



WEST NORTHAMPTONSHIRE COUNCIL

FULL COUNCIL

24 February 2022

Portfolio Holder for Finance - Councillor Malcolm Longley

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| Report Title | Final Budget 2022-23 and Medium Term Financial Plan |
| Report Author | Martin Henry, Executive Director (Finance), Martin.Henry@Westnorthants.gov.uk |

Contributors/Checkers/Approvers

| | | |
|--------------------------|---------------------|------------------|
| West MO | Catherine Whitehead | 16 February 2021 |
| West S151 | Martin Henry | 15 February 2022 |
| West Communications team | Claire Hughes | 15 February 2022 |

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1. Purpose of Report

- 1.1 This report sets out the final 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 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 2022-23 – 2025-26
 - Flexible Use of Capital Receipts Strategy
 - Treasury Management Strategy
 - Reserves forecast
- 1.4 This final budget presented within this report incorporates feedback from the budget consultation and scrutiny process. The consultation has given residents, businesses, local partners and other stakeholders the opportunity to review the budget proposals and financial plans, and provide feedback during the six week consultation period. Following the publication of the draft budget in December there has also been review, comment and exploration of the budget proposals by the Overview and Scrutiny Committee and this report also takes account of their feedback.
- 1.5 Since the publication of the draft budget the Government has released details of the Provisional Settlement for local authorities for 2022-23. As a result of the Provisional Settlement the Council has been allocated additional funding over and above the level prudently assumed within the draft budget. The Final Settlement for Local Authorities was laid in Parliament by the Rt Hon Michael Gove MP on 7 February 2022, with additional funding announced on top of the Provisional Settlement announcement. The final settlement information was reported to Cabinet on the 15 February 2022 and has been incorporated within this report.
- 1.6 In addition to incorporating the effect of the settlement and feedback from the consultation and scrutiny processes, the Council has undertaken a further internal review of the current year's financial performance and pressures and risks that have emerged since we published the draft budget. These reviews were designed to satisfy ourselves that any ongoing budget variations identified are also reflected in 2022-23 budget and that the 2022-23 budget proposals which were included in the draft budget are still robust, with the appropriate plans in place.
- 1.7 As a result of these reviews some amendments have been made to 2022-23 budget, and full details of the changes between draft and final budget are set out within this report and the appendices.
- 1.8 Cabinet considered the final budget for 2022-23 on 15 February 2022 and have recommended the budget contained within this report to full council.

2. Executive Summary

- 2.1 This report presents the final 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 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. This has also had to be done alongside the continuing process to disaggregate services that were shared with North Northants at vesting day and ensure that the legal arrangements between us are strong where we will continue to share services in the short or longer term.
- 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, income and families, but also from demand led services 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. Some information could only come to light as we work through a full year cycle of government returns, account closure and consolidation.
- 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 continue to deliver our key transformation priorities in order to keep realising 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 of 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 budget includes a core Council Tax increase of 1.99% in line with the maximum limit set by government without triggering a local referendum. We have also included the allowable Council Tax social care precept increase of 1% in full, to further invest in adult social care services while we wait for the benefits of the new Health and Social Care levy to benefit the Council in 2024-25 and after the first two years of income is used to recover health 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 was confirmed by government as part of the Local Government Financial Settlement announcement on 7 February 2022.

- 2.9 The Council Tax increase and growth in properties across the area 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 final 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 £16.8m to protect existing service levels thereby ensuring no reductions in services
 - Efficiencies and income generation of £19.3m
 - 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 Council:
- a) Approves the 2022-23 Budget for West Northamptonshire set out in this report, as recommended by Cabinet at the meeting held on 15 February 2022, including
 - i. an estimated net revenue budget of £753.490m (£342.318m 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. Noting the Council Tax rebate of £150.00 for all Band A-D Council Tax payers and a further discretionary amount of funding for properties in Bands E-H. The details of this scheme are yet to emerge and more information will be provided once it is available.
 - iv. Noting the balance of the WNC Council Tax hardship fund and encouraging residents to apply for such funding if they are facing financial hardship.

- v. Fees and Charges schedule as detailed in Appendix D
 - vi. dedicated schools grant budget of £411.2m as detailed in Appendix E
 - vii. the Capital Strategy as set out at paragraphs 6.118-6.136 and Appendix F1, and Capital Programme as set out in Appendix F2.
 - viii. adoption of the changes to the 2021-22 capital strategy and MRP policy as outlined in paragraph 6.127
 - ix. the Flexible Use of Capital Receipts Strategy set out in Appendix G
 - x. the Treasury Management Strategy set out in Appendix J
 - xi. setting the authorised limits for borrowing as set out in the table at paragraph 6.143
- b) Approves the following further recommendations from the Cabinet to Full Council on 24 February 2022, to ensure that the revenue and capital budget and all associated financial policies can be delivered in a safe and legal manner from 1 April 2022 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 2022-23 as a result of any unforeseen commitments; in consultation with the Finance Portfolio Holder.
 - ii. To delegate authority to the Executive Director - Finance in consultation with the portfolio holder for Finance to amend the capital programme for 2022-23 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 approve the review of reserves as summarised in the table contained at paragraph 6.105
 - 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 £9.8m if required in the year.
 - vi. To delegate authority to the Executive Director – Finance in consultation with the portfolio holder for Finance to amend Fees and Charges if required in 2022-23
 - vii. To delegate authority to the Executive Director – Finance to finalise and agree all outstanding financial policies and strategies in order to ensure that the Council has the policies in place by 1 April 2022
- c) For the Dedicated Schools Grant (DSG):
- i. Notes the allocations and planned usage of the DSG for 2022-23, 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) Considers the Section 25 statement of the Chief Finance Officer detailed at paragraphs 7.1-7.42 of the report.

- e) Notes the consultation feedback on the budget in Appendix H
- f) Notes the feedback from the Overview and Scrutiny Committee in Appendix I
- g) Include provision in the budget for the minimum hourly rate to be increased above the Foundation Living Wage of £9.90 to £10.00 per hour for all Council staff recognising that the final award is subject to the collective bargaining with the recognised trade union representatives. It is recommended that the additional costs are funded through the base budget contingency contained within the final budget proposals contained within this report.

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 (subject to a separate report)
- a Capital Programme
- a Flexible Capital Receipts strategy
- a Treasury Management Strategy

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

Corporate Plan

- 6.1 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*'.
- 6.2 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**
- 6.3 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.
- j. We will continue to invest in the retention of a stable and capable workforce recognising the current challenges of recruitment in some areas and explore viable ways to attract and keep staff.

Changes from draft to final budget

- 6.4 Work has continued to refine and develop budgets to ensure that they are as accurate and up to date as possible. The overall net impact is zero and the Council continues to have a balanced budget in 2022-23.
- 6.5 These changes stem from a number of different activities that have been undertaken since the draft budget was published:
- **Provisional Local Government Financial Settlement.** This was published by Government on 16th December 2022 and confirms the Council's central funding and grant allocations for 2022-23. See paragraphs 6.58 – 6.60 of this report for further details of the changes as a result of the settlement announcement. In summary, the provisional settlement outlined that we could expect £3.8m more than we had assumed in the draft budget proposals. In the days that followed the provisional settlement there was further information that one of the grants had been calculated on an incorrect basis (CPI was used to calculate the increase in the grant rather than RPI). As a result we estimated that a further £900,000 could be received in addition to the £3.8m.
 - **Final Local Government Financial Settlement.** The final settlement was laid in Parliament by the Rt Hon Michael Gove MP on 7 February 2022. This confirms the final settlement funding allocated to the Council and included confirmation on the change in grant indexation from CPI to RPI, resulting in an increase of £105,000 funding on top of the originally estimated £900,000. Additionally a further increase in grant funding of £10,000 was applied to the Lower Tier Support Grant , which resulted in a total increase in funding from the provisional settlement assumptions of £115,000 compared to what was included in the final budget published for Cabinet's consideration. This further additional funding was highlighted at Cabinet and has been incorporated into the final budget proposals for full council.
 - **Budget robustness review.** In addition to the Star Chambers process which took place before Christmas and were a fundamental part of the draft budget proposals officers then went through another round of budget robustness sessions after the publication of the draft budget. The review sessions took place with the Service Directors, Assistant Directors, S151 officer, deputy S151 officer and Finance staff to specifically review each of the savings proposals that had been included in the draft budget in order to confirm their achievability in the view of the service. Each savings proposal was RAG rated and any proposals identified as high risk have been removed.

- **In-year monitoring** Since the publication of the draft budget the Council has undertaken period 9 of its monthly budget monitoring process for 2021-22. Some emerging pressures have been identified in-year which are expected to continue into 2022-23 and these have been incorporated into the medium-term position. Budget assumptions such as inflation have also been reviewed and refreshed to ensure that they are as up to date as possible and/or reflect changing national conditions.
- **Emerging Pressures.** A final round of discussions took place during the start of 2022 between finance and the service areas to ensure that all pressures had been adequately budgeted for and that services could be confident that their budget was robust and able to deliver the services they are responsible for. These discussions also made use of the latest information available on demand led services and the latest volumetrics to help us predict future services costs. Budget processes should always be dynamic processes that can flex and change to incorporate the latest financial information and intelligence. The outcome of this work was summarised early in the new year and highlighted pressures such as:
 - Utilities inflationary pressures in excess of what had already been assumed in the budget
 - Home to school transport pressures largely as a result of above inflation increases in some critical parts of the service area
 - Waste disposal tonnages estimated to be greater than in the draft budget based on the latest volumetric information that became available after the publication of the draft budget
 - Historic income and staffing budget pressures within Corporate Services, particularly IT.
 - Additional adult social care pressures as a result of increased hospital discharges and reliance on longer term or more costly care packages
 - Pressures identified on the Insurance budget

- 6.6 It is crucial that these pressures are flagged and recognised as they increase the risk associated with the budget. Whilst the services are seeking to identify mitigations to reduce these pressures it is imperative that the additional funding received in the settlement is primarily used to set aside and build up a contingency which can be employed to fund these budget pressures should they be realised and mitigating actions are not able to address all of the additional costs.
- 6.7 The additional funds will therefore be added to the base budget contingency to be employed if required to fund the pressures that have emerged between draft and final budget if they cannot be managed away.
- 6.8 The movements between draft and final budget are included in Appendix C. A summary of the main changes from draft to final budget is as follows:

| | £m |
|---|------------|
| Provisional settlement funding changes | (3.8) |
| Final settlement assumed funding changes | (1.0) |
| Increase to general contingency | 4.8 |
| Changes to budget proposals (pressures, efficiencies and inflation) | 0.4 |
| Additional one-off pressures funded by reserves | 0.7 |
| Use of reserves to fund one-off pressures | (0.7) |
| Movement on use of covid funding from reserves | (0.4) |
| Overall net effect of changes on 2022-23 budget | 0.0 |

- 6.9 The most material change between draft and final budget is in relation to the Council's funding. Following the provisional local government finance settlement announcement in December the Council had an additional £3.8m confirmed in funding for 2022-23. We also anticipated a further £900,000 on one of the grants following further information that came from the Government after the provisional settlement information was originally sent out. The final settlement confirmed that this additional mount would be £1,005,000. The final settlement also confirmed a further additional grant of £10,000 and therefore the final Government settlement, which was issued after the final budget reports for Cabinet were published, was £115,000 more than we anticipated in the budget report to Cabinet.. Further details on this additional funding are set out later within this report.
- 6.10 As detailed above, since the publication of the draft budget in December further ongoing budget pressures have also emerged, particularly in relation to inflation, the cost of utilities, service demand, and the ongoing effects of the Covid-19 pandemic. Given the risk and volatility around these items it is proposed to use the additional funding to increase the Council's general budget contingency. A contingency of £5m had already been included in the draft budget (funded through general reserves), so this increase takes the general contingency up to £9.8m. The contingency will be managed by the Executive Director of Finance in conjunction with the Finance Portfolio Holder, with budget transferred to services in 2022-23 only if one-off or ongoing pressures are confirmed through the Council's monthly budget monitoring process that cannot be mitigated against.
- 6.11 Additional one-off pressures totalling £0.7m have been identified since the draft budget to mainly drive change and productivity improvements throughout the Council. These will be funded through one-off use of reserves in 2022-23. The budget proposals contained within Appendix B have moved by a further £0.4m since the draft budget. For further details of the changes between draft and final budget please see Appendix C.
- 6.12 In addition to the above, the Cabinet added a further recommendation to the budget proposals to move to a minimum hourly rate of £10.00 per hour for Council employees which is above the foundation living wage level recommended by the Corporate Overview and Scrutiny Committee . This is expected to cost around £250,000 and will be funded from the base budget contingency.

Final Budget Proposals

- 6.13 The Budget for 2022-23 builds on the work carried out during the ‘forming 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 against, opportunities for efficiency, demand management and new ways of working have been progressed where possible and resources are available for the future transformation of services.
- 6.14 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.
- 6.15 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.
- 6.16 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.

Star Chambers

- 6.17 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.
- 6.18 The purpose was to scrutinise 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
- 6.19 The gap being forecast prior to the start of the star chamber process was in excess of £21m or 6% of the net budget.

Service Investment Prioritisation

- 6.20 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.

- 6.21 There was a significant number and cost attached to some service investment proposals and this included more aspirational elements as well as essential requests. 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.
- 6.22 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.
- 6.23 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 £15.5m in 2023-24, £23.4m in 2024-25 and £26.4m 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 in order to balance future years budgets. There will be an increased focus on this and the delivery of budgeted savings in 2022-23 and as we reduce the amount of time and resources having to manage the disaggregation process and arrangements with North Northants.

Budget Robustness Sessions

- 6.24 As described previously, the ‘Star Chamber’ process was augmented by ‘Budget Robustness’ sessions that took place after the draft budget had been proposed in order to ensure that the budget savings proposals were robust and service leads were able to flag any concerns they had about the deliverability of any proposals.
- 6.25 As a result there were some minor amendments to the budget savings proposed in the draft budget but the vast majority of the savings were confirmed as being achievable and deliverable.
- 6.26 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 £5.871m

- 6.27 The Budget includes pay related costs of £5.871m. This is a reduction from £6.038m shown in the draft budget due to a refresh of assumptions and calculation of cost of increments. Pay related cost in the budget includes the following:
- Adjustment to base budget to reflect the final 2021-22 staff 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 designed to retain staff
 - 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

- 6.28 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:
- 6.29 *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.*
- 6.30 *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.*
- 6.31 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 Council's offer. The result of this was that the unions narrowly rejected the offer with the exception being GMB, who narrowly accepted it. While the outcome of their ballot was to reject the offer the required 50% turnout to support any industrial action was not achieved.
- 6.32 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 £8.090m

- 6.33 Contractual Inflation of £8.090m has been included in the 2022-23 budget. – This provides for in-built contractual and other inflationary cost related pressures such as care homes and home care fees. This is a small decrease from the amount shown in the draft budget, however pressures on inflation are still emerging, and there remains risk and volatility in this area which reflects national issues in relation to the supply, staffing and cost of care in both Adults and Children's services. This will be managed through the Council's general contingency in 2022-23, as described earlier in this report.

Budget Growth

- 6.34 Budget growth splits into three distinct categories:

- Unavoidable budget pressures totalling £16.8m. 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 £10.5m. 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 £16.799m

6.35 Ongoing pressures total £16.799m in 2022-23, an increase from £16.265m in the draft budget. 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 additional support.
- Structural budget pressure due to demand for Learning Disability clients during 2021-22 £2.12m. 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 and some families have requested additional formal care to help them manage.
- 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 and the challenging situation with home care where shortages have led to an increased reliance on bedded care or care homes, often at a higher cost and more likely to result in long term reliance on care.
- 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.

6.36 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.

- 6.37 In total it is estimated that of the £16.799m approximately £9.6m relates to addressing and correcting the base budget inherited from our predecessor Councils to reflect the true provision of service where we are aware there is an issue.
- 6.38 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

- 6.39 This category highlights the investment in services prioritised by Cabinet members. It is ongoing, recurring investment and is therefore built into the base budget. Service investment remains unaltered since the draft budget report and includes:
- Additional investment in the 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 £10.509m

- 6.40 One-off pressures total £10.509m in 2022-23, compared to £9.837m in the draft budget. These 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.
- 6.41 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 and slow recovery of income streams. The impact of the pandemic provides significant challenges to the Council. Furthermore, it should be noted that no further general COVID funding is due to be received in 2022-23. In 2021-22 £12.6m of general COVID funding was received by the Council.

- 6.42 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.
- 6.43 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 doubtful that any further general COVID financial support will come from the Government for 2022-23. Therefore, at this stage it is assumed that no further general COVID funding will be received.
- 6.44 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 through 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 than we currently have available to us.
- 6.45 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
 - A new team set up to work in partnership with academics, business, third sector and others to develop technology initiatives and assess new and emerging technologies for the Council's benefit.
 - Seed funding for a hardware replacement project

- Several invest to save schemes where funding is required to provide more efficient services going forward

Efficiencies and income generation – Total -£19.306m

- 6.46 A total of £15.249m efficiencies and £4.057m income generation are included in the Budget for 2022-23, with an additional £6.464m across future years. Full details are provided in Appendix B6.
- 6.47 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.

- 6.48 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 a further 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)

- 6.49 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 £9.848m

- 6.50 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 the draft budget proposed to maintain it for 2022-23.

6.51 The additional funding confirmed in the final local government finance settlement has allowed the Council to increase this contingency to £9.8m for 2022-23. The general contingency is to cover any associated risks within the budget and will be available to adjust budgets if necessary, given:

- The emerging pressures in relation to utilities and inflation.
- the uncertainty of COVID, ongoing financial implications from it, and uncertainty of 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.

6.52 The first call on the contingency will be to fund the proposal to increase the minimum hourly rate for Council employees to £10.00 per hour which is estimated to cost £250,000.

6.53 The following table sets out the total 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 |
| Adults, Communities and Wellbeing | 167.21 | 18.62 | (9.29) | 176.55 | (2.34) | (58.23) | (3.13) | 112.85 |
| Children's Services | 85.53 | 1.98 | (0.63) | 86.88 | (0.04) | (10.99) | (0.85) | 75.01 |
| Corporate Services | 28.56 | 2.55 | (0.34) | 30.78 | (0.08) | (7.93) | (1.31) | 21.46 |
| Chief Executive | 2.02 | 0.66 | (0.17) | 2.50 | 0.00 | (0.03) | 0.00 | 2.47 |
| Place And Economy | 166.93 | 10.61 | (1.18) | 176.36 | (1.45) | (87.04) | (0.33) | 87.54 |
| Finance | 66.10 | 0.21 | (0.52) | 65.79 | (0.15) | (55.65) | 0.00 | 9.99 |
| Centrally Controlled Budgets | 32.00 | 8.37 | (3.13) | 37.24 | 0.00 | (1.90) | (2.33) | 33.00 |
| Total Service Budget | 548.35 | 42.99 | (15.25) | 576.09 | (4.06) | (221.78) | (7.94) | 342.32 |

*Increase to General Contingency of £4.84m, less Technical adjustments of £12.78m

Flexible Use of Capital Receipts

6.54 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.

6.55 This flexibility was initially due to end on 31 March 2022, but the Government announced on 10 February 2021 that the flexibility would be extended for a further three years. It is therefore proposed to use capital receipts to fund the anticipated cost of ongoing transformation and redesign of services.

- 6.56 Appendix G sets out the Council's Flexible Use of Capital Receipts Strategy for 2022-23.
- 6.57 As per the published government guidance, the Flexible Capital Receipts Strategy is required to be approved by full Council. The strategy also includes the latest forecast position on 2021-22 for WNC.

Funding Assumptions

- 6.58 The final Local Government Finance Settlement was laid in Parliament by the Rt Hon Michael Gove MP on 7 February 2022. The key points in the final settlement, and their variation compared to the Council's budget assumptions is as follows:

6.59

- **Council Tax Referendum Threshold** - The final settlement confirmed that the referendum threshold will be 2% for 2022-23 (plus the 1% on ASC precept). The Council's draft budget included a 1.99% increase in 'core' Council Tax and 1% increase in Social Care precept, so this is in line with the final settlement. No detail was provided in the settlement announced in relation to the referendum threshold for 2023-24 onwards.
- **Baseline Funding** - The final settlement confirmed the Council's Baseline Funding Level to be £50.141m. The draft budget had estimated baseline funding of £53.558m, so this is a decrease of £3.417m compared to the draft budget position. This difference is because the Council's draft budget had assumed the additional unallocated funding announced in the Spending Review would be received as part of the Council's baseline funding. This is instead to be received as additional grant funding (see below), rather than as part of baseline funding in the Settlement Funding Assessment (SFA).
- **Compensation for freezing of Business Rates multiplier** – This Section 31 grant was calculated in the government's provisional settlement announcement using Consumer Price Index (CPI). However the final settlement, uses Retail Price Index (RPI) as the basis. This change between CPI and RPI means an additional £1,005k of funding.
- **New Homes Bonus** - There will be a new round of NHB payments in 2022-23, which will not attract new legacy payments. This will be worth an additional £2.199m above what was forecast in the draft budget.
- **Social Care Funding** - Following the Spending Review announcement in October, the Council had forecast to receive an additional £935k in social care funding. This figure is confirmed by the settlement as £982k and is to be called the "**Market Sustainability and Fair Cost of Care Fund**". This has been distributed using existing Adult Social Care relative needs formula (RNF). Expenditure in the final budget for this new responsibility has also been increased to match the increase in funding.
- **Social Care Grant** is confirmed to increase by £636m nationally (a £556m increase allocated using Adult Social Care RNF, and £80m to equalise variation in ASC precept). The Council's allocation is £11.363m which is an increase of £3.373m from the amount assumed in the Draft Budget.

- **Improved Better Care Fund (iBCF)** is confirmed to increase by £63m nationally. This is an inflationary increase, applied to 21-22 allocations in line with September 2020 to September 2021 increase in Consumer Price Index (CPI). The Council's iBCF allocation is £10.069m which is £0.297m more than forecast in the draft budget.
- **New funding – 2022-23 Services Grant** - A new grant was announced as part of the provisional settlement, to be known as “2022-23 Services Grant”, worth £822m nationally. The Council's allocation is £3.457m. This is described in the settlement as a one-off grant, but that the government will “work with the sector on how we distribute this funding from 2023-24 onwards”. This suggests that the funding may continue into future years but that allocation methodology from 2023-24 onwards is still to be determined. This grant includes the funding from government to pay for the increase to employer National Insurance contributions, which the Council had listed separately in the funding assumptions in the draft budget in December.

6.60 The overall financial impact of these funding changes is set out in the table below.

| WNC Financial Impact | Draft Budget assumption £k | Final Settlement £k | Increase/ (decrease) £k |
|--|---|------------------------------------|--|
| Baseline Funding Level | 53,558 | 50,141 | (3,417) |
| Revenue Support Grant | 3,596 | 3,712 | 116 |
| Settlement Funding Assessment | 57,154 | 53,853 | (3,301) |
| New Social Care Funding - Market Sustainability and Fair Cost of Care Fund | 935 | 982 | 47 |
| S31 Grant - under indexation | 5,660 | 4,120 | (1,540) |
| S31 Grant – change from CPI to RPI | 0 | 1,005 | 1,005 |
| Rural Services Delivery Grant | 393 | 393 | 0 |
| Social Care Grant | 7,990 | 11,363 | 3,373 |
| Lower Tier Support Grant | 461 | 496 | 35 |
| Improved Better Care Fund | 9,772 | 10,069 | 297 |
| New Homes Bonus - Legacy | 2,953 | 2,953 | 0 |
| New Homes Bonus – 2022-23 Award | - | 2,199 | 2,199 |
| 2022-23 Services Grant | | 3,457 | 3,457 |
| Total Core Funding | 85,318 | 90,890 | 5,572 |
| Business Rate Growth | 5,719 | 5,719 | |
| Council Tax Income (2.99% Increase) | 225,212 | 225,212 | |
| Collection Fund Deficit | (1,066) | (1,066) | |
| National Insurance Funding – <i>included within 22-23 Services Grant in settlement</i> | 767 | - | (767) |
| BR Retention funding | 100 | 100 | |
| Total Funding (excluding transfers from reserves) | 316,050 | 320,855 | 4,805 |

- 6.61 In addition to the funding changes shown above from the final settlement, transfers from reserves have increased by £1.119m compared to the position shown in the draft budget. This includes £672,000 to fund additional one-off pressures in 2022-23, and a movement of £447,000 on the pressures funded by use of covid reserves.
- 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.
- 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. This estimate includes a modest increase in the taxbase each year to reflect the increase in the housing supply that take place each 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. Concessions 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.

Council Tax Rebate

- 6.71 The government announced on 3 February 2022 that properties in Bands A-D will be eligible for a £150 rebate on their Council Tax bills in April 2022, in response to increasing energy costs. Full details of the mechanics of how the rebate will be administered are awaited from government. Payments will be made outside the council tax system and will not affect either Council Tax setting or the collection fund. The announcement stated that local authorities would be refunded by government for the cost of the rebate, plus funding to help with the administrative costs.
- 6.72 In addition, £144m of funding is being provided to local authorities nationally to provide support to households who are not eligible for the rebate. West Northamptonshire Council's allocation from this funding is to be confirmed.

Council Tax Hardship Fund

- 6.73 An exceptional hardship fund is maintained locally to provide support to the most vulnerable working age Council Taxpayers and who need financial assistance. Details of eligibility and how to apply are available on the Council's website. The fund was set up in the current financial year and £500,000 was put aside for this purpose. There is currently a balance in excess of £450,000 available in this fund, which will be carried forward into 2022-23, and residents who are facing financial hardship are encouraged to apply.
- 6.74 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

- 6.75 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 (EHCPlans) 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.
- 6.76 The Education and Skills Funding Agency (ESFA) confirmed the DSG funding allocations for 2022-23 through the schools, high needs and central school services national funding formulae (NFF) on 16 December 2021.
- 6.77 The ESFA also provided information on the allocation of supplementary funding for mainstream schools worth £1.2 billion nationally in recognition of the Health and Social Care Levy and other cost pressures. Finalised allocations of the schools supplementary grant will be published in spring 2022.
- 6.78 Special schools and other providers funded from the high needs block of the DSG will benefit from additional high needs allocations totalling £325 million nationally in 2022-23, through a top up to the published DSG allocations. This is an additional increase of 4% to the high needs allocations announced in July 2021.

- 6.79 Again, this extra funding recognises the additional cost to LAs, special schools and alternative provision of increased national insurance contributions from employers and other costs.
- 6.80 The table below shows the final published allocations for the council.

WNC Final DSG Funding Allocations £m

| | Schools Block | High Needs Block | CSSB | Early Years Block | Total |
|---|---------------|------------------|------------|-------------------|--------------|
| 2021-22 | 301.0 | 54.2 | 4.7 | 25.9 | 385.8 |
| Provisional 2022-23 | 309.4 | 58.5 | 4.3 | 25.2 | 397.4 |
| Final 2022-23 | 311.7 | 58.9 | 4.3 | 25.6* | 400.5 |
| Increase /(decrease) from prior year | 10.7 | 4.7 | (0.4) | (0.3) | 14.7 |
| % Increase / (decrease) from prior year | 3.6% | 8.7% | (8.5%) | (1.2%) | 3.8% |
| Supplementary Funding 2022-23 | 8.6 | 2.0 | 0.0 | 0.0 | 10.6 |
| Total DSG 2022-23 | 320.3 | 60.9 | 4.3 | 25.6 | 411.1 |
| Total increase /(decrease) from prior year | 19.3 | 6.7 | (0.4) | (0.3) | 25.3 |
| Total % Increase / (decrease) from prior year | 6.4% | 12.4% | (8.5%) | (1.2%) | 6.6% |

* Early Years Block section of the final settlement is indicative; the final grant figure is expected to be provided by the ESFA in July 2022.

- 6.81 Although funding and spending per pupil has increased, costs are increasing in line with rising teachers' wage costs due to cost of living increases and pressures for sector wide salary incentives to avoid serious recruitment and retention problems.
- 6.82 The 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 £4.7 million from 2021-22 which is the minimum guaranteed increase per head of population (8%) with some authorities seeing gains of up to 11%.
- 6.83 Taken together with the additional allocation, this means high needs funding will be increasing by 12% in 2022-23. A year-on-year increase in high needs funding of this scale goes some way to recognise the cost pressures local authorities are facing. This increase is expected to be sustained throughout the next spending period, with further growth in 2023-24 and 2024-25 however it is important to recognise that year-on-year increases will likely be on a smaller scale than in 2022-23.
- 6.84 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.
- 6.85 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.

- 6.86 The Council has undertaken a school budget consultation running from 1 November to 30 November 2021 as agreed with Schools Forum. The outcomes from the consultation were presented to the December Schools Forum meeting who voted in favour of the LA proposals.
- 6.87 One of the proposals consulted on was the future funding of Specialist Services (services continue at the current level) with the preferred option to top slice delegated schools and academies budgets for a total of £2.1m equating to approximately 0.68% of schools budgets. Schools Forum voted in favour of this approach to fund, in the most straightforward way, services for which schools have delegated budgets. The Council sought final approval from the ESFA in line with the requirements of a disapplication request of this kind, and the request was approved.
- 6.88 Full details relating to the DSG are included in Appendix E.

Children's Trust

- 6.89 Making a difference to children, young people and families is of high importance to the Council as joint owner 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.
- 6.90 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.
- 6.91 In addition to this, one off revenue investments are included in the 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

- 6.92 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
- 6.93 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).
- 6.94 The West Northamptonshire Public Health Grant allocation announced in February includes an increase of £0.52m to £19.11m in 2022-23. (This reflects prior year increase of 2.8%)

Fees and Charges

- 6.95 Income from fees and charges represents an important source of funds to the Council and enables a range of services to be provided within the area and beyond. West Northamptonshire's final budget generates income in the region of £33.5m with approximately £23m coming from Fees and Charges set out in Appendix D. All Fees and Charges have been subject to a review for 2022-23 and within the budget proposals there is an additional £1.2m of income that has been generated through this review. The key areas include;
- Green waste income harmonisation £0.8m
 - Green waste income demand £0.1m
 - Increased income from addition building control work £0.1m
 - Other minor proposals £0.2m
- 6.96 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.
- 6.97 Since the draft budget the fees for Physical Activity have been increased for 2022-23. The fees are determined in December by the leisure operators and each contract stipulates maximum percentage that prices can be increased by. 2022-23 prices have increased to reflect inflationary pressures and market demand. There is no impact on WNC budgets because the management fees due to the Council have already been contractually agreed. The Adult Learning Service has not changed any fees for 2022-23, however new courses have been added. This does not have a net effect on the budget because the income generated is ringfenced and must be reinvested in the service.

- 6.98 A proposed Fees and Charges schedule is included at Appendix D.

General Fund Balances and Earmarked Reserves

- 6.99 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.
- 6.100 Due to the ongoing audits at the former Councils the opening reserve balances 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.
- 6.101 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.

| | 2021-22 Final Budget Report (23rd Feb 2021) £m | Latest Reserves Forecast £m |
|--------------------|---|--------------------------------|
| General Fund | 40.0 | 40.0 |
| Earmarked Reserves | 55.0 | 69.4 |
| | 95.0 | 109.4 |

- 6.102 The comparable figure to the estimate provided in the final budget report is the £109.4m 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. The COVID reserves and S31 grants were excluded from this analysis when the budget was set for the reasons set out above.
- 6.103 The draft budget report explained in detail the review that had taken place on the reserves. Readers are directed to that report for more information. Cabinet endorsed the approach taken.
- 6.104 Within that analysis the S151 officer assessment of the general fund balance was that as a minimum it should cover 5% of the net budget, which would equate to £17.1m (excluding DSG) and his recommendation for a reasonable level of general fund reserves was that they should be in the region of £40m for a new unitary authority the size of West Northants Council.
- 6.105 The following table provides a breakdown of the current estimated level of reserves following the review of reserves that was highlighted and supported in the draft budget. It also estimates how those reserves may be utilised over the next year with an estimated level of reserves included at 31 March 2023.

| Description | Expected Balance as at 01/04/21 | 2021-22 Net Commitments | Balance as at 31/03/22 | 2022-23 Net Commitments | Balance as at 31/03/23 |
|--|---------------------------------|-------------------------|------------------------|-------------------------|------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| General Balance | (40,000) | 0 | (40,000) | 5,000 | (35,000) |
| Risk Reserve | (40,980) | 7,035 | (33,946) | 12,860 | (21,086) |
| Transformation Reserve | (6,175) | 3,144 | (3,031) | 2,781 | (250) |
| Invest to save | (1,151) | 0 | (1,151) | 0 | (1,151) |
| Service Specific Reserves | (19,948) | 9,040 | (10,909) | 624 | (10,285) |
| Other Reserves Total | (68,255) | 19,218 | (49,036) | 16,265 | (32,771) |
| Section 31 Grants | (39,413) | 39,413 | 0 | 0 | 0 |
| Ringfenced / Technical | (15,193) | 4,314 | (10,878) | 1,477 | (9,401) |
| Ringfenced / Technical Reserves Total | (54,606) | 43,728 | (10,878) | 1,477 | (9,401) |
| Specific Covid reserves | (7,942) | 846 | (7,097) | 0 | (7,097) |
| Specific Covid Reserves Total | (7,942) | 846 | (7,097) | 0 | (7,097) |
| Earmarked Reserves Total | (130,803) | 63,792 | (67,011) | 17,742 | (49,269) |
| Grand Total | (170,803) | 63,792 | (107,011) | 22,742 | (84,269) |

6.106 An explanation of the main reserves is included below.

Risk Reserve

- 6.107 Within the estimated level of reserves inherited by the Council there are a number of reserves that could be described as ‘smoothing’ reserves. These are set up to deal with fluctuations and volatility in areas such as business rates income. This reserve also includes un-ringfenced COVID funding to be utilised to offset COVID related expenditure pressure during the year. The risk reserve will be continually monitored and released via S151 approval to deal with any unplanned risks identified during the year.
- 6.108 2021-22 commitments held against this reserve include £5.2m of COVID related expenditure pressures, with 2022-23 budgeted COVID expenditure of £5.5m. This reserve is also earmarked to fund the one-off budget pressure proposals totalling £7.4m.

Transformation Reserves

- 6.109 This reserve is held to fund any one-off transformational programmes or activities identified during the year. Commitments held against this reserve in 2021-22 include the Council’s transformation resource costs totalling £3.1m , with a further £2.8m committed in the 2022-23 budget.

Invest to save reserves

- 6.110 Within the review of reserves it was recommended that a reserve of £1.2m was set up to be released for proven invest-to-save initiatives as they come forward.
- 6.111 It is proposed that the reserve is released at the discretion of the S151 officer.

Service Specific Reserves

- 6.112 There are in excess of 91 service specific reserves that have transferred across to WNC. These reserves have been reviewed to determine existing commitments against them. Where there is no longer a need for the reserve and no forecast commitments against it then the balance has been consolidated within the risk reserve.

Section 31 Funding Reserve & Ringfenced Reserves

- 6.113 The Section 31 funding reserve is held to offset the risk to the collection fund from the impact of COVID on both business rates and council tax income. The ringfenced/technical reserve holds the Public Health grant reserve which is ringfenced to specifically fund identified public health programmes and reserves such as the Insurance Reserve and Enterprise Zone reserve.
- 6.114 Section 31 reserves total £39.4m which will be utilised specifically to offset any collection fund deficit experienced relating to the impact on income collection due to COVID . Additional estimated commitments in 2021-22 include £3.8m public health related expenditure , with a further forecast commitment of £1.0m in 2022-23.

Specific COVID reserves

- 6.115 This reserve specifically includes the Contain Outbreak Management Fund (COMF) and community testing funding alongside other specific COVID relate funding and will be released to cover expenditure as its reported via S151 approval. Current 2021-22 commitments include £0.7m COMF expenditure.

Medium Term Financial Plan Forecasts

- 6.116 Although the final 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.
- 6.117 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 | - | 15.454 | 23.394 | 26.448 |

Capital Strategy and Capital Programme 2022-23

- 6.118 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.
- 6.119 COVID-19 has had an impact on the global, national and local economy and the full extent of the impact will not be known for some time. The delivery of the capital programme will help to ensure an effective economic recovery from the pandemic across West Northamptonshire.

- 6.120 All capital investment proposals will be considered against the set priorities of the Council.
- 6.121 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.
- 6.122 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.
- 6.123 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.
- 6.124 The West Northants Capital Strategy has been updated with reference to the latest Prudential Code and Treasury Management Code of Practice.
- 6.125 The strategy includes the Minimum Revenue Provision (MRP) Policy for the authority. MRP is the amount the authority is required to set aside annually in revenue for the repayment of debt principal. The 2022-23 MRP policy has been amended following discussions with legacy authority auditors as part of their closedown process. It brings together the new requirements into one new document.
- 6.126 The 2022-23 Strategy, including the MRP policy is shown in appendix F1
- 6.127 The changes required to the 2022-23 MRP policy will also be required for the current 2021-22 policy and Cabinet and Full Council are asked to approve the following changes to the 2021-22 MRP policy:
- Paragraph 8 – MRP will now be provided on a contract life basis for Private Finance Initiatives (previously this was on asset life)
 - Paragraph 9 – Third party loans will now be treated as capital expenditure and, if financed by borrowing, MRP will be charged. Repayment of principal will be charged as a capital receipt and will be used to reduce the CFR.
- 6.128 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) and Cabinet.
- 6.129 The draft budget only included proposals which were fully funded and therefore relatively low risk to the council.
- 6.130 Since the draft budget, extensive work has been undertaken to challenge the remaining proposals to ensure that the WNC capital programme is affordable and sustainable. These proposals have been categorised as:
- Part funded – these schemes have been challenged to ensure appropriate levels of match funding by WNC.

- Invest to Save / Income generation – All projects have been subject to further analysis and assessment of cost and savings assumptions. We have also considered any cost avoidance benefits which are difficult to quantify.
- Statutory / urgent / business critical – These proposals have been rigorously challenged to ensure that they are categorised correctly. Failure to undertake these schemes will have several serious consequences for the authority such as breach of contract and breach of health and safety regulations.
- 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.

6.131 In addition to the above, two additional fully funded schemes have been added to the programme. They have both been approved to receive Public Health Grant and are:

- Replacement of condemned play equipment at Children's Centres
- Outdoor exercise equipment at 3 Northampton Parks

6.132 All proposals, including those that have been excluded are shown in appendix F2.

6.133 The key schemes for each category are:

Fully funded schemes

- Four Waterside – £8.5m scheme to provide offices, hotel and housing. Funded by grant and business rates uplift from the Enterprise Zone
- Overstone Leys - £8m scheme to deliver new primary school to meet pupil yield from planned new housing development. Funded by s106 contributions.
- 41-45 Abington St - £4.3m scheme to redevelop the former M&S site. This will be a residential-led mixed use development. Funded by Towns Fund Grant.
- 35-39 Abington St - £4m scheme to redevelop the former BHS site. This will be a residential-led mixed use development. Funded by Towns Fund Grant.
- Emporium Way - £4m to create a new pedestrian thoroughfare between Market Sq. and the future Greyfriars development. Funded by Towns Fund Grant.

Invest to save schemes

- Street Lighting Upgrade - £5.7m scheme to upgrade all ex NCC's non-LED street lighting to LED and install a central management system. This will deliver revenue savings that will exceed the cost of borrowing for the capital scheme and therefore the overall revenue position will be beneficial.

Part-funded schemes

- Town Centre Public Realm (Northampton) - £4.8m project to enhance public spaces in Abington St and Fish St. Part-funded by £4.3m Towns Fund Grant

Essential schemes

- Community Equipment - £4.7m p.a. scheme to purchase community equipment. This is a joint scheme with Health and North Northamptonshire Council.
- Schemes to address statutory / critical / essential issues across WNC property portfolio – around £13.2m over 4 years to address the business-critical issues affecting WNC property. (a detailed list of schemes is shown in appendix F2)

6.134 A summary financial position is shown in the tables below.

| New Capital Proposals Final Budget | 2022-23 £k | 2023-24 £k | 2024-25 £k | 2025-26 onwards £k | Total £k |
|--|---------------|---------------|---------------|--------------------------|---------------|
| Fully funded | 12,460 | 10,380 | 12,700 | 0 | 35,540 |
| Part funded | 11,011 | 3,300 | 100 | 0 | 14,411 |
| Invest to save | 6,155 | 3,780 | 1,069 | 278 | 11,282 |
| Statutory / Business Critical / Urgent | 13,188 | 6,737 | 6,928 | 10,090 | 36,941 |
| Rephase | 203 | 0 | 0 | 0 | 203 |
| Total | 43,017 | 24,197 | 20,797 | 10,369 | 98,378 |

| Capital financing of new proposals | 2022-23 £ | 2023-24 £ | 2024-25 £ | 2025-26 onwards £ | Total £ |
|---------------------------------------|---------------|---------------|---------------|-------------------------|---------------|
| Capital receipts | 7,678 | 311 | 650 | 50 | 8,689 |
| Prudential Borrowing | 15,510 | 6,990 | 4,147 | 7,118 | 33,765 |
| S106** | 1,141 | 3,750 | 3,750 | 0 | 8,641 |
| Community Infrastructure Levy (CIL)** | 203 | 0 | 0 | 0 | 203 |
| Grant Funding | 14,650 | 9,430 | 2,050 | 0 | 26,130 |
| Funded from Reserve | 0 | 0 | 0 | 0 | 0 |
| Revenue Funding | 0 | 0 | 0 | 0 | 0 |
| External Funding | 3,835 | 3,716 | 10,200 | 3,200 | 20,951 |
| Total Funding | 43,017 | 24,197 | 20,797 | 10,368 | 98,379 |

6.135 When added to the existing capital programme, this results in a final general fund capital programme of £181.2m over the four year period 2022-26

6.136 The tables below summarise the total general fund capital programme.

| Indicative WN Capital Programme by directorate | Approved Capital Programme as at Jan22 (2022-23 to 2024-25) | New GF capital proposals | Rephasing | Total 2022-23 to 2025-26 |
|---|--|---------------------------------|------------------|---------------------------------|
| | £k | £k | £k | £k |
| Adults, Communities and Wellbeing | 10,705 | 18,800 | 0 | 29,505 |
| Children's | 736 | 19,055 | 0 | 19,791 |
| Children's Trust | 0 | 3,455 | 0 | 3,455 |
| Corporate | 52 | 3,366 | 0 | 3,418 |
| Finance | 554 | 0 | 0 | 554 |
| Place | 70,799 | 53,500 | 203 | 124,502 |
| Total | 82,846 | 98,176 | 203 | 181,225 |

| West Northants GF Capital Budget | 2022-23 | 2023-24 | 2024-25 | 2025-26 onwards | Total |
|---|----------------|----------------|----------------|------------------------|----------------|
| | £k | £k | £k | £k | £k |
| Approved Budget 2021-22 to 2024-25 as at Jan 2022 | 48,683 | 23,937 | 7,883 | 2,343 | 82,846 |
| New capital bids | 42,814 | 24,197 | 20,797 | 10,368 | 98,176 |
| Rephasing | 203 | 0 | 0 | 0 | 203 |
| Total | 91,700 | 48,134 | 28,680 | 12,711 | 181,225 |

| WN Revised Capital Financing as at February 2022 | 2022-23 £ | 2023-24 £ | 2024-25 £ | 2025-26 onwards £ | Total £ |
|---|------------------|------------------|------------------|--------------------------|----------------|
| Capital receipts | 8,799 | 739 | 809 | 50 | 10,397 |
| Prudential Borrowing | 39,229 | 8,983 | 4,145 | 9,068 | 61,425 |
| Internal Borrowing | 400 | 365 | 355 | 0 | 1,120 |
| S106** | 2,101 | 6,119 | 3,750 | 0 | 11,970 |
| Community Infrastructure Levy (CIL)** | 3,921 | 14,117 | 1,000 | 393 | 19,431 |
| Grant Funding | 32,376 | 13,995 | 8,321 | 0 | 54,692 |
| Funded from Reserve | 292 | 0 | 0 | 0 | 292 |
| Revenue Funding | 647 | 0 | 0 | 0 | 647 |
| External Funding | 3,935 | 3,816 | 10,300 | 3,200 | 21,251 |
| Total Funding | 91,700 | 48,134 | 28,680 | 12,711 | 181,225 |

Treasury Management Strategy

6.137 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. The Treasury Management Strategy is attached at Appendix J.

6.138 There are some changes that will be included in the Treasury management strategy for 2022-23:

- 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.
- A revised CIPFA Prudential and Treasury Management code was published on the 20th December 2021, with some of the key changes being effective immediately, however the Authority can defer reporting requirements until 2023-24 . Any of the key changes that are adopted in 2022-23 will be reflected in the Treasury Management report.

6.139 Following the review of capital programme, there is no need to change the borrowing limits

6.140 it is good practice for Cabinet to recommend and full council to set limits on how much money can be borrowed. The two limits are known as the operational limit and the authorised limit.

6.141 The **operational limit** is the limit beyond which borrowing is not normally expected to exceed. Officers will always seek to operate within these limits.

6.142 The **authorised limit** is set at a higher level than the operational limit and provides some headroom for unusual cashflows and other exceptional needs to borrow. It is prohibited to borrow beyond the authorised limit.

6.143 The limits detailed in the table below are recommended for approval to full authority:

| | 2022-23 £m | 2023-24 £m | 2024-25 £m |
|-------------------------|---------------|---------------|---------------|
| Total Operational Limit | 850 | 850 | 850 |
| Total Authorised Limit | 900 | 900 | 900 |

7. Section 25 Statement

7.1 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 2022 to both the Cabinet and full Council by the Chief Finance Officer (Section 151 Officer). This report is required under Section 25 of the Local Government Act 2003 prior to the Council agreeing its 2022-23 budget.

7.2 The setting of the budget is a function reserved to Full 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.
- 7.3 Cabinet is required to consider the recommendations it wishes to make to Full Council on the calculations set out above. These calculations determine the Council Tax requirement for the year.
- 7.4 The Council is required to set a balanced budget. Once the budget is agreed by Full 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.
- 7.5 The Council must then issue its precept before 1st March in the financial year preceding that for which it is issued.
- 7.6 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.
- 7.7 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.
- 7.8 The Section 151 Officer's comments on the robustness of the 2022-23 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.
- 7.9 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.
- 7.10 Councillors will be familiar with the approach taken by the majority of local authorities to building the base budget for the new financial year.
- 7.11 Firstly, the base budget for the old year is reviewed and adjustments are made for structural deficits and surpluses in the base. These may arise from higher than expected growth in demand resulting in overspends in the previous financial year that continue into the new financial year. Similarly, mitigating savings identified in the old year may also continue into the new year.
- 7.12 Secondly, adjustments are made for pay and price inflation.

- 7.13 Thirdly, adjustments are made for demographic changes which could result in growth in demand-led services such as Children's Services and Adult Social Care.
- 7.14 Finally, assessments are made of the level of income that will be available from different sources to meet the cost of service delivery.
- 7.15 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.
- 7.16 Each of these points is addressed below.

The review of the base budget for 2021-22

- 7.17 The Executive Leadership Team (ELT) has thoroughly reviewed the 2021-22 budget. Since vesting day, Directorates and Finance have worked together, reviewing budgets as part of an initial 'zero-based budgeting' (ZBB) costing exercise, prioritised by risk, to 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.
- 7.18 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.
- 7.19 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.
- 7.20 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 or required recruitment to boost capacity and performance.
- 7.21 The budget proposals have been stress-tested through these 'star chamber' budget workshops, discussions on key financial issues, and robustness challenge sessions with Finance and Transformation staff, as described earlier in this report.

7.22 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.

7.23 The base budget contingency has also been bolstered significantly to deal with concerns and pressures highlighted by services between draft and final budget.

Inflation and demographic changes

7.24 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.

7.25 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.

7.26 The Council has made realistic assumptions to meet the future cost of contractual and other inflationary pressures in 2022-23. 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).

7.27 The government has allowed local authorities to levy a 1% increase on Council Tax Social Care precept in order to support this service area. There is also increase to Social Care grant and additional 2022-23 Service Grants, as set out in the funding section of this report.

7.28 Councillors can take assurance both from the methodologies used by officers to project demand-led cost increases and from the additional resources provided by the Government in two key service areas.

Income projections

7.29 The outcome of the Comprehensive Spending Review, announced by Government on 27th October 2021, gave an indication the forthcoming **Fair Funding Review** will not impact on the funding settlement for the 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 have been incorporated into the estimated government funding figures contained within this report. This is therefore deemed to be a low financial risk to the Council for 2022-23; although it is noted that the uncertainties around implementation of Business Rates reform, rebaselining and the Fair Funding Review could present risks in the medium term.

7.30 With regard to **Council Tax**, the Local Government Finance Act 1992 (as amended by Section 72 of the Localism Act 2011) requires the Council, when setting Council Tax, to determine whether or not the increase is ‘excessive’. If the increase is deemed ‘excessive’, a referendum must be held on the implementation of the increase. An increase is excessive unless it is within parameters determined by the Secretary of State. The parameters set out within the Local Government Finance Settlement for 2022-23 deem that any increase over 3% is deemed excessive (2% on ‘core’ council tax and 1% on Social Care precept). The Council’s budget proposes

an average increase of 1.99% in ‘core’ council tax and 1% on Social Care precept. Therefore this can be done 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 2022-23.

- 7.31 With regard to fees and charges, all services chargeable to the general public have been reviewed. This is to ensure that the fees and charges for the following year are up to date, meet service needs and are congruent with legislative requirements.

Contingencies

- 7.32 Even with a high level of due diligence there are factors that could put pressure on budgets, particularly in relation to inflation, the cost of utilities, service demand and the ongoing effects of the Covid-19 pandemic.
- 7.33 As set out earlier in this report, a contingency of £9.8m has been included within the 2022-23 budget to help manage the risk and volatility in relation to these issues. The contingency will be managed by the Executive Director of Finance in consultation with the Finance Portfolio Holder, with budget transferred to services in 2022-23 if ongoing pressures are confirmed through the Council’s monthly budget monitoring process that cannot be mitigated against.

Adequacy of Reserves

- 7.34 The Council holds a number of reserves, as set out earlier within this report. In determining a prudent level of reserves to maintain, the Chief Financial Officer has taken into account a number of factors. These include:
- The latest forecast of the 2021-22 year end outturn position.
 - The scale, scope and deliverability of planned efficiency savings. These have been fully reviewed, risks are known and project plans are in place where required.
 - Any risk and inherent service pressures from demography and demand.
 - The funding settlement from the Government
 - The current and future level of inflation and interest rates.
- 7.35 A fundamental review of all the reserves inherited from predecessor authorities took place in 2021-22 to review and amend the reserves that are held to better reflect the needs of West Northamptonshire Council rather than the previous predecessor areas. Service specific reserve have remained as inherited from previous authorities for the time being.
- 7.36 Paragraphs 6.99-6.115 of this report provide an estimate of the levels of reserves anticipated at the end of this financial year and therefore available at the start of 2022-23.
- 7.37 The Section 151 Officer’s assessment of the general fund balance is that as a minimum it should cover 5% of the net budget, which would equate to £17.1m (excluding DSG), therefore the general fund balance of £40.0m 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.

- 7.38 It should be noted that brought forward reserve balances from previous financial years cannot be formally confirmed until the prior year audits on the predecessor Councils have been concluded. At the time of writing, Daventry District Council and South Northamptonshire Council's 2021-22 audits have been concluded, and Northampton Borough Council and Northamptonshire Council's 2021-22 audits are in progress.
- 7.39 The HRA budget setting report highlights that a reasonable level of HRA balances to hold for 2022-23 is £5m.

Concluding remarks

- 7.40 Given the information contained within this report in respect of the process undertaken to formulate the budget for 2022-23 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.
- 7.41 Given the information contained within this report in respect of the levels of reserves expected to be at the disposal of the new authority the S151 Officer is satisfied that the level of reserves are adequate to support the needs of the new authority for both the general fund and the housing revenue account.
- 7.42 Taken together, the S151 Officer believes he has discharged his responsibility under S25 of the Local Government Act 2003.

8. Implications (including financial implications)

8.1 Resources and Financial

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

8.2 Legal

- 8.2.1 The setting of the budget is carried out in accordance with the Budget and Policy Framework Procedure Rules set out in the Constitution.
- 8.2.2 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).
- 8.2.3 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.

8.3 Risk

- 8.3.1 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. The draft budget therefore proposed to maintain this general contingency for the 2022-23 financial year. The additional funding from the Final Local Government Financial Settlement, set out earlier in this report has allowed this contingency to increase to £9.8m in 2022-23, which allows further flexibility in our budget management arrangements and further funding to manage the financial pressures that emerged between the draft and final budget proposals.
- 8.3.2 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.
- 8.3.3 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 budgets have been constructed having due regard to these risks.
- 8.3.4 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.
- 8.3.5 The S151 officer has highlighted that he believes the budget for 2022-23 will be another year of financial stabilisation where further financial issues may emerge throughout the year that will need to be addressed. Building the contingency provides some resource to be able to continue to deal with such issues if they do emerge.

8.4 Consultation process

- 8.4.1 The draft budget was subject to a full public and business consultation exercise which began 22 December 2021 and concluded on 1 February 2022.
- 8.4.2 There are three statutory instruments underpinning the need for Budget consultation:
- Section 65 of the Local Government Finance Act (1992);
 - Section 149 of the Equality Act (2010), specifically 'Due regard' to [the] impact of proposed changes;
 - Section 3 of the Local Government Act (1999), and Best Value provisions.

- 8.4.3 In terms of best practice, Consultation Institute guidance emphasises the need for consulters to recognise the ‘Doctrine of Legitimate Expectation’ as a key component of public sector budget consultation. In short, in terms of public participation, “...the courts...recognise Consultees’ right to expect fair process from public bodies...and incorporates much guidance and management promises into the law.”¹
- 8.4.4 Opportunities to take part in the consultation were also promoted in the local media via press releases. The press release went to 198 newsrooms and individuals (hyperlocal, local, regional and national, print, digital and broadcast including the Chronicle & Echo and BBC Radio Northampton). It was promoted through the Council’s website, e-newsletters and social media channels, enabling both internal (e.g. staff) as well as external consultees to get involved in the process.
- 8.4.5 Councillors, local MPs, town and parish councils, partner organisations, voluntary and community sector organisations, representatives of protected characteristic groups, local business groups, and members of the West Northamptonshire Residents’ Panel and the Council’s Consultation Register were invited to give their views and asked to promote the consultation to their members, or within their local area where appropriate.
- 8.4.6 Local people, organisations and other interested parties were able to have their say about the Draft Budget proposals in a range of ways, by:
- Visiting the Draft Budget Consultation webpage and completing the questionnaire or requesting a paper questionnaire
 - Emailing haveyoursay@westnorthants.gov.uk
 - Writing to Budget Consultation Response, West Northamptonshire Council, One Angel Square, 4 Angel Street, Northampton, NN1 1ED
 - Using social media by Tweeting or posting comments on the Council’s Facebook page
 - Contacting us by telephone to give verbal feedback
 - A toolkit was developed to enable user groups/forums to hold their own discussions, and provide their feedback as a collective group.
- 8.4.7 Using the various means available to consultees, local people and organisations contributed to the consultation 853 times. Respondents could choose which questions they responded to within the consultation questionnaire, so there are lower response numbers to each question when compared with the overall number of participants, depending on whether participants had a particular interest in the subject matter.
- 8.4.8 The consultation focused on the draft budget proposals that would likely affect residents and service users. However, respondents were invited to comment on anything within the draft budget.
- 8.4.9 In addition to the general budget consultation there has already been a specific consultation process on the Council Tax Reduction Scheme.

¹ The Consultation Institute Engaging on Public Service Budgets, 17 September 2015

8.4.10 Appendix H provides a report on the consultation exercise that took place and the outcome from that exercise. It is recognised that this budget and Council tax increases comes at a time of rising wider household costs and that this concern is reflected in some of the feedback. Cabinet have considered the content of the consultation exercise prior to recommending a budget to Council and have tried to keep rises to a minimum by balancing the need to ensure the Council is stable and able to meet the rising and emerging needs of the most vulnerable with these pressures. It is with this in mind that some service innovations and aspirations have been deemed unaffordable at this time. Our prime focus remains delivering critical and good quality services and meeting the corporate plan objectives while retaining a strong focus on robust resource management that makes us well placed to deal with the volatile and potentially challenging period ahead.

8.5 Corporate Overview and Scrutiny Consideration of the Budget

8.5.1 The Corporate Overview and Scrutiny Committee met on four occasions (either through a public committee meeting or a task and finish group) to consider the draft budget.

- **Meeting 1 (13 December 2021)** – Received a copy of the draft budget that had been published for consideration by Cabinet ahead of the commencement of statutory budget consultation.
- **Meeting 2 (12 January 2022)** – Went through the draft budget in detail with the S151 officer. Numerous questions were submitted prior to the meeting which were responded to at the meeting and further questions and requests for detail were asked for at the meeting and responded to.

The following additional information was provided to the Committee prior to the third meeting:

- A list of current treasury management investments, where they are held, duration and interest rates receivable
- A list of earmarked reserves
- A budget mapping exercise which attempted, at a high level, to map the budget to the priorities of the Council so an indication could be given of the amount of existing resource that attached to each of the priorities.

Members of the Committee also agreed to look at three specific areas at their third budget scrutiny meeting. The areas being:

- Sustainability and the Highways Service
 - The Children's Trust budget
 - Adult Social Care – Strength Based Working
- **Meeting 3 (27 January 2022)** – The Committee was given a budget update from the S151 officer focussing on the pressures that had emerged since the draft budget was published.
 - The Committee had the budget mapping exercise explained and demonstrated to them by the S151 officer

- The committee broke into three focus groups to consider the areas highlighted in meeting 2. Each of the groups was facilitated by the relevant service director or CEO of the Children's Trust for the Children's Trust scrutiny.
- A Councillor spokesperson from each of the focus groups then fed back to the main group in respect of their findings from the group
- **Meeting 4 (7 February 2022)** – The Committee will met to collate their findings from the budget scrutiny process and make recommendations to Cabinet on the budget. Their finding are included in Appendix I of this report.

8.5.2 Cabinet considered the findings of the Corporate Overview and Scrutiny Committee at their meeting held on 15 February 2022 and resolved the following:

'Cabinet appreciate the amount of time and effort the Corporate Services Overview and Scrutiny Committee put into analysing the budget proposals for 2022-23 and welcome their report on the subject. After due consideration Cabinet recommended that full council include provision in the budget for the minimum hourly rate to be increased above the Foundation Living Wage of £9.90 to £10.00 per hour for all Council staff recognising that the final award is subject to the collective bargaining with the recognised trade union representatives. It is recommended that the additional costs are funded through the base budget contingency contained within the final budget proposals.'

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

- Council Tax Setting and Budget report published 16 February
- Full Council considers final budget 24 February

8.6 Community Impact/Equalities

8.6.1 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.

8.6.2 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.

8.6.3 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.

8.6.4 The Equality Impact Assessments have been reviewed again following an analysis of the results from the budget consultation process.

9. Background Papers

9.1 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 \(www.gov.uk\)](#)
- Provisional Local Government Finance Settlement announcement 16th December 2021
[Written statements - Written questions, answers and statements - UK Parliament](#)
- Final Local Government Finance Settlement announcement 7th February 2022
[Final local government finance settlement: England, 2022 to 2023 - GOV.UK \(www.gov.uk\)](#)
- West Northamptonshire Council Draft Budget 2022-23 and Medium Term Financial Plan
[Agenda item - Draft Budget 2022-23 and Medium Term Financial Plan - West Northamptonshire Council \(moderngov.co.uk\)](#)
- 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 \(moderngov.co.uk\)](#)