

WEST NORTHAMPTONSHIRE COUNCIL CABINET

20 DECEMBER 2022

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

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

- 1.1 This report sets out the draft Budget 2023-24 and Medium Term Financial Plan for West Northamptonshire Council.

- 1.2 The Budget ensures the Council has a robustly resourced plan to deliver its duties, vision and priority objectives, and has aligned its resources appropriately following an assessment of risks, issues and opportunities using the latest available information.
- 1.3 This draft budget report includes the following financial plans
- Draft Revenue Budget 2023-24
 - Dedicated Schools Grant Budget 2023-24
 - Public Health Grant 2023-24
 - Medium Term Financial Plan to 2026-27
 - Capital Programme (for fully funded schemes) to 2026-27
- 1.4 This proposed draft budget commences the budget consultation process. It enables residents, businesses, local partners and other stakeholders to have the opportunity to review the budget proposals and financial plans, and provide feedback during the six week consultation period. This report will also be presented to the Overview and Scrutiny Committee to allow for their review, comment and exploration on any key areas of interest.
- 1.5 Details of the local government provisional financial settlement are expected to be released by Government close to the Cabinet meeting on the 20 December 2022, although the latest information suggests that it may be delivered just after the Cabinet meeting date. The draft budget report has been prepared on the basis of a set of funding assumptions and will be updated to reflect the local authority financial settlement for the final budget report with any changes to the funding assumptions highlighted within that report.
- 1.6 Cabinet will consider the final budget for 2023-24 on 13 February 2023 for recommendation to the full Council meeting on 22 February 2023, incorporating consideration of the budget consultation feedback, feedback from the Overview and Scrutiny Committee, the Local Government financial settlement and the latest financial position.

2. Executive Summary

- 2.1 West Northamptonshire Council provides a range of services to residents and businesses across the area including care to vulnerable adults and children, education, the collection and disposal of waste, household waste recycling, leisure and community wellbeing, highways, planning, economic development, collection of council tax and business rates, housing benefit, council tax support, housing and support for the homeless.
- 2.2 Our plans and budget proposals ensure that resources are prioritised and earmarked to provide continued support to the most vulnerable in our local community in the most cost-effective way possible, as well as support some of our ambition for place and the environment.

- 2.3 As the Council enters its third year, and continues to focus on organisational development and maturity, both global and national macro-economic conditions have had a significant impact on the cost of service delivery, not only within the current financial year, but also into 2023-24 and beyond.
- 2.4 It is important to note that the first year's 'provisional outturn' showed a very small underspend against the overall net budget of £326.6m which was a very encouraging start to the financial management of the new organisation.
- 2.5 When the budget was originally set for 2022-23 it was highlighted as a year for further financial 'stabilisation' as the organisation continued to understand and finalise the financial baselines that were inherited from the predecessor organisations and prepared budgets for its second year of operation.
- 2.6 However, at the time of setting the budget for 2022-23 the events that unfolded throughout the year – which have had a significant impact upon the finances of the authority – could not have been predicted.
- 2.7 The Council, along with all other local authorities up and down the country, are experiencing increasing cost and demand pressures driven by external factors beyond its control. These are:
- The Ukrainian war causing unpredictable global economic pressures.
 - Inflationary and cost of living pressures impacting on the cost of providing services across the whole organisation. With the Retail Price Index (RPI) standing at 14.2% and the Consumer Price Index (CPI) standing at 11.1% at the time of drafting this report. The highest level of inflation in over 40 years which has an impact on service provision across all of the services delivered by the Council.
 - Ongoing financial impact of COVID on demand and income allied with the withdrawal of significant COVID funds previously received, which mitigated these pressures.
 - Significant demand led and inflationary pressures within the Children's Trust.
 - Significant cost and demand led pressures within Home to School Transport.
 - Significant demand led pressures within Adult Social Care and ongoing placement cost pressures for care provision.
 - Cost of living pay award significantly greater than the amount included at the time of setting the budget.
- 2.8 These issues have caused significant financial pressure in the current financial year which are currently being managed and mitigated and the subject of an earlier report on this agenda. However, many of the effects and the care demand, when projected forward led to an extremely large budget deficit facing the authority and that needed to be addressed when the budget planning process commenced in June 2022.

- 2.9 These issues have resulted in a much higher budget requirement than would be required in times of more stable economic conditions and have significantly increased the challenge of delivering a balanced budget for 2022-23 as well as the level of financial risk and complexity within the Medium-Term Financial Planning process as we look ahead.
- 2.10 As a result of these external factors which were outside the control of the authority, a robust and detailed 2023-24 draft budget planning and challenge process was implemented focussing on all aspects of the Council's service operating model, with a specific focus on tackling ongoing cross cutting issues, maximising service efficiencies and income streams to ensure the Councils cost base can be maintained at an affordable level, whilst minimising the need for service reductions.
- 2.11 To help maintain and protect levels of service provision the draft budget includes a core average Council Tax increase of 2.99% in line with the maximum limit set by government, without triggering a local referendum. As well as utilising the allowable adult social care precept increase of 2% in full, to further invest in the increasing costs of providing these services and where we saw 800 (or 30%) increase in clients seeking help. The combined total resulting in a proposed increase of 4.99% on the average Council Tax calculated for the West Northamptonshire area.
- 2.12 The Council Tax increase and growth in properties will contribute around £15.4m per annum to be utilised to protect local service provision, and would represent an average Band D level of Council Tax for West Northamptonshire Council of £1,693.73 in 2023-24, equivalent to £32.57 per week. The average proposed increase on a Band D property across the area would be £80.50 or £1.55 per week. This Band D figure does not include the Council Tax for individual town and parish councils or the Council Tax set by the Northamptonshire Police, Fire and Crime Commissioner.

2023-24 Draft Revenue Budget Headlines

- 2.13 A draft revenue budget has been formulated in the context of challenging and unprecedented economic conditions, with the following key features;
- Provision of a balanced draft budget position.
 - Ensuring statutory duties can be met in spite of anticipated increases in demand, cost, complexity and government legislation.
 - A commitment to maximise service efficiencies in order to maintain and protect services as much as we possibly can with service efficiencies proposed which total £35.6m.
 - Fees and Charges increased to maintain and protect services across the organisation on services where residents and businesses have a choice about whether they wish to use that service or not.
 - Proposals formulated using evidence based forecasting, to ensure the anticipated cost of service delivery is based on data and a local management review.
 - A continuation of the move towards 'good practice' across services where, for example, under-utilised and inefficient facilities are replaced or closed making financial savings in

situations where the overall demand for the service can be accommodated in other similar facilities across the area. Taking this approach protects critical service provision across the area.

- A sustainable budget based on the best information we have available at the time of formulating the budget plans and where all expected and known liabilities are funded appropriately within the base budget.
- £47.3m of additional base budget growth which includes the increased demand for services encountered in this financial year and expected next year.
- A prudent budget, which continues to incorporate the use of a general contingency to mitigate against any unforeseen financial issues which proved imperative to be able to manage and reduce the financial pressures being encountered in the current (2022-23) financial year.
- Average Council Tax increase of 4.99%, £1.55 per week for a band D equivalent property, in line with the maximum increase permitted by government without the need for a referendum.

3. Recommendations

- a) Approves for consultation the 2023-24 Draft Budget, including
 - I. an estimated net revenue budget of £798.3m (£377.1m excluding Dedicated Schools Grant) as set out in Appendix A.
 - II. an average Band D Council tax of £1,693.73 for West Northamptonshire Council, which represents an average increase of 4.99%. (2.99% increase in 'core' Council Tax and 2% Adult Social Care Precept).
 - III. proposed Fees and Charges as detailed in Appendix C
 - IV. provisional dedicated schools grant budget of £421.2m as detailed in Appendix D
 - V. the draft Capital Programme additions as set out in Appendix E
- b) Sets the tax base for West Northamptonshire at 142,060.8, Band D equivalents, as set out in paragraph 6.67
- c) For the Dedicated Schools Grant (DSG):
 - I. Notes the provisional allocations and planned usage of the DSG for 2023-24 pending the final DSG settlement, and
 - II. Following consultation with the Schools Forum, delegates authority to the Executive Director for Children's Services to determine the DSG 2023-24 schools funding formula, high needs funding arrangements and the Early Years Funding Formula in line with Department for Education guidance.

4. Reason for Recommendations

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

5. Report Background

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

Corporate Plan

- 5.7 The Corporate Plan sets out the Council's priorities, and the way in which we will achieve our vision to make '*West Northamptonshire a great place to live, work, visit and thrive*'.
- 5.8 The plan is based upon the Council's six priorities:
1. **Green and Clean** - *Environment and Wellbeing*
 2. **Improved Life Chances** – *Health, Social Care and Families*
 3. **Connected Communities** – *Transport and Connectivity*

4. **Thriving Villages and Towns** – *Place shaping and homes*

5. **Economic Development** – *Growth and prosperity*

6. **Robust Resource Management** – *Transparency and financial probity*

5.9 The budget is aligned to the delivery of the Corporate Plan and the strategic principles set out below draw on the Corporate Plan priority to ensure robust resource management.

- a. The Council will set a balanced budget, which is stable and sustainable and fully reflects the levels of service and performance set out in the Council's Corporate Plan.
- b. Resources will be maximised through increases in Council tax for 2023-24 to the maximum allowable within referendum limits.
- c. Council Tax will be harmonised across the whole of West Northamptonshire by 2023/24.
- d. Income streams from fees and charges will be maximised through increases where appropriate after considering market conditions.
- e. External funding via grants and contributions will be sought where this supports the achievement of corporate priorities.
- f. Wherever possible, efficiencies will be delivered through service transformation and efficiency initiatives as set out in the Council's Transformation Strategy.
- g. Opportunities to invest in improved services will be explored. Any investment decisions will consider both capital and revenue implications, including whole life costs and income.
- h. Financial implications of decisions will be underpinned by a robust business case and risk assessment.
- i. Reserves will be maintained at a level that protects services to residents and Earmarked Reserves will be used for the purpose for which they were created.

National and Economic Context

5.10 The Autumn Statement was announced by the Chancellor on 17th November 2022, along with this, the Office for Budget Responsibility (OBR) published its economic and fiscal outlook which sets out their forecast to 2027-28.

5.11 The Autumn statement focussed on government priorities of stability, growth and public spending and set out the following policies to both support these principles and reduce debt as a share of GDP.

5.12 Within the Autumn Statement the Government published new fiscal rules in regards to public sector net debt which require net debt to be falling as a percentage of GDP and public sector net borrowing to be below 3% of GDP by the fifth year of the rolling forecast. These rules aim to ensure debt reduces over the medium term.

- 5.13 With the impact of the Russian invasion of Ukraine on global energy prices, the cost of living crisis reducing household incomes, post pandemic economic recovery and national inflationary increases reaching a high of 11.1% (CPI) in November 2022, the OBR has confirmed that the economy has moved into recession in Q3 2022, with a forecast return to GDP growth in 2024.
- 5.14 Inflation rates are forecast to recover during 2023-24, with rates reducing more significantly from mid-2023. As a result of the energy price guarantee scheme, the impact of interest rates rises and other external factors placing less upward pressure on UK inflation, rates are predicted to fall over the next few years and is forecast at below 2% over the medium term (Monetary Policy Committee projection – Bank of England)
- 5.15 The Chancellor made a number of announcements on the future of Social Care funding with the government making available in 2023-24 £2.8bn funding for Adult and Children’s Social Care. There was also confirmation of additional Adults Social care grant and money to support improved discharges from Hospital. Both of these funding streams will come with conditions which are expected to relate to improvements in performance, capacity and meeting demand.
- 5.16 Local authorities were provided confirmation on the flexibility in Council Tax setting by raising the Council Tax referendum threshold to 3% and additional flexibility to increase the Adult Social Care precept to 2%. An increase of up to 5% in total .
- 5.17 The autumn statement provides a high level view on the overall position and expectation of the economy and also highlights national funding streams that will be utilised to seek to deliver against the Government’s policy objectives. So whilst there were a number of announcements made relating to additional funding to local authorities the ‘council by council’ detail of those announcements will not be known until the provisional local government finance settlement is announced towards the end of December.
- 5.18 Whilst we are able to estimate what we think the local position will be of the national funding that was announced we will not know until the detail is released. The autumn statement was also silent on a number of current funding streams (for example New Homes Bonus) and this creates greater uncertainty for the government funding that has currently been assumed and incorporated into these draft budget proposals.
- 5.19 As we do not know the detailed settlement figures for the authority and have had to make a series of assumptions within the estimates there is a significant chance that the funding position set out in this report will differ when the figures are released. All changes relating to the provisional settlement information will be reported as part of the final budget proposals which will be considered by Cabinet in February 2023.

6. Developing the Draft Revenue Budget

Financial Position 2022-23

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

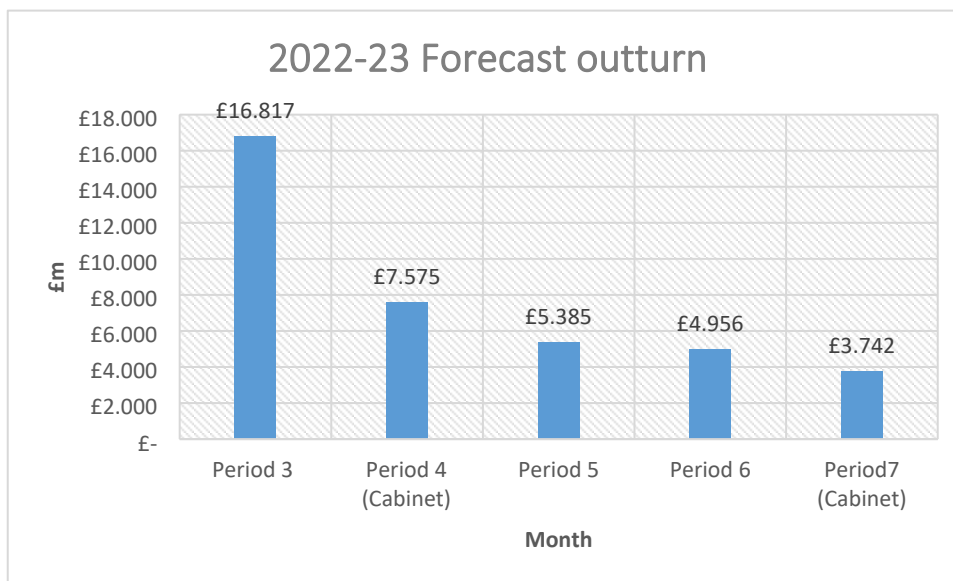
6.2 However, during 2022-23 the Council has seen a significant impact on its finances as a result of a number of external factors beyond its control. The specific drivers of these cost pressures in 2022-23 are highlighted below:

- The Ukrainian war causing unpredictable global economic pressures.
- Inflationary and cost of living pressures impacting on the cost of providing services across the whole organisation. With the Retail Price Index (RPI) standing at 14.2% and the Consumer Price Index (CPI) standing at 11.1% at the time of drafting this report. The highest level of inflation in over 40 years which has an impact on service provision across all of the services delivered by the Council.
- Ongoing financial impact of COVID latent demand allied with the withdrawal of significant COVID funds that had previously been received and had mitigated some income lines that have not recovered to pre pandemic levels.
- Significant demand led and inflationary pressures within the Children's Trust.
- Significant cost and demand led pressures within Home to School Transport.
- Significant demand led pressures within Adult Social Care.
- Cost of living pay award significantly greater than the amount included at the time of setting the budget.

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

6.4 The 2022-23 Period 7 report is currently forecasting an outturn pressure of £3.7m which is a favourable movement of £3.8m from the position reported previously to Cabinet in September 2022. Focus continues with services working towards the delivery of a balanced position for 2022-23. The significant improvement in the Council's financial position since the start of the financial year has been achieved because of the swift action taken by management when it became apparent that the external factors highlighted earlier in this report were having a significant impact on the Council's finances. Current projected overspend represents a variance of just over 1% of Council's net budget for the year .

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



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

- The use of the general contingency budget of £10.1m
- The delivery of significant management actions across the organisation to assist with bringing the overall position back into balance
- The proactive and immediate introduction of a Spending Restrictions Panel (SRP) which considered all expenditure over £500 and all vacant posts and only approved the expenditure if it was deemed to be absolutely essential. By the end of November expenditure of almost £2m had been avoided by taking this approach.

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

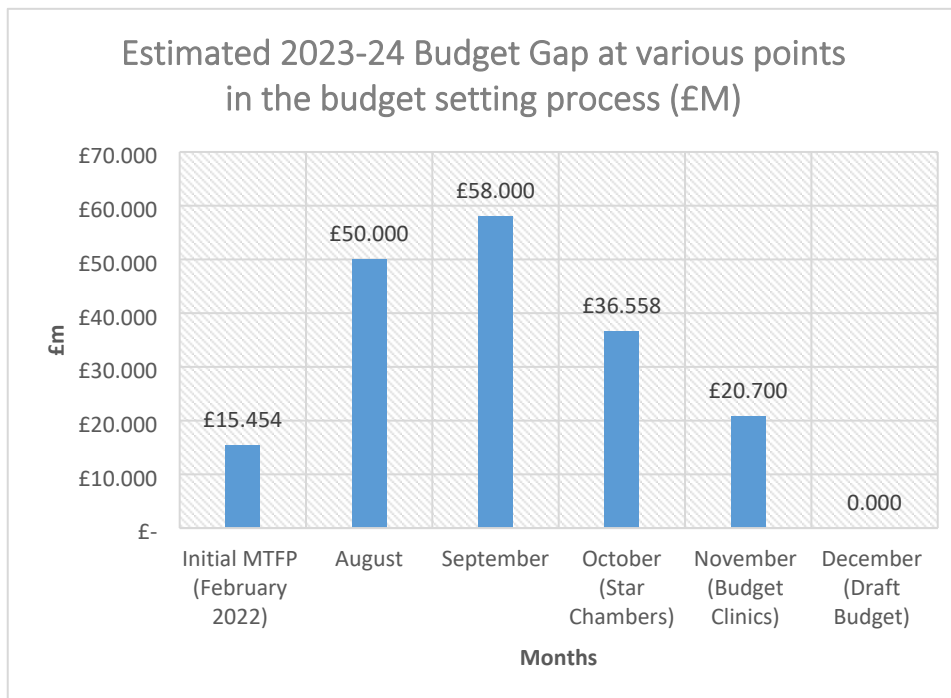
Draft Revenue Budget 2023-24

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

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

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

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



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

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

Star Chambers Process

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

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

Budget Clinics

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

Cabinet and Senior Management Team meetings

- 6.24 Cabinet received regular briefings throughout the budget process but one of the final sessions considered all of the proposals that had been included in the draft budget which had been developed with portfolio holders throughout the process and also the interpretation of the outcome of the Autumn Statement. The combination of these two things enabled plans to be put together that would deliver a balanced draft budget for next year.
- 6.25 The proposals contained in the detailed appendices stem primarily from these processes to ensure there is a robust budget in place, concerns are listened to and addressed and that there is collective responsibility, ownership and delivery of the budget for 2023-24.

Draft Budget 2023-24 Proposals

The proposed 2023-24 budget proposals are summarised below by theme, and set out in detail within Appendix B.

Pay related costs – Total £9.8m
(Equivalent figure for 2022-23 £5.9m)

- 6.26 The draft Budget includes pay related costs of £9.8m which includes the following:
- Adjustment to base budget to reflect the final 2022-23 pay award at £1,925 per person plus 0.25% in line with the locally agreed pay negotiations. This agreement exceeded what was included as a budget assumption for 2022-23 and therefore we need to include this additional amount in the base budget to ensure it 'catches up' with the current agreement.
 - Contractual and non-contractual increments where staff are not at the top of their pay grade for 2023-24.
 - Cost of living increase for 2023-24 based on 4.5% increase.
 - Provision for increase to National Living Wage.
- 6.27 In addition to the implementation of the new pay structure and associated terms in early 2023, local pay bargaining will commence with the six trade unions recognised for pay negotiation purposes on the pay award for 2023-2024. Negotiations will commence in January and the pay award will be applied from 1 April 2023.

Contract Inflation – Total £19.1m
(Equivalent figure for 2022-23 £8.1m)

- 6.28 Contractual Inflation of £19.1m has been included in the 2023-24 draft budget. These are contractual commitments reflecting a number of inflation indices across all services.
- 6.29 Adult Social Care inflation proposals total £10.2m for 2023-24 that includes £9.2m of inflationary cost related pressures across independent care provision such as residential and nursing placements, homecare, supported living and day care. The calculated inflation takes account of the 9.7% increase in the national minimum wage to £10.42 in April 2023 and forecast rise in Consumer Price Index (CPI). It is critical that social care providers receive uplifts to reflect the significant increase in their costs on staff, energy and fuel in order to continue to deliver safe services to our eligible clients. In addition, provision has been made for the inflationary pressure

on utilities within the service's in house provider homes of £0.6m and the contractual increase in the indexation on the PFI unitary charge for the Specialist care centres of £0.4m.

- 6.30 The Place and Economy Directorate proposals include contract inflation proposals totalling £5.7m which include key contracts such as the collection and disposal of waste, the operation and management of household waste recycling centres, home to school transport, maintenance of the highways street lights. Utilities inflation proposals for properties, street lighting and traffic signals totalling £2.7m are also included.

Unavoidable Base Budget pressures – total £47.3m
(Equivalent figure for 2022-23 £16.8m)

- 6.31 Ongoing pressures total £47.3m in 2023-24. The most material of these pressures are as follows:

Adult Social Care

- 6.32 Adult Social Care Services are experiencing material demand led pressures which have resulted in 2023-24 growth proposals of £20.6m, including;

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

Home to School Transport

- 6.33 There is a cost increase of £5.3m on home to school transport which is a trend that is being experienced nationally and is primarily related to transporting children with special educational needs. The number of children with education, health and care plans has risen which has a direct impact on the children that receive transport. Fuel costs have increased significantly , and there

is also a shortage of both drivers and passenger assistants which has resulted in increased wages and price increases. Our policies are also outdated, having last been updated in 2010 and don't reflect best practice or the effects of things like Academies. We also need to update our systems, processes and procurement of drivers to ensure we get best value.

Children's Trust

- 6.34 From 1st November 2020, the Northamptonshire Children's Trust was incorporated to deliver children's social care and targeted early help on behalf of Northamptonshire County Council, and from 1st April 2021 this was delivered on behalf of North Northamptonshire Council and West Northamptonshire Council. The Councils set the strategic outcomes and priorities and the Trust is responsible for delivering those outcomes.
- 6.35 Making a difference to children, young people and families is of high importance to West Northamptonshire Council as a joint owner of Northamptonshire Children's Trust. The financial proposals contained within the NCT business plan build on the recent ILACS Ofsted inspection which was encouraging and highlighted the tangible progress being made and the commitment of colleagues at the Council and the Children's Trust working in partnership in improving services, alongside areas to focus on further development.
- 6.36 A contract sum totalling £150.94m has been provisionally agreed for 2023-24 – a net increase across the County of £13.49m from the current year, which is indicative of the national picture of rising costs of children's social care and lack of supply, and a position that has been informed by the forecast outturn for this financial year. The Contract Sum of £150.94m has been split into two parts, this consists of a Base Contract Sum (£141.43m) and a "drawdown payment" relating to actuals on agreed elements of demand led services (£9.509m) which will be based on the 2022-

23 and 2023-24 outturn position, to ensure we only lock in actual demand costs in the contract sum.

- 6.37 The WNC share of the agreed contract sum is £84.28m, which is a £7.53m increase from the current year, and is included as an unavoidable base budget pressure.
- 6.38 In addition to this, one off revenue investments of £1.25m are included in the draft budget recognising further investment required in the improvement journey and to deliver efficiencies. These are set out in more detail Appendix B.

One-off Budget Pressures - Total £(6.7m)
(Equivalent figure for 2022-23 £10.509m)

- 6.39 One-off pressures are time limited expenditure and funded via one-off funding. This includes £3.9m growth where there is uncertainty about the timing or impact of a planned change, for specific projects or invest to save schemes, including;
- £0.5m Economic Growth Reserve – cash flow enabling major events, expectation to deliver income through events to offset expenditure.
 - £0.45m Vulcan Works – funding in year budget deficit position with funds to be repaid to reserve once surpluses are delivered.
- 6.40 The one-off schemes are funded through various earmarked reserves and there is a requirement to have a strategy where reliance is moved away from the use one off balances for such expenditure. Ongoing revenue expenditure, where there is no plan to move away from the use of one of funds to temporarily fund should never be supported.

Efficiencies and Income Generation -Total £35.6m
(Equivalent figure for 2022-23 £19.3m)

- 6.41 A total of £26.7m efficiencies and £8.9m income generation proposals are included in the draft Budget for 2023-24. These proposals have been aligned into key themes as detailed below with full detail provided in Appendix B6.
- 6.42 This category has been broken down into the following sub-themes:

• Charging and Income	£8.9m
• Demand and Prevention savings	£2.1m
• Process and Policy savings	£4.0m
• Redesign and Reorganisation savings	£13.9m
• Technology and Innovation savings	£1.0m
• Buying and Commissioning savings	£0.4m
• Technical savings	<u>£5.3m</u>
Total Efficiencies and Income Generation	£35.6m

Charging and Income – Total £8.9m

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

Demand and Prevention – Total £2.1m

- 6.44 These proposals specifically focus on the review of key services areas experiencing demand led pressures and management of demand levels through the implementation of both prevention strategies and demand management solutions. Key proposals include:
- £1.0m ensuring Adult Social Care services are focused on meeting the needs and optimising outcomes for those West Northamptonshire Residents that are eligible for services.
 - £0.5m savings to be driven through Adult Social Care winter planning. Joint working across the health and social care system will drive savings against the expected normal surge in costs and demand over the winter period.
 - Maintaining the investment in Childrens Early help and avoid a crisis within families leading to children escalating into care.

Process and Policy - £4.0m

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

Redesign and Reorganisation - Total £13.9m

- 6.46 These include proposals that focus on service redesign, and the continuation of the organisation development following local government reorganisation looking at optimising service operating models and processes. Proposals include:
- £3.0m following a review of high needs placements has identified under utilisation of DSG funding. Further work is being carried out on this proposal to substantiate the level of saving associated with it. Following the conclusion of this work a revised figure will be included in the final budget.
 - The restructure of the reablement service has increased the number of people who will benefit from reablement and therapeutic intervention reducing the need for long term care spend, resulting in a proposed saving of £1.7m.
 - Domiciliary care aligned to Local Area Partnerships (LAP) to reduce travel time and more efficient deployment of staff alongside the introduction of electronic call monitoring will drive £1.5m of efficiencies against current levels of expenditure in the independent care sector.
 - £1.0m driven by the progression and improvement of independent outcomes across Learning Disability services, resulting in individuals receiving the care that they need.

Technology and Innovation - total £1.0m

- 6.47 Budget proposals where the Council is driving cost reduction through digital innovation, proposals include:
- Optimisation of the use of single handed care, further drive on reducing the need for two carers via use of Assistive Technology £1.0m
 - Efficiency savings to be realised through the increased use of Artificial Intelligence. £0.1m

Buying and Commissioning – Total £0.4m

- 6.48 These proposals look at where the Council can buy things differently or combine legacy contracts to get better economies of scale. Proposals include
- The Adults Social Care new Homecare framework which will be repocured in 2023-24 but will deliver benefits in future years.

Technical Adjustments – Total £5.3m

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

General Contingency - Total £11.0m

- 6.50 The 2022-23 budget included a general contingency of £10.1m. The contingency is currently forecast to be fully utilised in 2022-23. This contingency has proved critical in managing the budget for the current financial year and therefore it is proposed that it is maintained for 2023-24.
- 6.51 It has been assumed within the current proposals that all of the contingency is funded through the base budget and there is no ongoing reliance on the general fund cash balances to fund part of the overall contingency as was the case in this financial year.
- 6.52 The need for a general contingency was proven in this financial year and whilst ordinarily you shouldn't need a significant contingency, given the turbulent times we are currently operating in, now is not seen as the time to be withdrawing such a safeguard which has proved invaluable in the overall management of this year's budget. The contingency represents just 3% of the current year's budget.
- 6.53 The general contingency is to cover any associated risks within the budget and will be available to adjust budgets if necessary, given:
- the current financial risks driven by external economic factors outside the Council's control
 - the continued stabilisation of the budgets inherited from predecessor authorities
 - the uncertainty of the economic recovery post pandemic and the subsequent demand for services.
- 6.54 The release of this contingency will be at the discretion of the Executive Director of Finance in consultation with the Finance portfolio holder.

Draft Budget Summary

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

	Opening Base Budget £m	Pay related costs £m	Contract Inflation £m	Unavoidable Budget pressures £m	Budget Pressures - one-off (funded from reserves) £m	Efficiencies and income generation £m	General Contingency £m	Revised MTFP £m
Adult Social Care	103.4	0.0	10.2	20.6	0.0	(10.1)	0.0	124.1
Education Services	4.6	0.0	0.0	0.6	0.0	(3.8)	0.0	1.4
Northamptonshire Children's Trust	69.9	0.0	0.0	7.5	1.3	0.0	0.0	78.7
Place and Economy	78.5	0.0	8.4	9.1	0.3	(5.8)	0.0	90.5
Chief Executive Office	2.7	0.0	0.0	0.4	0.0	(0.6)	0.0	2.5
Communities and Opportunities	10.1	0.0	0.0	2.5	1.4	(1.7)	0.0	12.2
Corporate Services	21.4	0.0	0.5	0.7	0.1	(5.4)	0.0	17.3
Centrally Controlled	30.5	9.8	0.0	5.9	0.6	(7.6)	0.9	40.2
Finance	10.8	0.0	0.0	0.0	0.2	(0.7)	0.0	10.3
Total Service Expenditure	331.8	9.8	19.1	47.3	3.8	(35.6)	0.9	377.1

Funding Assumptions

- 6.56 The Local Government provisional financial settlement is expected to be announced in December 2022. The latest indication is that it could be published just after Cabinet meet to consider the draft budget. The final settlement details are then expected in February 2023. The final budget proposals will be updated to reflect any issues coming out of the budget consultation exercise as well as the revised position once the government's financial settlement details are known.
- 6.57 Whilst we have made assumptions on what the different funding streams will be for next year we will not have a clear idea until the provisional settlement information is released. As a result there are risks associated with the funding side of these draft budget proposals.
- 6.58 The draft budget assumptions will be updated to reflect the detailed funding announced in the final budget report due to be presented to Council on 22 February 2023.
- 6.59 The Autumn Statement presented by the Government on the 17 November 2022, set out the national economic picture highlighting the material financial challenges currently being experienced on both a national and local basis. The impact of the COVID 19 pandemic, combined with the current energy crisis and its subsequent impact on inflationary pressures and the cost of living, are creating a unique set of economic conditions that present a significant challenge to public sector finances.

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

6.61 Specific funding announcements were:

- £1.3bn funding to be distributed via the Social Care grant for both Adults and Children's social care.
- £600m to be funded via the Better Care Fund to support the hospital discharge process.
- £400m to be distributed through a ringfenced grant to Adults Social Care to support discharge.
- Flexibility in Council Tax setting by raising the referendum threshold to 3% and additional flexibility to increase the Adult Social Care precept by 2%.
- Budgets have been adjusted to reflect the removal of the funding for the Health and Social Care Levy.
- National Living wage will increase for people aged 23 years and over to £10.42 from April 2023. This additional pressure has been built into the draft budget proposals.

6.62 The table below details the funding assumptions applied within the draft budget:

	2022-23 MTFP £k	2023- 24 MTFP £k	Change £k
Council Tax Income	(225,212)	(240,612)	(15,400)
Council Tax Collection Fund	1,066	(4,029)	(5,095)
Business Rates Income	(53,853)	(53,853)	0
Business Rates Growth	(5,718)	(12,876)	(7,158)
Business Rates - Section 31 Grant	(5,125)	(23,670)	(18,545)
Improved Better Care Fund	(10,069)	(10,270)	(201)
Social Care Grant	(11,363)	(18,090)	(6,727)
New Adult Social Care Grants	0	(3,500)	(3,500)
Market Sustainability and Fair Cost of Care Fund	(982)	0	982
2022/23 Services Grant	(3,457)	(3,457)	0
New Homes Bonus	(5,152)	0	5,152
Lower Tier Support Grant	(496)	(496)	0
Rural Services Delivery Grant	(393)	(393)	0
Transfer From Reserves	(21,564)	(5,885)	15,679
Total Funding	(342,318)	(377,131)	(34,813)

6.63 Business Rates income over and above the baseline funding level set by government is retained by the Council, subject to a levy of around 33% that is paid to government. The delay in resetting the baseline means that WNC is able to retain the growth achieved over the last 9 years. 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. This adds to the total amount of Business Rates we get to keep.

6.64 It is anticipated that when the Government resets business rates there will be a substantial impact on the Council's finances as our business rates income will drop significantly.

- 6.65 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 (£1.4m in 2023-24). The overall net business rates growth retained by WNC is estimated to be £12.9m for 2023-24, an increase of around £7.2m from the estimate included in the MTFP in February 2022 primarily as a result of the expectation that the business rates baseline will not be re-set in 2023-24. We have assumed that the baseline has been reset in 2024-25 ..
- 6.66 The overall Council Tax base for 2023-24 has been calculated and is recommended to be set at 142,060.8, an increase of just over 1.76% from 2022-23 and therefore broadly in line with our medium term planning assumption. Annual increases at 1.5% are assumed to continue throughout the MTFP period. As part of this report there is a recommendation that seeks to set the tax base at this figure.
- 6.67 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 and South Northamptonshire Districts will need to increase by more than 4.99% (if this is set as the average increase) to reach harmonisation.
- 6.68 2023-24 marks the final year in the move to harmonisation whereby all properties across the area will pay the same amount of Council Tax for West Northants services regardless of the previous predecessor authority arrangement they came under.
- 6.69 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 reach harmonisation in 2023-24.

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

- 6.70 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.

- 6.71 A Local Council Tax Reduction Scheme (LCTRS) for 2023-24 has to be agreed by 31 January 2023 for the financial year 2023-24. At the meeting held on 3 November 2022 full council approved an LCTRS for 2023-24 which retains a 20% minimum contribution for working age claimants.
- 6.72 The significant Council Tax Collection Fund Deficit that arose in 2020-21 as a result of Covid-19 has been spread over 3 financial years in line with regulations, with 2023-24 being the final year of the deficit expected at the time of £1.066m. Monitoring of the Collection Fund during 2022-23 shows an actual surplus of £4.029m which is a positive movement of £5.095m on the collection fund which benefits the authority for next year.

Fees and Charges

- 6.73 Income from fees and charges represents an important source of funds to the Council and enables a range of services to be provided within the area and beyond. West Northamptonshire's Draft Budget generates income in the region of £33.6m with approximately £22.3m coming from Fees and Charges set out in Appendix C
- 6.74 In order to deliver a balanced budget all discretionary fees and charges (those not set by statute) have been scrutinised in an attempt to maximise income on services where residents and business have a choice about whether they want to pay for a particular service or not. This has helped to reduce the budget deficit forecast at the start of the process and therefore protect vital front line services.
- 6.75 Many fees have not been increased for several years and therefore have fallen behind even in respect of inflationary pressures you would normally expect them to increase by each year. With inflation running at such high levels which have the impact on increasing the cost of providing the very services funded through fees and charges it is essential that they are thoroughly reviewed for 2023-24. This review is simply good practice as consumers have a choice about whether they want to pay for these services or not. In some cases the review has been carried out by looking at other local authorities fees and charges and carrying out benchmarking based on that information to ensure that the Fees and Charges proposed in Appendix C are not significantly out of kilter with other authorities.
- 6.76 This is the third year that West Northamptonshire Council has been able to set its fees and charges. Since the formation of the Council all fees and charges have been harmonised apart from taxi fees.

General Fund Balances and Earmarked Reserves

- 6.77 The Council has 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.
- 6.78 Due to the ongoing audits at the former Councils and the audit of the 2021-22 accounts the opening 2022-23 reserve balances for West Northamptonshire Council are still to be confirmed. Reserve and carry-forward drawdowns were approved in 2021-22 as part of the provisional outturn and should any adjustments be required prior to confirming the final outturn this would also affect the opening balances.

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

Description	Opening Balance as at 01/04/22	2022/23 Net Commitments	Expected Balance as at 31/03/23	2023/24 Net Commitments	Expected Balance as at 31/03/24
	£000	£000	£000	£000	£000
General Balance	(40,000)	5,000	(35,000)	0	(35,000)
Risk Reserve	(40,482)	15,732	(24,749)	4,492	(20,257)
Transformation Reserve	(10,373)	0	(10,373)	0	(10,373)
Invest to save	(1,151)	0	(1,151)	0	(1,151)
Service Specific Reserves	(15,981)	7,280	(8,701)	375	(8,325)
Other Reserves Total	(67,986)	23,012	(44,974)	4,867	(40,107)
Section 31 Grants	(19,575)	12,683	(6,892)	0	(6,892)
Ringfenced / Technical	(17,944)	6,844	(11,100)	1,941	(9,159)
Ringfenced / Technical Reserves Total	(37,519)	19,528	(17,992)	1,941	(16,051)
Specific Covid reserves	(4,673)	3,096	(1,577)	1,269	(308)
Specific Covid Reserves Total	(4,673)	3,096	(1,577)	1,269	(308)
Earmarked Reserves Total	(110,178)	45,636	(64,543)	8,077	(56,466)
Grand Total	(150,178)	50,636	(99,543)	8,077	(91,466)

6.80 An explanation of the main reserves is included below.

Risk Reserve

6.81 Within the estimated level of reserves there are a number that could be described as ‘smoothing’ reserves. These were set up to deal with fluctuations and volatility in areas such as business rates income. These reserves 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.

6.82 The 2023-24 movement on the risk reserve includes the one off funding requirement of £3.8m as set out in Appendix B, along with the remaining balance of COVID un-ringfenced funding .

Transformation Reserves

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

Invest to save reserves

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

Service Specific Reserves

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

Section 31 Funding Reserve & Ringfenced / Technical Reserves

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

Specific COVID reserves

- 6.89 This includes the Contain Outbreak Management Fund (COMF) and community testing funding alongside other specific COVID relate funding and will be released to cover expenditure as its reported via S151 approval. Currently the COMF reserve is estimated to be fully committed in 2022-23.

Medium Term Financial Plan Forecasts

- 6.90 Although the draft Budget for 2023-24 shows a balanced position, there is considerable uncertainty in the medium term due to :
- Economic uncertainty and forecast inflationary levels over future years
 - Establishing post pandemic levels of demand and changes in consumer behaviours over future years.
 - Confirmation of the implementation of Business Rates reform, resetting the business rates baseline and the fair funding review
 - One off Council Tax benefit surpluses which we are benefitting from in 2023-24.
- 6.91 The Council's medium term position is set out in the table below , which builds in know risks and opportunities but also includes a material level of risk given level of unknown factors driven by both the current economic conditions and confirmation on future funding announcements .
- 6.92 The table shows a significant opening budget deficit for 2024-25 of £35.6m. However, it should be noted that the majority of this deficit relates to the potential impact that the rebasing of

business rates could have on the authority if business rates are reset in 2024-25. If this doesn't happen in 2024-25 the deficit (all other things remaining equal) will substantially reduce .

	2023-24	2024-25	2025-26	2026-27
	£000	£000	£000	£000
Net Expenditure Budget	798,332	808,000	823,381	842,615
Funding Budget	(798,332)	(772,363)	(784,860)	(793,944)
Budget Gap	0	35,637	38,522	48,671

Other Funds

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

Dedicated Schools Grant

- 6.94 School Funding is received through the Dedicated Schools Grant (DSG), and is split into four blocks, each with its own formula to calculate the funding to be distributed to each Local Authority (LA), and with specific regulations on what each block of funding can be spent on.
- **Schools Block** – funds primary and secondary maintained schools and academies through the school's funding formula, and growth funding for new and growing schools.
 - **Early Years Block** – funds the free entitlement for 2, 3 and 4 years olds in all early years settings in the private, voluntary and independent (PVI) sector, as well as maintained nursery schools.
 - **High Needs Block** – funds places in special schools, resource units and alternative provision, and top-up funding for pupils with Education, Health and Care Plans (EHCPs) in all settings.
 - **Central Schools Services Block** – funds services provided by the local authority centrally for all schools and academies (ongoing responsibilities), for example School Admissions, and historical commitments previously agreed between the local authority and Schools Forum such as pension strain costs.
- 6.95 The detailed calculation methodology for each block is explained in Appendix D.
- 6.96 The Secretary of State for Education announced provisional funding allocations for 2023-24 calculated through the schools, high needs and central school services national funding formulae (NFF) on 19 July 2022. As Early Years funding is based on census data at different points in the year, these allocations are published to a different timetable.

- 6.97 The table below shows the provisional allocation for West Northamptonshire Council from the July announcement. The final allocations are expected to be published at the end of December 2022 close to the expected date of the provisional local government finance settlement.

	Schools Block £m	High Needs Block £m	Central Schools Services Block £m	Early Years Block £m	Total £m
2022/23*	320.5	60.9	4.3	26.6	412.3
Provisional 2023/24	327.0	63.7	3.9	26.6	421.2
Increase /(decrease)	6.5	2.8	(0.4)	0.0	8.9
% Increase / (decrease)	2.0%	4.6%	(9.3%)	0.0%	2.2%

**includes supplementary funding*

Autumn Statement 2022 - DSG

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

Schools Block

- 6.99 For West Northamptonshire Council, the primary unit of funding (PUF) increases from £4,538 in 2022-23 to £4,754 in 2023-24. The secondary unit of funding (SUF) increases from £5,769 in 2022-23 to £6,056 in 2023-24. These rates are final and will be multiplied by the total number of primary and secondary pupils recorded on the October 2022 Census. The additional funding will be passported to schools through the funding formula to support their day to day spending on children and young people.

- 6.100 The methodology for the distribution of the additional funding announced in the Autumn Statement is expected in the final settlement.

High Needs Block

- 6.101 The provisional increase in the High Needs Block represents the authority's share of the £570 million national increase for 2023-24. WNC's High Needs Block is increasing by £2.8 million from 2022-23 – 4.6% from 2022-23.
- 6.102 Nationally, there is an inherent pressure within the High Needs Block relating to the growth in the demand for young people with special educational needs and disabilities (SEND). It is seven years since reforms were introduced to better support children and young people with special educational needs and disabilities (SEND) and the allocation of funding available to support pupils with high needs has become a national issue.

- 6.103 The current year level of overspend within WNC is forecast at £2m but is not currently at a level that requires a recovery plan to be submitted to the ESFA due, however the council cannot let cumulative, structural deficits continue. There are proposals within the general fund budget that will potentially increase this deficit and these are currently being calculated .
- 6.104 The pressures which have resulted in the High Needs block overspend are expected to continue into future years and this presents risks around affordability of provision for pupils with high needs. Therefore, a range of actions are being proposed or taken as part of the SEND improvement programme to address the predicted financial pressures.
- 6.105 The government currently has in place a 'statutory override' where councils' SEND deficits can be ringfenced away from their core council budget and this is currently due to end at the end of March 2023. Analysis from the County Councils Network (CCN) and the Society of County Treasurers reveals that local authority deficits in SEN are now at approximately £2.4bn in 2022-23 – six times higher than levels in 2018.
- 6.106 In August 2022 the government carried out a voluntary Call for Evidence across local authorities with the objective to understand current and projected DSG financial positions and inform decision making around extending the DSG statutory override beyond March 2023.

Central Schools Services Block

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

Consultation

- 6.110 The Council has undertaken a school budget consultation running from 1 November to 30 November 2022 as agreed with Schools Forum, and the outcomes from the consultation will be presented to the December Schools Forum meeting where proposals will be voted on where required. However, the final schools funding formula remains a local authority decision and the submission to the Education Skills and Funding Agency (ESFA) is due on 20 January 2023. Full details relating to the DSG consultation are included in Appendix D.

Public Health

- 6.111 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 Service

objectives are defined through Public Health statutory responsibilities, these are categorised under Health Improvement, Health Protection and Healthcare Public Health (three pillars of Public Health) and include:

- Improve the health and wellbeing of individuals or communities through enabling and encouraging healthy lifestyle choices as well as addressing underlying issues such as poverty, lack of educational opportunities and other such areas
- Provide or make arrangements to provide 0-19 Services including maternity and health visitors, school nurses and weighing and measuring of children
- Provide or make arrangements to provide for health checks
- Provide or make arrangements to secure the provision of open access sexual health services in their area
- Provision of a public health advice service, in relation to commissioning health services to the Integrated Care Board
- Provide advice and information to the health and care system to ensure health protection.

6.112 As at October 1st 2022, the Public Health Service has been disaggregated across both North and West Northamptonshire.

6.113 Public Health grant for 2022-23 is £19,107,223 with amounts for 2023-24 to be confirmed . Any additional grant received would be ringfenced for additional public health responsibilities.

Capital Strategy and Draft Capital Programme 2023-24 onwards

6.114 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.

6.115 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.

6.116 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.

6.117 The Strategy also provides details of the Council's planned future capital programme and capital funding expectations. The emphasis will be on ensuring a robust mechanism to deliver our priorities within the finances available – as such the draft budget takes into account the schemes already approved in year through the Capital and Assets Board (CAB) plus new fully funded

schemes only i.e. where there is no financial impact for the authority. These new schemes have been put forward by officers through the Star Chamber process and endorsed by CAB for inclusion in the draft capital programme and a further review will be undertaken of all other proposals to agree prioritisation of schemes before they are submitted for final budget.

6.118 This results in a draft general fund capital programme of £154.8m over the four year period 2023-27 Full details are set out in Appendix E.

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

Draft 2023-27 General Fund capital programme	2023/24 £k	2024/25 £k	2025/26 £k	2026- 27+ £k	Total £k
Adults, Housing & Communities	7,575	7,557	6,950	2,250	24,332
Assets and Environment Capital	9,552	12,360	6,618	0	28,530
Children's	22,738	8,724	382	0	31,843
Corporate	296	56	50	0	402
Economic Growth & Regeneration	12,178	9,050	0	0	21,229
Finance	0	0	0	0	0
Highways and Waste Capital	31,230	14,925	2,343	0	48,498
Total	83,569	52,672	16,343	2,250	154,834

6.120 The Capital Strategy is being developed with reference to the requirements of the latest Prudential Code and Treasury Code of Practice and will be brought forward for approval as part of the final budget report in February 2023.

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

7. Implications (including financial implications)

Resources and Financial

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

Legal

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

- 7.3 The provisions of the Local Government Finance Act 1992 set out what the Council has to base its budget calculations upon, and require the Council to set a balanced budget with regard to the advice of its Chief Finance Officer (Section 151 Officer).
- 7.4 The robustness of the proposed estimates and the adequacy of the proposed reserves must be addressed in the formal report to be made in February 2022 to the Cabinet by the Chief Finance Officer (Section 151 Officer) and then recommended by Cabinet to Full Council . This report is required under Section 25 of the Local Government Act 2003.

Risk

- 7.5 The Budget for 2022-23 included a general contingency of £10.1m in recognition of the risks associated with constructing the budget for West Northamptonshire Council as a new organisation. Work has been undertaken during the year to ensure that detailed budgets properly reflect the staffing establishment and the cost of delivering services and is currently ongoing. However given the increased level of risk associated with external economic factors it is proposed therefore that the general contingency remains in place for the financial year 2023-24.
- 7.6 Whilst the progress made in compiling the statutory accounts for predecessor authorities provides some reassurance regarding the levels of inherited reserves, provisions and liabilities, these accounts are still subject to audit and as such there remains a risk that there may be some changes. The level of balances and reserves is considered sufficient to manage these risks.
- 7.7 Significant risks remain in demand led budgets such as Adult and Children Social Care placements, particularly in light of understanding post pandemic demand levels .The pandemic also has potential ongoing impacts on income from fees and charges such as car parking. The draft budgets have been constructed having due regard to these risks.
- 7.8 The detailed General Fund budgets are subject to continual review and refinement. Since vesting day, Directorates and Finance have worked together, reviewing budgets, prioritised by risk, to ensure they are sufficient to cover West Northamptonshire Council's commitments, this is now embedded within the established budget monitoring process .

Consultation process and consideration by Overview and Scrutiny

- 7.9 This draft Budget is presented to Cabinet prior to the start of public consultation.
- 7.10 Budget consultation will commence on 21 December, the day after Cabinet have considered the draft Budget proposals, and will be open for six weeks.
- 7.11 The draft Budget will also be considered by Overview and Scrutiny Committee who will then be able to provide their views and comments to Cabinet prior to their consideration of the final Budget for recommendation to full council.
- 7.12 The timeline for the rest of the Budget process is as set out below:

- Publish draft Budget 13 December
- Cabinet consider draft Budget 20 December
- Commence draft Budget consultation 21 December
- Overview and Scrutiny consider budget Jan/Feb 2023
- Consultation closes (six weeks) 1 February
- Publish final Budget report 3 February
- Cabinet consider final Budget 13 February
- Council Tax Setting and Budget report published 14 February
- Full authority considers final Budget 22 February

7.13 The response to the budget consultation will be analysed and form part of the final Budget report to Cabinet on 13th February 2023.

Community Impact/Equalities

7.14 The Council has a strong commitment to equality and diversity. This means considering how all groups and individuals within our community get the services they require and are not disadvantaged, and that services are available to them to meet their needs. Equality Impact Assessments help the Council to make informed decisions and to ensure that those who share a protected characteristic are not disproportionately negatively affected by any proposed changes.

7.15 The potential impact of the proposals on those groups has been assessed and, taking into account mitigating action that is planned or that is in place, of the ESAs completed some have led to the need for a full EQIA and these will be published once consultation has concluded and before budget proposals are finalised.

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

Climate Impact

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

8. Background Papers

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

- Autumn Statement – November 2022
[Autumn Statement 2022 HTML - GOV.UK \(www.gov.uk\)](#)
- West Northamptonshire Council budget 2022-23, approved 24 February 2022
[Agenda for Council on Thursday 24th February 2022, 6.00 pm - West Northamptonshire Council \(moderngov.co.uk\)](#)