-23 and Medium Term Financial Plan for West Northamptonshire Council.
- 1.2 The Budget ensures the Council has a robustly resourced plan to deliver its vision and priority objectives, and has aligned its resources appropriately following an assessment of risks, issues and opportunities using the latest available information.

1.3 This draft budget report includes the following financial plans

- Revenue Budget 2022-23
- Dedicated Schools Grant Budget 2022-23
- Public Health Grant 2022-23
- Medium Term Financial Plan 2022-23 – 2025-26
- Capital Programme 2022-2026

1.4 This proposed draft Budget commences the budget consultation process. To enable 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. This report will also be presented to the Overview and Scrutiny Committee to allow for their review, comment and exploration on any key areas of interest.

1.5 It is expected that the Government will release details of the Provisional Settlement to the Council after the publication of this report but before the Cabinet meeting where it will be discussed. This is one of the main areas where there is likely to be change between the draft and final budget, although the draft report is presented on the basis of some prudent assumptions about the settlement. The Cabinet meeting will be updated on the provisional settlement information should it be released by Government prior to the meeting.

1.6 Subject to any changes made following consideration of the consultation feedback, the Local Government financial settlement and the latest financial position; Cabinet will consider the final Budget for 2022-23 on 15 February 2022 for recommendation to the full Council meeting on 24 February 2022.

2. Executive Summary

2.1 This report presents the draft Budget 2022-23 and Medium Term Financial Plan for West Northamptonshire Council. West Northamptonshire Council provides a range of services to residents, businesses and other organisations and stakeholders across the area including care to vulnerable adults and children, education, the collection and disposal of waste, household waste recycling, leisure and community wellbeing, highways, planning, economic development, housing and support for the homeless.

2.2 Our plans and budget proposals ensure that resources are prioritised and earmarked to provide continued support to the most vulnerable in our local community in the most cost effective way possible, as well as support some of our ambition for place and the environment.

2.3 The creation of a new Council has presented a number of opportunities, such as the financial benefits of economies of scale both from amalgamating four councils into one and from the consolidation of contracts, assets and the redesign of processes. Work has been ongoing on these but it has taken time to first stabilise the finances, systems, structures and processes to create a well informed foundation for making these changes.

2.4 However, there remains a significant amount of financial risk, such as the nationally recognised budget pressures for local government, not only from the longer-term impact of COVID-19 on

costs and income, but also from demand led and other cost pressures which pre-date the pandemic or have emerged as the lasting legacy of some of the pandemic effects.

- 2.5 The detailed budgets still continue to settle down and embed in the current financial year and there are a number of proposals that have had to be built into the budget to 'clean up' or address errors or gaps in the budgets that the Council inherited that have been highlighted in this first year of operation, but could not have been foreseen at vesting day.
- 2.6 It is the view of the S151 officer that the second year of operation should be seen as a year of 'stabilisation' where we continue to understand and develop the financial situation that was inherited by the Council from the predecessor organisations. But in parallel we will plan and deliver some of our key transformation priorities in order to start to realise the benefits of being a Unitary.
- 2.7 This budget addresses the opportunities and risks outlined above, without the need for service reductions. It also provides service investment to a number service areas to improve the quality of services to our local residents or to improve the efficiency of the way we deliver our services.
- 2.8 To help maintain and protect levels of service provision the draft budget includes a core Council Tax increase of 1.99% in line with the maximum limit set by government without triggering a local referendum as well as utilising the allowable Council Tax social care precept increase of 1% in full, to further invest in adult social care services. The combined total resulting in an increase of 2.99% on the average Council Tax calculated for the West Northamptonshire area. The referendum threshold will be confirmed by government as part of the Local Government Financial Settlement announcement, expected mid-December 2021.
- 2.9 The Council Tax increase will contribute around £9.77m per annum to be invested in local service provision, and would represent an average Band D level of Council Tax for West Northamptonshire Council of £1,613.23 in 2022/23, equivalent to £31.02 per week. The average increase on a Band D property across the area is £46.84 or £0.90p per week. This Band D figure does not include the Council Tax for individual town and parish councils or the Council Tax set for fire and police by the Northamptonshire Police, Fire and Crime Commissioner.
- 2.10 Council Tax continues to be harmonised across West Northamptonshire based on the average Council Tax levels under this local authority area, which is described in more detail in the funding assumptions paragraphs within section 6 of this report.

Budget Headlines

- 2.11 The following summarises the main features of the proposed draft Budget:
 - A balanced budget achieved in challenging circumstances
 - Statutory duties are met
 - Growth in demand led services has been included based on detailed analysis of in year and predicted demand
 - New investment in services
 - Unavoidable growth of £16.3m to protect existing service levels thereby ensuring no reductions in services

- Efficiencies and income generation of £19.6m
- Average Council Tax increase of £0.90p per week for a band D equivalent property
- Incorporation of a contingency to mitigate against potential uncertainties
- The use of one-off funding to only fund one-off pressures, invest to save schemes, time limited projects or to deal with the continued response to the pandemic.
- A Council Tax Reduction Scheme giving greater support for Care Leavers and War Widows

3. Recommendations

3.1 It is recommended that the Cabinet:

- a) Approves for consultation the 2022-23 Draft Budget, including
 - i. an estimated net revenue budget of £733.8m (£336.4m excluding Dedicated Schools Grant) as set out in Appendix A.
 - ii. an average Band D Council tax of £1,613.23 for West Northamptonshire Council, which represents an increase of 2.99%. (1.99% increase in 'core' Council Tax and 1% Adult Social Care Precept).
 - iii. proposed Fees and Charges as detailed in Appendix C
 - iv. provisional dedicated schools grant budget of £397.4m as detailed in Appendix D
 - v. the draft Capital Programme additions as set out in Appendix E
- b) Sets the tax base for West Northamptonshire at 139,604 Band D equivalents, as set out in paragraph 6.63
- c) For the Dedicated Schools Grant (DSG):
 - i. Notes the provisional allocations and planned usage of the DSG for 2022-23 pending the final DSG settlement, and
 - ii. Following consultation with the Schools Forum, delegates authority to the Executive Director for Children's Services to determine the DSG 2022-23 schools funding formula, high needs funding arrangements and the Early Years Funding Formula in line with Department for Education guidance.
- d) Endorses and supports the review of reserves that has taken place as set out in 6.90 to 6.105

4. Reason for Recommendations

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

5. Report Background

5.1 The budgets of West Northamptonshire Council will comprise:

- a General Fund revenue account
- a Dedicated Schools Grant (DSG) funded budget
- a Public Health funded budget,
- a Housing Revenue Account (though this is subject to a separate report)

- a Capital Programme.

- 5.2 The General Fund includes all revenue income and expenditure, including day to day running costs, financed from Council Tax, Business Rates, government grants and fees and charges, but excluding those related to council housing.
- 5.3 The DSG focuses on the funding for schools and Early Years settings as well as other specific Education related costs.
- 5.4 The Public Health budget funds a range of local public health activities, that aim to protect and improve the health and wellbeing of the West Northamptonshire population and reduce inequalities in order to enable people to live healthy, happy and productive lives.
- 5.5 The Housing Revenue Account (considered in a separate report elsewhere on the agenda) includes all revenue expenditure and income on activities related to the Council's role as a housing landlord.
- 5.6 The Capital Programme includes all capital expenditure and income, including the acquisition, replacement and enhancement of assets financed from government grants, external contributions, revenue contributions, capital receipts and borrowing.
- 5.7 This report focuses on the Council's General Fund and Capital Programme, and notes the planned use of the Dedicated Schools Grant and Public Health Grant for 2022-23 and into the medium term.

6. Issues and Choices

National and Economic Context

- 6.1 In October the Office for Budget Responsibility (OBR) published forecasts of growth and inflation, taking into account the impact of the Comprehensive Spending Review as described below.
- 6.2 In October 2021, GDP growth forecasts had improved for 2021/22, now showing growth of 10.8%. This is abnormally high as it follows a contraction in 2020/21 of 10.9%. The forecast for 2022/23 has been revised to growth of 4.2%, followed by more normal growth levels of between 1.4% and 1.7% per annum.
- 6.3 Inflation, as measured by the Consumer Price Index (CPI) was forecast in October to remain above target at 3.3% in 2021/22 and 3.7% in 2022/23. The Bank of England's target of 2% is not forecast to be achieved until 2024/25. These forecasts will result in inflationary pressures for WNC in both employee and other budgets.
- 6.4 The Council's contractual inflation requirements have been reviewed, and revised in light of this period of relatively high inflation compared to recent times and the knock on effects to markets and suppliers of things like the national living wage.

- 6.5 Unemployment is decreasing and there is currently a record high number of job vacancies nationally. There is a consequential increase in rates of pay, with organisations finding it difficult to recruit to a number of their vacant posts and having to compete for resources.

Comprehensive Spending Review and Provisional Finance Settlement

- 6.6 On Wednesday 27th October the Chancellor announced the outcome of the Spending Review 2021 (SR21) alongside the Autumn Budget. This provided departmental allocations for each of the next three financial years, as well as the total funding for local government in England for that period. This shows a real terms increase for local government for the remainder of this parliament, although this includes the £3.6bn of new social care funding previously announced and to be funded specifically from the 1.25% National Insurance Health and Social Care Levy. It should be noted that a significant proportion of that social care funding raised from the levy will initially flow to health services and not Council social care services.

- 6.7 Based on analysis of the figures in the SR21 document, the total Core Spending Power, including assumed Council Tax income, forecast to be available to local authorities in England is set out in the table below.

	Actual 2021/22 £bn	Projected 2022/23 £bn	Projected 2023/24 £bn	Projected 2024/25 £bn
Total Government Grants plus Business Rates Baseline (excl. new Social Care Funding)	20.065	21.565	22.246	22.742
New Social Care Funding		0.200	1.400	2.000
Estimated Council Tax Income (excl. Parish Precepts)	30.335	31.935	32.954	34.158
Total Core Spending Power	50.400	53.700	56.600	58.900
Percentage Increase		6.5%	5.4%	4.1%

- 6.8 The increase in government funding, excluding the new social care funding is front-loaded, which is an increase of £1.5bn in 2022/23, with future increases assumed to just be a result of the indexation of the Business Rates multiplier.

- 6.9 Grant allocations to individual local authorities will not be known until the publication of the provisional Local Government Finance Settlement, which is expected in the middle of December. It is hoped that this will be a three-year settlement or will at least provide indicative figures for 2023/24 and 2024/25. The forecasts for WNC are the best estimates at this point in time and are set out in paragraphs 6.61 onwards. However, this means that there is an inherent risk included within the draft budget as government funding has been based on assumptions only at this stage. The provisional settlement is likely to be confirmed after the publication of the draft budget report.

- 6.10 The referendum limit for Council Tax increases will be communicated as part of the provisional Local Government Finance Settlement, but is expected to be 2% per annum, plus an additional 1% per annum increase in the Adult Social Care precept. Council taxbases nationally are expected

to increase by between 1.5% and 2% each year. The estimate growth in the taxbase for West Northamptonshire is in line with these projections at 1.515%.

- 6.11 Although not explicit within the spending review documentation, commentators have interpreted the information provided as giving a clear indication that the long-promised Fair Funding Review will not impact on the funding settlement next financial year, and that there is also unlikely to be a full reset of the Business Rates baseline, although there could be an adjustment to the levy rate to partially achieve this. These delays are likely to be beneficial to West Northants Council and have been incorporated into the estimated government funding figures contained within this report.
- 6.12 There was no announcement of a fundamental change to Business Rates, although there were some changes that will impact on local government funding and collection of income. Firstly, the freezing of the multiplier for 2022/23, which was due to increase by CPI of 3.1% in April, and secondly the continuation of discounts for the retail, hospitality and leisure sectors, albeit at the reduced rate of 50%. Local government will be compensated for the lost income through section 31 grants. We may also benefit from improved collection rates as a result of lower bills.
- 6.13 Other reforms to business rates were announced by the Chancellor, including more frequent revaluations (from 2023), and investment reliefs to encourage green investment and premises improvements (any increase in rates payable delayed for 12 months).
- 6.14 Other funding announcements contained within the spending review documentation included:
- Public Health Grant – to be maintained in real terms, so we should expect an inflationary increase over the Spending Review period.
 - Education - An increase has been confirmed on the Core Schools Budget of £4.7bn over the Spending Review period, which is equivalent to a cash increase of £1,500 per pupil compared with 2019/20 amounts. In addition, £2.6bn over the Spending Review period was announced for SEND, which is intended to provide 30,000 additional places. The Covid recovery funding has been extended, with an additional £1.8bn. Of this, £1bn will be provided to schools over the next two academic years, with £145 per pupil in primaries, and more for secondary schools. The Holiday Activities and Food Programme is being extended, with £200m per year to continue the programme which was introduced during the pandemic.
 - Housing - Investment was announced in affordable housing, with £1.8bn added, with a view to delivering £10bn of investment during the Parliament, and 1m new homes in the SR21 period. Of this, £300m will be distributed to local authorities (and mayoral combined authorities) to support the development of smaller brownfield sites.
 - Adjustments were announced to the regime for Right to Buy receipts. Authorities will now be allowed to spend these over a longer timeframe (increasing to five years from three years), to pay up to 40% of the cost of a new home (up from 30%), and to allow them to be used for shared ownership and First Homes.
 - Cyber Security and Governance - Funding of £38m was also made available to support authorities with cyber security and £35m to “strengthen local delivery and transparency”,

though some of this will be required to set up the new Audit Reporting and Governance Authority (ARGA) as a new system leader for local audit.

Corporate Plan

- 6.15 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'*.
- 6.16 The plan is based upon the Council's six priorities:
1. **Green and Clean** - *Environment and Wellbeing*
 2. **Improved Life Chances** – *Health, Social Care and Families*
 3. **Connected Communities** – *Transport and Connectivity*
 4. **Thriving Villages and Towns** - *Place shaping and homes*
 5. **Economic Development** – *Growth and prosperity*
 6. **Robust Resource Management** – *Transparency and financial probity*
- 6.17 The budget is aligned to the delivery of the Corporate Plan and the strategic principles set out below draw on the Corporate Plan priority to ensure robust resource management.
- a. The Council will set a balanced budget, which is stable and sustainable and fully reflects the levels of service and performance set out in the Council's Corporate Plan.
 - b. Resources will be maximised through increases in Council tax for 2022/23 to the maximum allowable within referendum limits and subject to a maximum increase for a Band D property of £99.
 - c. Council Tax will be harmonised across the whole of West Northamptonshire by 2023/24.
 - d. Income streams from fees and charges will be maximised through increases where appropriate after considering market conditions.
 - e. External funding via grants and contributions will be sought where this supports the achievement of corporate priorities.
 - f. Wherever possible, efficiencies will be delivered through service transformation and efficiency initiatives as set out in the Council's Transformation Strategy.
 - g. Opportunities to invest in improved services will be explored. Any investment decisions will consider both capital and revenue implications, including whole life costs and income.
 - h. Financial implications of decisions will be underpinned by a robust business case and risk assessment.

- i. Reserves will be maintained at a level that protects services to residents and Earmarked Reserves will be used for the purpose for which they were created.

Draft Budget Proposals

- 6.18 The draft Budget for 2022-23 builds on the work carried out during the 'stabilisation phase' for the new local authority, which ensures that the budgets inherited from the predecessor authorities fully represent the costs of providing services, newly identified risks and issues are mitigated, opportunities for efficiency, demand management and new ways of working have been progressed, and resources are available for the future transformation of services and continued integration with the local health system.
- 6.19 Officers and the executive have worked together post vesting day to create a corporate plan accommodating the transformation, consolidation, efficiency improvement and corporate priorities so that West Northamptonshire can deliver its longer-term sustainability and ambitions. This creates a clear and certain path for the new unitary.
- 6.20 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.

Star Chambers

- 6.21 A fundamental part of the budgeting process this year has been a round of budget scrutiny of all of the service budgets which has been referred to as a 'star chamber' process. This involved the leader of the Council, all portfolio holders, the Chief Executive, the Chief Finance Officer and his deputy, other Executive Directors, Assistant Directors, the Director of Transformation and members of the Finance, HR and Transformation teams.
- 6.22 The purpose was to scrutinise the all of the current year's budget and get a view from service directors on:
 - The robustness of the current budgets they inherited when they took up post
 - Any particular issues or concerns they have in respect of their budgets
 - Unavoidable pressures they were aware of where their budget should be corrected
 - Any projects they wish to highlight within the directorate or current issues to be aware of
 - Any efficiencies they could propose to help to close the budget gap that was being forecast at that point in time.
 - Their staffing and vacancies levels and planned recruitment
- 6.23 The gap being forecast prior to the start of the star chamber process was in excess of £21m or 6% of the net budget.

6.24 The proposals contained in the detailed appendices stem primarily from this process 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 budget for 2022-23.

Service Investment Prioritisation

6.25 At the end of the Star Chambers process and having taken into account our interpretation of the Spending Review the budget projections showed a surplus of approximately £1.5m. However, this included no service investments and it was felt that significant investment was required in some areas to improve services, increase capacity or accelerate transformation.

6.26 There was a significant number and cost attached to some aspirational service investment proposals and Cabinet spent time with the Executive Leadership Team (ELT) to prioritise that investment and determine which proposals should be supported, which could be funded through one off funds as they were time limited and which were not affordable for this budget round. This process also means that we have a prioritised list of additional investment requests should the final settlement provide the additional funding to consider those items not included in this report.

6.27 This responsible approach to budget setting and prioritisation of service investment requests was another cornerstone of the budget formulation and has led to the budget proposals contained within this report.

6.28 Although the Council has a balanced 2022-23 budget position, it is clear that it faces a challenging medium term financial position with estimated gaps of £10.7m in 2023-24, £16.6m in 2024-25 and £18.2m in 2025-26. This emphasises the importance of the transformation journey that the Council continues with to reduce the cost of service provision in order to mitigate the need for service reductions to balance future years budgets.

6.29 The summary General Fund Budget is set out in Appendix A. This section describes each of the budget movements and further detailed budget proposal breakdowns are set out in Appendix B.

Pay related costs – Total £6.038m

6.30 The draft Budget includes pay related costs of £6.038m, which includes the following:

- Adjustment to base budget to reflect the final 2021-22 pay award
- Contractual and non-contractual increments where staff are not at the top of their pay grade for 2021-22 and 2022-23 as part of a two year deal
- Cost of living increase for 2022-23, to mirror the nationally negotiated pay offer (NJC arrangements) plus an additional 0.25%
- Provision for increase to National Living Wage
- Effect of 1.25 percentage point increase to National Insurance, assumed to be funded by Government.

2022-23 Pay Award

- 6.31 As part of the recent pay negotiation with the trade unions on the pay award for 2021-22, a further commitment around the pay award for 2022-23 was made by West Northamptonshire Council (WNC), on 27 October 2021, as follows:
- 6.32 *We are committed to investing in our workforce and that is why we are also willing to make the following commitments now for 2022-23:*
- *To pay 0.25% above any nationally agreed pay award*
 - *To pay non-contractual increments to the TUPE workforce (NCC Local) in 2022-23, subject to qualifying conditions being met.*
- 6.33 *This is evidence of our commitment to ensuring WNC is seen as an attractive employer, both locally and further afield. This in effect is therefore a two year pay deal which shows a commitment to our staff, giving them some certainty while we work towards the new Pay and Grading structure, aligning pay, and the introduction of a West Northants Personal Development Plan approach that's consistent for all.*
- 6.34 The six trade unions recognised for pay negotiation purposes responded positively to the commitment made to improve pay and on the reintroduction of increments for those staff (largely the ex NCC staff) who did not have a contracted right to increments like other staff who TUPE'd to WNC. The Unions consulted their membership on the Councils offer. The result of this was that the unions narrowly rejected the offer with the exception being GMB, who narrowly accepted it. WNC is currently awaiting the outcome of their ballot planned for the new year on whether this rejection will result in a decision to strike.
- 6.35 In terms of the final impact on the 2022-23 budget, this is going to be dependent on the national negotiated Employers' offer as while WNC has opted for locally agreed pay, the commitment has been made to pay 0.25% above that national offer in order to encourage and stimulate retention and recruitment. The outcome of the national process is unlikely to be known until September 2022 at the earliest.

Contract Inflation – Total £8.385m

- 6.36 Contractual Inflation of £8.385m has been included in the draft 2022-23 budget. – This provides for in-built contractual and other inflationary cost related pressures such as care home and home care.

Budget Growth

- 6.37 Budget growth splits into three distinct categories:
- Unavoidable budget pressures totalling £16.3m. These are changes and additions to the baseline 2021-22 budget in order to reflect the anticipated cost of current service provision and adjusted for the anticipated demand for services in 2022-23.
 - Service investment totalling £1.7m. This is ongoing service investment built into the base budget to improve service delivery. The investment was included following a Cabinet prioritisation exercise which allocated the resources to the areas where Cabinet felt there

was the greatest need for service investment or a clear business case for change or improved outcomes.

- One off or time limited budget pressures totalling £9.8m. This budget growth includes growth where there is uncertainty about the timing or impact of some changes, for time limited projects, invest to save schemes or to fund something for a defined period of time.

Unavoidable Base Budget pressures – Total £16.265m

6.38 Ongoing pressures total £16.265m in 2022-23. These can be seen in Appendix B3. The most material of these pressures are as follows:

- Changes in demographic service pressure within Adult Social Care £1.61m. Budgeted growth to cover the increased cost of new clients eligible for social care with increased acuity and complex needs. This in part due to escalation of some needs during the pandemic and families not being able to cope without support.
- Structural budget pressure due to demand for Learning Disability clients during 2021-22 £1.63m. The recognition of a base budget deficit in 2021-22 for Learning Disability care budgets. Due to covid, less clients have been able to step down higher levels of care than originally anticipated.
- Demand pressures across Older Peoples services £1.43m. The recognition of a base budget deficit in 2021-22 for Older Peoples services. This has been driven by demand increase in services following Covid lockdowns.
- Minimum Revenue Provision (MRP) £1m. This is the result of changes to the methodology of NCC's MRP policy as part of the closedown of the 2019/20 statement of accounts and has increased the commitment within the 2021/22 base budget and future years' budgets.
- Investment income £1m. The budget assumption assumed higher levels of investments and higher yields than those that we are currently obtaining and forecasting.

6.39 An analysis has been carried out on the unavoidable base budget pressures to clearly identify which relate to false budget assumptions in inherited budgets including items such as ongoing costs that had been covered from reserves, overly optimistic income assumptions and any gaps in funding for projects that needed to continue. It is important that these were corrected at this early stage to provide a realistic and accurate assessment of expenditure.

6.40 *In total it is estimated that of the £16.265m approximately £9.1m relates to addressing and correcting the base budget inherited to reflect the true provision of service where we are aware there is an issue.*

6.41 It should be noted that as the budgets continue to settle and stabilise other issues such as these may become apparent and will need addressing. We are stabilising the budget as we become aware of the issues but cannot at this stage confirm that we have picked up every single issue at this point.

Service Investment – Total £1.723m

6.42 This category highlights the investment in services prioritised by Cabinet members. It is ongoing, recurring investment and is therefore built into the base budget. It includes:

- Additional investment in Highways Team
- Additional investment in Communications
- Additional investment in Refuse and Recycling
- Promotion of bus services
- Investment to drive forward the sustainability/green agenda
- Participation in the National Graduate Development Programme
- Creation of a Transport Fleet Manager
- Creation of a post with responsibility for driving forward a Tree Strategy
- An additional street sweeper
- Investment in Young Driver Training
- Investment in the Flood Service

One-off budget pressures – Total £9.837m

- 6.43 One-off pressures total £9.837m in 2022-23, which are a combination of pressures due to Covid-19 and other one-off pressures, specific projects, invest to save schemes and time limited service investment.
- 6.44 Dealing with the impact of Covid-19 has resulted in significant additional costs and lost income for West Northamptonshire in 2021-22, and for the predecessor councils in 2020-21. These pressures are forecast to continue into 2022-23 as a result of the ongoing impact on the economy. The impact of the pandemic provides significant challenges to the Council.
- 6.45 One-off Covid-19 pressures in 2022-23 are forecast to total £2.848m and will be funded through use of the remaining Covid-19 government funding from prior years held in earmarked reserves. This includes a pressure of £1.7m due to the on-going impact of Covid-19 reducing the number of people using off-street car parks in Northampton. This is an estimate based on the assumption that there will be some improvement in usage of the car parks in 2022-23, but that this usage will not return to pre-Covid levels in 2022-23.
- 6.46 From 2023-24 the remaining Covid-19 government funding in reserves is forecast to be fully utilised and any ongoing pressures after that will need to be funded from base budgets. It is unclear if further general COVID financial support will come from the Government for 2022-23 and beyond. This may be confirmed in the provisional settlement announcement. At this stage it is assumed that no further general COVID funding will be received.

6.47 There is also a forecast pressure on income of £2.5m due to the lifting of the freeze on the Minimum Income Guarantee proposed by government as part of the recently announced social care reforms. As part of these reforms from April 2022 there are changes to the Minimum Income Guarantee that will ensure vulnerable adults now have to retain more income after charges for their Adult Social Care have been paid. The impact is that the Council will receive lower contributions from clients. However, the timing and final legislation on this is uncertain and therefore it is proposed that the impact of the scheme in the first year will be funded to reserves. That information will then be used to inform the budget setting process for 2023-24 where the intention would be to incorporate the income pressure into the base budget based on better information that we currently have available to us.

6.48 Other one off growth that is worth highlighting includes:

- Investment in the expertise to drive funding bids and work up a pipeline of projects that could be ready to submit should government and external funding become available at short notice. It has increasingly become the case that the government is making one off funding pots available and we currently have no capacity to ensure we are ready to bid with robust cases for place, infrastructure and environmental schemes when opportunities arise.
- Funding to lead on the Bus Service Improvement Plan
- The creation of a HS2 Marshall post for three years
- Impact of switching off the Bus Lane camera in the St. James' area
- Project resource to promote walking and cycling schemes
- Funding of a care cost review
- Several invest to save schemes where funding is required to provide more efficient services going forward

Efficiencies and income generation – Total -£19.638m

6.49 A total of £15.635m efficiencies and £4.003m income generation are included in the draft Budget for 2022-23, with an additional £6.028m across future years. Full details are provided in Appendix B6.

6.50 Significant efficiencies are anticipated from the continued implementation of the Strengths based working programme (TOM) within Adult Social Care and a number of new opportunities that look to maximise funding and improve the outcomes for our Adult clients. These include:

- Strengths based working -£4.1m. The continuation of transformation of adult social care pathways and processes to ensure focus on client outcomes, independence, better decision making and best practice approaches to reduce delays and spend.
- External income funding review for Adults Communities and Wellbeing -£1.5m. Maximise external funding opportunities across the Directorate.

- Progression and Improving independent outcomes within Learning Disability services - £1.0m. Progression and Improving independent outcomes within Learning Disability services. This can result in lower cost packages as individuals become more independent.
- Income generation proposals within the budget total £4.0m. This includes £2.3m in respect of a full review of external funding opportunities for Adult Social Care in-house provider services.

6.51 Other wider efficiencies include:

- The Council maintains a vacancy factor within its budgets, to manage the natural turnover of staff throughout the financial year. The vacancy factor was previously set at 2% of staffing budgets but has now been increased to 4%, resulting in an efficiency of £2.17m
- Income generation proposals also include £0.99m in respect of green waste income harmonisation, harmonising charges over the whole of WNC and bringing the management and administration of the service in house.

Technical Adjustments – Total (£12.786m)

6.52 Essentially, these are adjustments to the budget to reflect previous decisions relating primarily to taking out of the budget those items that had previously been incorporated as one-off budget items. They are therefore reversed in the following year's budget to ensure they do not remain in the base budget as they are no longer required.

General Contingency - Total £5.0m

6.53 The 2021-22 budget included a general contingency of £5m, funded from general fund reserves if required. This contingency has proved useful in managing the budget for the current financial year and therefore it is proposed that it is maintained for 2022-23.

6.54 The general contingency is to cover any associated risks within the budget and will be available to adjust budgets if necessary, given:

- the uncertainty of COVID and the government funding associated with it
- the continued stabilisation of the budgets inherited from predecessor authorities
- the uncertainty of the economic recovery and subsequent demand for services. The release of this contingency will be at the discretion of the Executive Director of Finance in consultation with the Finance portfolio holder.

6.55 The following table sets out the total draft Budget for 2022-23 by Directorate (excluding DSG). This is based on the split of the 2021-22 Baseline plus/minus the budget movements allocated as shown in Appendix B.

Directorate	Base Gross Budget	Service Pressures, inflation and service investment	Efficiencies	Gross Budget	Income Generation Proposals	Service Income	Technical Adjustments	Net Budget
	£m	£m	£m	£m	£m	£m	£m	£m
Adults, Communities and Wellbeing	167.21	18.09	(9.29)	176.01	(2.34)	(58.23)	(3.13)	112.31
Children's Services	85.53	1.98	(0.63)	86.88	(0.04)	(10.99)	(0.85)	75.01
Corporate Services	28.56	1.88	(0.42)	30.02	(0.06)	(7.93)	(1.31)	20.72
Chief Executive	2.02	0.66	(0.17)	2.50	0.00	(0.03)	0.00	2.47
Place And Economy	166.93	10.90	(1.48)	176.35	(1.42)	(87.04)	(0.33)	87.57
Finance	66.10	0.21	(0.52)	65.79	(0.15)	(55.65)	0.00	9.99
Centrally Controlled Budgets	32.00	8.54	(3.13)	37.41	0.00	(1.90)	(7.18)	28.32
Total Service Budget (excluding DSG)	548.35	42.25	(15.64)	574.96	(4.00)	(221.78)	(12.79)	336.39

Flexible Use of Capital Receipts

- 6.56 The Secretary of State, through Section 15 (1) of the Local Government Act 2003, gave local authorities the power to spend up to 100% of capital receipts from the disposal of property, plant and equipment assets on the revenue costs of reform (transformation) projects. This flexibility is limited to the application of those capital receipts received in the years to which this direction applies and does not allow borrowing to finance the revenue costs of service reform.
- 6.57 This flexibility is due to end on 31 March 2022 and there is a policy agreed by full council to use this flexibility to fund the transformation costs that the Council is incurring in this financial year.
- 6.58 At this point it is assumed that there will not be the ability to use capital receipts to fund revenue transformation costs using this mechanism but if there is the ability to continue this arrangement then a flexible use of capital receipts (FUCR) policy will be included in the final budget report.
- 6.59 If the ability to fund costs in this way does come to an end then the only way transformation costs can be funded through Capital would be through a capitalisation direction.
- 6.60 The provisional settlement may include some information on whether the FUCR policy will continue beyond this year. However, in the meantime there is funding which continues to be held in earmarked reserves for the transformation programme.

Funding Assumptions

- 6.61 **Government Funding** is expected to increase over the next three years, although the split of this between the retained Business Rates Baseline, Revenue Support Grant and Social Care Grants will not be known until the draft provisional settlement in December. By applying a pro-rata share of the national increases set out earlier we can assume a total level of government funding for WNC as shown in the table below.

	Actual 2021/22 £m	Projected 2022/23 £m	Projected 2023/24 £m	Projected 2024/25 £m
Total Government Grants plus Business Rates Baseline (excl. new Social Care Funding)	81.741	84.383	85.457	87.275
New Social Care Funding		0.935	6.542	9.345
Total Government Funding/BR Baseline	81.741	85.318	91.999	96.620
Percentage Increase		4.4%	7.8%	5.0%

- 6.62 **Business Rates** income over and above the baseline funding level set by government is retained by the Council, subject to a levy of around 33% that is paid to government. The delay in resetting the baseline means that WNC is able to retain the growth achieved over the last 8 years. In addition to this the government pays Section 31 grants to cover the income lost as a result of the freezing and under-indexation of the business rates multiplier and the impact of small business rates relief and additional reliefs for the retail and hospitality sector. As part of the overall calculation of business rates income we also take into account the deficit from 2020/21 that has been spread over three years (£1.9m in 2022/23). The overall net business rates growth retained by WNC is estimated to be £5.7m for 2022/23, an increase of around £4m from the estimate included in the MTFP in February 2021 primarily as a result of the expectation that the business rates baseline will not be re-set.
- 6.63 The overall **Council Tax base** for 2022/23 has been calculated and set at 139,604, an increase of just over 1.5% from 2021/22 and therefore broadly in line with our medium term planning assumption. Annual increases at this rate are assumed to continue throughout the MTFP period. As part of this report there is a recommendation that seeks to set the taxbase at this figure.
- 6.64 The average **Band D Council Tax** is assumed to increase by the referendum limit (including ASC precept) of 2.99% to £1,613.23. This would deliver estimated total income from Council Tax of £225.2m in 2022/23, growing by just over £10m in each subsequent year.
- 6.65 **Council Tax Harmonisation** over a three year period was agreed by the Shadow Authority in February 2021, with rates to be fully harmonised by 2023/24. This means that the average Band D rate in the former Daventry District will need to increase by more than 2.99% (if this is set as the average increase), but will continue to be slightly lower than the average Band D rates in the former Northampton and South Northamptonshire areas in 2022/23. The proposed increases are well within the £99 maximum Band D increase set as part of the Corporate Plan.
- 6.66 The table below sets out the average increases in the West Northants Council Band D Council Tax in each area in 2022/23 that are required in order to remain on course for harmonisation in 2023/24.

	Average Band D Council Tax 2021/22	Average Band D Council Tax 2022/23	Increase (£)	Increase (%)
Ex-Daventry Area	£1,533.13	£1,596.06	£62.93	4.10%
Ex- Northampton Area	£1,588.18	£1,624.42	£36.24	2.29%
Ex-South Northamptonshire Area	£1,555.50	£1,607.71	£52.21	3.34%
Average	£1,566.39	£1,613.23	£46.84	2.99%

- 6.67 It should be noted that the percentage increases quoted are the average increases within each of the predecessor Council areas. Individual taxpayers will see different increases depending on the impact of Special Expenses and Parish Precepts as well the increases determined by the Police, Fire & Crime Commissioner.
- 6.68 The percentage increases in subsequent years will be dependent on decisions in those years regarding the level of the average increase, linked to the referendum principles set by central government. The differentials between the different areas would continue until the harmonisation period concludes in 2023/24, at which point the average Band D in each area will be equal.
- 6.69 A **Local Council Tax Reduction Scheme (LCTRS)** for 2022/23 has to be agreed by 31 January 2022 for the financial year 2022-23. At the meeting held on 2 December full council approved an LCTRS for 2022-23 which retains a 20% minimum contribution for working age claimants. Changes were agreed to provisions in relation to care leavers and war widows following public consultation.
- 6.70 The cost of the scheme for 2022-23 is estimated to be £19.7m, including Police and Fire, of which West Northants's share is estimated to be £15.6m. These figures are before any increase in Council Tax for 2022-2023. It should be noted that this position may change due to several factors, including the LCTRS caseload numbers and possible changes in LCTRS entitlement for individuals, as well as the on-going impact of Covid-19.
- 6.71 The significant Collection Fund Deficit that arose in 2020/21 as a result of Covid-19 has to be spread over 3 financial years. Hence we are showing a deficit of £1.066m in each of 2022/23 and 2023/24 within the MTFP. Monitoring of the Collection Fund during 2021/22 shows a forecast position broadly in line with the budget and therefore no adjustment to this brought-forward deficit is required.

Dedicated Schools Grant

- 6.72 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, and with specific regulations on what each block of funding can be spent on.
- **Schools Block** – funds primary and secondary maintained schools and academies through the school's funding formula, and growth funding for new and growing schools.

- **Early Years Block** – funds the free entitlement for 2, 3 and 4 years olds in all early years settings in the private, voluntary and independent (PVI) sector, as well as maintained nursery schools.
- **High Needs Block** – funds places in special schools, resource units and alternative provision, and top-up funding for pupils with Education, Health and Care Plans (EHCPs) in all settings.
- **Central Schools Services Block** – funds services provided by the Local Authority centrally for all schools and academies (ongoing responsibilities). For example, School Admissions and historical commitments previously agreed between the Local Authority and Schools Forum such as pension strain costs.

6.73 The Secretary of State for Education announced provisional funding allocations for 2022-23 through the schools, high needs and central school services national funding formulae (NFF) on 19 July 2021. The table below shows the provisional allocation for West Northamptonshire Council from the July announcement. The final allocation will be published in December 2021.

	Schools Block	High Needs Block	CSSB	Total
2021/22	301.0	54.2	4.7	359.9
Provisional 2022/23	309.4	58.5	4.3	372.2
Increase /(decrease)	8.4	4.3	(0.4)	12.3
% Increase / (decrease)	2.8%	7.9%	(8.5%)	3.4%

6.74 As Early Years funding is based on census data at different points in the year, allocations are published to a different timetable and an announcement is expected in December 2021. The 2021-22 Early Years funding is currently £25.2m bringing the provisional DSG funding total to £397.4m.

6.75 Although funding and spending per pupil has increased, it actually represents a real terms reduction due to rising teachers wage costs due to cost of living increases and pressures for sector wide salary incentives to avoid serious recruitment and retention problems.

6.76 The provisional increase in the High Needs Block represents the authority's share of the £780 million national increase for 2022-23. WNC's High Needs Block is increasing by £4.3 million from 2021-22 which is the minimum guaranteed increase per head of population (8%) with some authorities seeing gains of up to 11%.

6.77 There is an inherent pressure within the High Needs Block relating to the growth in the funding needed for young people with special educational needs and disabilities (SEND). This is in keeping with the pressure being seen by all authorities. It is seven years since reforms were introduced to better support children and young people with special educational needs and disabilities (SEND) and the allocation of funding available to support pupils with high needs has become a national issue.

6.78 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 and we are currently predicting over 400 additional spaces will be needed for children in West Northants by 2025

- 6.79 The Council has undertaken a school budget consultation running from 1 November to 30 November 2021 as agreed with Schools Forum, and the outcomes from the consultation will be presented to the December Schools Forum meeting where proposals will be voted on where required. However, the final schools funding formula remains a local authority decision and the submission to the Education Skills and Funding Agency (ESFA) is due on 21 January 2022. Full details relating to the DSG are included in Appendix D.

Children's Trust

- 6.80 Making a difference to children, young people and families is of high importance to both Councils as joint owners of Northamptonshire Children's Trust. The financial proposals contained within the NCT business plan build on the recent Ofsted monitoring visit which was encouraging and highlighted the tangible progress being made and the 'relentless commitment' of colleagues at West Northamptonshire Council, North Northamptonshire Council and the Children's Trust working in partnership in improving services, alongside areas to focus on further development.
- 6.81 A contract sum totalling £137.45m has been agreed for 2022-23 – a net increase of £0.31m, after savings, from the prior year which is indicative of the national picture of rising costs of children's social care. The WNC share of this increase totals £0.17m and is included as an unavoidable base budget pressure.
- 6.82 In addition to this, one off revenue investments are included in the draft budget recognising the ongoing impact of covid and to invest further in the improvement journey totalling £0.39m covid and £0.36m invest to save proposals, for WNC representing 56% of the total requested by the Trust.

Public Health

- 6.83 The Public Health budget funds a range of local public health activities that aim to protect and improve the health and wellbeing of the West Northamptonshire population and reduce inequalities in order to enable people to live healthy, happy and productive lives. The Services 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:
- Improving public health
 - research into health improvement, providing information and advice
 - providing facilities for the prevention or treatment of illness
 - providing assistance to help individuals minimise risks to health arising from their accommodation or environment
 - Provide or make arrangements to provide 0-19 Services including maternity and health visitors, school nurses and weighing and measuring of children
 - Provide or make arrangements to provide for health checks
 - Provide or make arrangements to secure the provision of open access sexual health services in their area

- Provision of a public health advice service, in relation to commissioning health services to Clinical Commissioning Groups (CCGs)
- Provide advice and information to the health and care system to ensure health protection

6.84 The service is currently hosted within North Northamptonshire Council, under a shared director of Public Health. However, Cabinet have approved that from 2022-23, each Council will have their own Director of Public Health working closely with the new Integrated Care System (ICS).

6.85 Public Health Grant allocations are usually announced in the new year, at this stage it is expected that the grant will increase by £0.23m to £18.82m in 2022-23. (This reflects prior year increase of 1.24%)

Fees and Charges

6.86 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 £33.5m with approximately £23m coming from Fees and Charges set out in Appendix C. All Fees and Charges have been subject to a review for 2022-23 and within the draft budget proposal there is an additional £1.2m of income that has been generated through this review.

6.87 This is the second year that West Northamptonshire Council has been able to set its fees and charges. In some cases there will have been different fees and charges set by the previous authorities for the same services. In these cases West Northamptonshire Council has looked to harmonise these fees and charges so that one consistent fee or charge is applied across the whole Council area. This has been done for most areas where there were different fees and charges for the same services, including all those where there is a legal requirement to harmonise. In a few cases harmonisation has not been possible for this financial year, and these fees and charges will be reviewed again during the year to look to harmonise as soon as possible.

6.88 The fees and charges schedule includes a proposal to harmonise kerbside garden waste collection for all residents of West Northamptonshire who opt into this service of £42 per bin per year, from 1 April 2022. This proposal was approved by Cabinet in November 2021. This proposal is estimated to generate an additional net income of £800k. In addition it is expected that a further £100k income can be budgeted for due to uptake of this existing scheme in the Northampton area being greater than previously budgeted for.

6.89 A proposed Fees and Charges schedule is included at Appendix C.

General Fund Balances and Earmarked Reserves

6.90 The Council inherited reserves from the former Districts and Boroughs as well as the disaggregated County Council. Many of these were earmarked for a specific purpose, although some are more flexible.

6.91 Due to the ongoing audits at the former Councils the opening reserve balance for West Northamptonshire Council are still to be confirmed. The 2021-22 budget report last year estimated that there would be general fund balances of £40m and earmarked reserves of £55m. This didn't include COVID reserves as their final position was not known at the time of writing the

report or S31 grants relating to the collection fund deficit as these were received in 2020-21 but had to be carried forward and applied to the collection fund in 2021-22 and therefore were not a reserve we had any control over. These carried over funds are significant and have to be applied in 2021-22 and therefore it would be misleading and give a false picture of our reserves if they were included in that analysis.

6.92 The current position on the reserves is set out below which provides a comparison between the estimate contained in the 2021-22 final budget report and the current estimated position.

Estimated Reserves		
	2021-22 Final Budget Setting Report (23 Feb 2021)	Current Estimated Position (8 Dec 2021)
	£m	£m
General Fund	40.0	42.8
Earmarked reserves	55.0	66.5
Sub-total	95.0	109.3
<u>Reserves not included in previous analysis</u>		
COVID reserves		21.5
S31 Grants (for collection fund deficits)		39.4
Sub-total		60.9
Grand Total		170.2

6.93 The comparable figure to the estimate provided in the final budget report is the £109.3m compared to the £95.0m. This demonstrates that the estimate at the time was prudent and realistic and the level of reserves actually expected to be held is slightly more than originally estimated.

6.94 The COVID reserves and S31 grants were excluded from this analysis when the budget was set for the reasons set out above.

6.95 The finance team, in conjunction with services, have recently completed a review of the reserves. The £170.2m has been analysed and reviewed and the following recommendations made:

General Fund Balances

- Research shows that unitary authorities of a similar size hold reserves which are in the region of £30m
- The S151 officer is of the view that general fund balances ***as a minimum*** should cover 5% of the net budget.

- For West Northants that would equate to a **minimum** balance of approximately £16m for 2021-22.
- General fund balances are the 'contingency of last resort' and the inherited level of balances (subject to audit) amounted to £42.8m. Comfortably covering the minimum expected level and also approximately £12m more than other similar sized unitary authorities.
- However, given the immaturity of the organisation it is reasonable to hold GF balances in excess of other similar sized unitaries as we are facing greater uncertainty and therefore greater risk.

It is the view of the S151 officer that a general fund balance of £40m for 2021-22 is a reasonable level of general fund balance to hold.

Risk Reserve

- 6.96 Within the estimated level of reserves inherited by the Council there were a number of reserves that could be described as 'smoothing' reserves. Set up to deal with fluctuations and volatility in areas such as business rates income. It is proposed that these reserves are brought together under one reserve to deal with all risks that the authority is facing including COVID. It is also proposed that the balance of the general COVID funds received are also added to this reserve.
- 6.97 It is proposed that the estimated risk reserve is set at £41m and can be released by the S151 officer to address and deal with any unplanned risks that are faced by the authority over the year.

Invest to Save Reserves

- 6.98 It is recommended that a reserve of £1.2m is set up to be released for proven invest to save initiatives as they come forward.
- 6.99 It is proposed that the reserve is released at the discretion of the S151 officer.

Other reserves

- 6.100 It is proposed that the following reserves remain as they are:
- Transformation reserves
 - Section 31 Grants reserves (these are the ones that will need to be used in 21-22 in respect of collection fund adjustments)
 - Ringfenced and Technical reserves (Public Health, Insurance, Enterprise Zone)
 - Specific Covid reserves

Service Specific Reserves

- 6.101 There are in excess of 91 service specific reserves that will transfer across to WNC. The Finance Team have been through these with services to determine commitments against them. Officers are in the process of finalising this review. If there is no longer a need for the reserve and no commitments against it then the respective reserves will be released and added to the risk reserve.
- 6.102 It is proposed that the S151 officer transfer the balances from these reserves into the risk reserve once this review has been completed.
- 6.103 The table below provides a summary of the recasted starting position on reserves (which is still subject to final audit sign off):

Description	Expected Balance as at 01/04/21
	£000
General Balance	(40,000)
Risk Reserve	(41,000)
Transformation Reserve	(6,175)
Invest to Save	(1,151)
Service Specific Reserve	(19,434)
Other Reserves Total	(67,760)
Section 31 Grants	(39,413)
Ringfenced / Technical	(15,193)
Ringfenced / Technical Reserves Total	(54,606)
Specific Covid Reserves	(7,923)
Covid Reserves Total	(7,923)
Earmarked Reserves Total	(130,289)
Grand Total	(170,289)

- 6.104 There are a significant number of commitments against the various earmarked reserves for 21-22 and 22-23 such as the £39.4m required to be transferred to the collection fund in the current year which will see this figure reduce in this year and next year.
- 6.105 The estimated general fund balance and earmarked reserve at the end of this year 2021-22 is:
- | | |
|----------------------|--------------|
| - General Fund | £40m |
| - Earmarked reserves | £67m |
| Total | £107m |

Medium Term Financial Plan Forecasts

6.106 Although the draft Budget for 2022-23 shows a balanced position, there is considerable uncertainty in the medium term due to the probable implementation of Business Rates reform, rebaselining and the Fair Funding Review, as well as the transition to new models of service delivery as the new Council develops.

6.107 The table below summarises the medium term financial position:

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Estimated budget (surplus)/deficit	-	10.74	16.64	18.16

Capital Strategy and Draft Capital Programme 2022-23

6.108 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.

6.109 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 draft Budget takes into account the schemes already approved in year through the Capital and Assets Board (CAB) plus new fully funded schemes only i.e. where there is no financial impact for the authority.

6.110 New schemes have been put forward by officers and endorsed by CAB for inclusion in the draft capital programme, and a further review will be undertaken of all other proposals to agree prioritisation of schemes before they are submitted for a final. Agreed capital bids have been added to the capital schemes inherited by West Northamptonshire from the predecessor authorities.

6.111 Details of the capital programme additions for 2022-23 are set out in Appendix E. A full copy of the Capital Programme is available upon request.

6.112 The table below summarises the total draft general fund capital programme by directorate.

Draft 2022-26 general fund capital programme	2022/23 £k	2023/24 £k	2024/25 £k	2025-26 onwards £	Total £k
Adults, Communities and Wellbeing	2,925	2,875	2,857	0	8,657
Children's	5,439	3,950	3,750	0	13,139
Corporate	208	198	48	0	454
Finance	143	0	0	0	143
Place	61,865	12,119	13,294	0	87,278
Total	70,580	19,142	19,949	0	109,671

6.113 The Capital Strategy is being developed with reference to the requirements of the updated Prudential Code and Treasury Code of Practice and will be brought forward for approval as part of the final Budget report in February 2022.

6.114 The Housing Revenue Account (HRA) draft capital budget will be also presented to Cabinet in December as part of a separate HRA budget setting report.

Treasury Management Strategy

6.115 The purpose of the Treasury Management Strategy is to establish the framework for the effective and efficient management of the Council's treasury management activity, including the Council's investment portfolio, within legislative, regulatory, and best practice regimes, and balancing risk against reward in the best interests of stewardship of the public purse.

6.116 There are some changes that will be included in the Treasury management strategy for 2022-23 that will be presented in the final Budget:

- Following the UK Government setting up of the UK infrastructure bank of which one of its aims is to support Local Authorities to fund strategic infrastructure projects, we intend to include them as a source of funding in addition to PWLB in the report.
- There is an ongoing consultation process regarding changes to prudential and treasury indicators. Whilst they won't be finalised to be included in Treasury Management Strategy report 2022-23, we intend to report in-year in terms of the Council's ability to comply as CIPFA are recommending full compliance from 2023-24 onwards.
- There are also possible changes to limits but this is dependent on capital funding requirements that will be set out in capital strategy for the council going forward.

7. Implications (including financial implications)

7.1 Resources and Financial

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

7.2 Legal

7.2.1 The setting of the budget is carried out in accordance with the Budget and Policy Framework Procedure Rules set out in the Constitution.

7.2.2 The provisions of the Local Government Finance Act 1992 set out what the Council has to base its budget calculations upon, and require the Council to set a balanced budget with regard to the advice of its Chief Finance Officer (Section 151 Officer).

7.2.3 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 2022 to both the Cabinet and the Full Council by the Chief Finance Officer (Section 151 Officer). This report is required under Section 25 of the Local Government Act 2003.

7.3 Risk

7.3.1 The Budget for 2021-22 included a general contingency of £5m in recognition of the risks associated with constructing the first budget for West Northamptonshire Council prior to its inception. Work has been undertaken during the year to ensure that detailed budgets properly reflect the staffing establishment and the cost of delivering services and is currently ongoing. It is proposed therefore that the general contingency remains in place for the financial year 2022-23 in order to allow flexibility in our budget management arrangements.

7.3.2 Whilst the progress made in compiling the statutory accounts for predecessor authorities provides some reassurance regarding the levels of inherited reserves, provisions and liabilities, these accounts are still subject to audit and as such there remains a risk that there may be some changes. The level of balances and reserves is considered sufficient to manage these risks.

7.3.3 Significant risks remain in demand led budgets such as Adult and Children Social Care placements, particularly in light of the ongoing impact of Covid-19. The pandemic also has potential ongoing impacts on income from fees and charges such as car parking. The draft budgets have been constructed having due regard to these risks.

7.3.4 The detailed General Fund budgets are subject to continual review and refinement. Since vesting day, Directorates and Finance have worked together, reviewing budgets, prioritised by risk, to zero base, and ensure they are sufficient to cover West Northamptonshire Council's commitments, and adequately fund new service designs and ways of working, using latest demand forecasts. Whilst the initial 'zero-based budgeting' (ZBB) costing exercise has now been completed, there are some issues that have emanated from that which are being addressed and

budgets will continue to be reviewed and refined as part of the on-going budget monitoring process.

7.4 Consultation process and consideration by Overview and Scrutiny

7.4.1 This draft Budget is presented to Cabinet prior to the start of public consultation.

7.4.2 Budget consultation will commence on 22 December, the day after Cabinet have considered the draft Budget proposals, and will be open for six weeks.

7.4.3 The draft Budget will also be considered by Overview and Scrutiny Committee on 12 January who will then be able to provide their views and comments to Cabinet prior to their consideration of the final Budget for recommendation to full council.

7.4.4 The timeline for the rest of the Budget process is as set out below:

- Publish draft Budget 13 December
- Cabinet consider draft Budget 21 December
- Commence draft Budget consultation 22 December
- Overview and Scrutiny consider budget 12 January
- Consultation closes (six weeks) 1 February
- Publish final Budget report 7 February
- Cabinet consider final Budget 15 February
- Council Tax Setting and Budget report published 16 February
- Full authority considers final Budget 24 February

7.4.5 The response to the budget consultation will be analysed and form part of the final Budget report to Cabinet on 15th February.

7.5 Community Impact/Equalities

7.5.1 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.

7.5.2 An overall Equality Impact Assessment has been completed for the budget proposals for 2022-23. 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 the proposals are considered to have no or low negative impact and in some cases a positive impact on service users.

7.5.3 An equality Impact assessment was undertaken on the proposals to harmonise Council Tax as part of the 2021-22 budget setting process. Impacts of that decision were therefore considered at that time and continue to be kept under review.

7.5.4 The Equality Impact Assessments will be reviewed again following an analysis of the results from the budget consultation process.

7.5.5 An Equalities Screening Assessment is attached at Appendix F.

8. Background Papers

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

- Spending Review Announcement 27th October 2021
[Autumn Budget and Spending Review 2021 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/spending-review-announcement-27-october-2021)
- West Northamptonshire Council budget 2012-22, approved by Shadow Authority 23rd February 2021.
[Meeting of West Northamptonshire Shadow Authority on Tuesday 23rd February 2021 - West Northamptonshire Council \(moderngov.co.uk\)](https://www.moderngov.co.uk/2021/02/23/meeting-of-west-northamptonshire-shadow-authority-on-tuesday-23rd-february-2021/)