



COUNCIL

23 February 2017

Report by: THE DIRECTOR OF FINANCE

Subject:	Final Budget 2017-18 and Medium Term Plan to 2020-21
Recommendations:	<p>That Council approves or notes as follows:</p> <ul style="list-style-type: none"> a) Approve the Final Budget for 2017-18 which sets: <ul style="list-style-type: none"> i. a Net Revenue Budget of £416.82m. ii. a Council Tax requirement of £273.36m. iii. a Band D Council Tax increase of 4.98%, including a Social Care Precept of 3% taking Band D from £1,111.25 to £1,166.59 with Band rates A to H and Precept detail in section 9.16 b) Approve the Council Plan 2017-18 to 2019-20 at Appendix A. c) Approve the Medium Term Financial Plan (MTFP) 2017-18 to 2020-21 as summarised at Appendix D. d) Approve the planned utilisation of Dedicated Schools Grant for 2017-18 at Appendix F e) Approve Fees and Charges Appendix G f) Approve the detailed proposals underpinning the MTFP revenue budgets for 2017-18 set out at Appendix I(1-5). g) Approve the Capital Strategy at Appendix J. h) Approve the Treasury Management Strategy Statement 2017-18 at Appendix L which includes: <ul style="list-style-type: none"> I. The Prudential Indicators, including the Capital Financing Requirement of £700m and the Authorised Borrowing Requirement of £760m. II. The Annual Investment Strategy in Appendix L-5 III. The Minimum Revenue Provision policy in Appendix L-4 i) Approve the Flexible use of Capital Receipts for 2016-17 through to 2018-19 see section 9.9 and 9.10. j) Delegate authority to the Section 151 Officer for any variation up to £1m as a result of the final settlement to be dealt with through a transfer to or from the general reserve. Section 9.13.5 k) Note the Consultation feedback at Appendix B. l) Note the Equality Impact feedback at Appendix C. m) Note the Reserve Summary Statement at Appendix H. n) Note the Asset Utilisation Strategy at Appendix K. o) Approve the Chief Financial Officer’s Section 25 Report at Appendix M.

1. Purpose of Report

- 1.1 This report sets out the 2017-18 Budget and associated Medium Term Financial Plan (MTFP) for Northamptonshire County Council (NCC). The report also sets out the associated Council Tax level and precepts for 2017-18, which will need to be approved by Full Council on 23th February 2017.
- 1.2 The Government Funding assumptions have been based on the Provsional Settlement 2016 as it has been confirmed that the Final Settlement will not be announced until later in February. Therefore, it is requested that that Full Council delegates authority to the Section 151 Officer and responsible Cabinet member for any variation up to £1m as a result of the final settlement to be dealt with through a transfer either to or from the general reserve.
- 1.3 In accordance with the Council's Constitution, Cabinet agreed the Draft Budget proposals for review by Scrutiny and the general public during a six week consultation period, running to January 24th. The outcomes of both the Scrutiny review and consultation have fully informed the Cabinet's recommendations on the budget and Council Tax precept for 2017-18, together with the other budget framework documents included within the appendices of this report.

2. How this decision contributes to the Council Plan

The Council's vision is to make Northamptonshire a great place to live and work. This is achieved through increasing the wellbeing of your county's communities and/ or safeguarding the county's communities.

This initiative specifically delivers increased wellbeing and/or safeguarding by ensuring that:

- People of all ages are safe, protected from harm and able to live happy, healthy and independent lives in our communities.
- People have the information and support they need to make healthy choices and achieve wellbeing.
- People achieve economic prosperity, in a healthy, low carbon economy which give access to jobs, training and skills development.
- Communities thrive in a pleasant and resilient environment, with robust transport and communications infrastructure.
- Resources are utilised effectively and efficiently, in coordination with partners and providers.

3. General Background and Context

- 3.1 The County Council is operating in the most challenging conditions in its existence. Significant demographic growth, coupled with ever reducing funding from Central Government has led to a point where only radical transformation will ensure that we have a sustainable financial platform from which we can continue to deliver for the residents of the county. This financial platform is underpinned by our belief in the fair and equitable use of resources to meet the needs of the communities within Northamptonshire.

- 3.2 A commitment to low taxation and effective use of the public purse has been a feature of the Council's strategic planning for some time. Northamptonshire County Council (NCC) already has one of the lowest Council Tax rates and one of the lowest revenue spend per head amongst county councils in the country, which is a consequence of continuous review of service requirements being fair and equitable in the use of its resources and now supported by a more outcome based approach to budgeting.
- 3.3 The County Council's commitment to efficiency is also matched by a strong track record for innovation in meeting and managing customer expectations and demand for services. NCC has been widely recognised for leading the sector in many key aspects of service improvement from our strategic alliances such as England's Economic Heartland and Total Transport programme that will drive growth and sustainable transport solutions in the county and beyond.
- 3.4 In Children's Services the Council has moved into the next phase of our Improvement Plan – "Getting to Good"- following a successful Ofsted inspection. There are initiatives such as our Social Worker Academy that will help manage down dependency on temporary and agency staffing. Olympus Care Services Ltd has continued to support delivery of outcomes for Adult Social Care, and will be building upon that success to create the bigger Northamptonshire Adult Social Services CLG (Company Limited by Guarantee). LGSS, the Council's jointly owned managed services provider, continues to grow, with Milton Keynes becoming a new shareholder attracting new business and reducing costs.
- 3.5 Our Next Generation Council transformation programme provides the operating model that will offer an array of commercial and operational advantages that will truly modernise local public services in the county and assist with future financial sustainability. A further example of this is the creation of the unique and pioneering First for Wellbeing CIC with Northamptonshire Health Foundation Trust (NHFT) and the University of Northampton.
- 3.6 Our response to the current and future pressures is tri-fold: increase the reach and impact of our transformation programme and extend this outside of just NCC operations especially through collaboration with the NHS through the joint Sustainability and Transformation Plan (STP); secondly diversify and increase our funding sources to ensure sustainability and resilience (use of Social Impact Bonds, funding from philanthropic and ethical sources, etc.) and thirdly reducing our operating costs even further by re-designing the way services are delivered and reducing any possible duplications in the system. This latter strategy will, during 2017-18, mean us exploring the Government's agenda for devolution and Local Government restructuring and in particular we believe it is in the interest of the people of Northamptonshire for the sustainability of local public services to evaluate the potential that can be unlocked through the creation of a unitary authority for Northamptonshire.

Council Plan 2016-17 to 2020-21

- 3.7 Our Council Plan approved by Cabinet in February 2016 continues to articulate our vision for the medium term and is an ambitious outline of our strategic approach to transformation. Next year, 2017-18, will see the implementation of

the second year of the plan, with the next phase of the Next Generation Council programme roll-out and acceleration of other initiatives introduced in the four-year plan. An update on the progress made over the past year is provided within Appendix A.

4. Financial Background and Context

4.1 This report summarises the Local Government Provisional Settlement announced on 15th December 2016 and details of impact on the Council's MTFP (for both revenue and capital)The information presented in this report is structured to cover the following areas:

- The level of resources available;
- The additional pressures, demands and service investment required;
- The Business Plans' executive summaries to deliver services and savings for 2017-18 through to 2020-21; and
- The availability of reserves in the short and medium term.

4.2 The proposed MTFP will always require an annual review especially to refresh the assumptions made when first assessing the financial position a year ago. There is also new information on funding and service delivery taking into account a more outcome-based approach within the Next Generation Council model.

4.3 In addition, the 2016-17 reported financial pressures have been recognised and are factored into the Budget creating a significant financial challenge for 2017-18. Full details have been incorporated in to the executive summary of each business plan alongside proposals to manage the financial demands both in 2017-18 and in future years. Failure to balance 2016-17 would require use of reserves that will need replenishing in 2017.

Revenue Funding Outlook

4.4 By the end of this Parliament, local government will retain 100% of taxes raised locally. This will give local councils in England control of an additional £12.5 billion of revenue from business rates to spend on local services. In order to ensure that the reforms are fiscally neutral, councils will gain new responsibilities, and some Whitehall grants will be phased out. This amounts to a fundamental reform in the financing of local government. This move towards self-sufficiency and away from dependence on central government is something that councils have been campaigning for over a number of years.

4.5 In addition to the Four Year Settlement Offer, work is ongoing around the design and implementation of the 100% retention of business rate income, which is expected to begin in April 2019. A number of consultations have been published with more expected over the next few months. The LGSS group of authorities will continue to contribute to this process through responses to these consultations and through work with organisations such as the Local Government Association

and the Society of County Treasurers to ensure that any impact on NCC funding is considered.

- 4.6 Whilst, the Council welcomes the benefits of self-sufficiency, it needs to be noted there is a risk that the current unfunded pressure within local government will not be fully addressed within the new funding model. This could present additional pressure from the transfer of new responsibilities over and above the current impact of reduced funding over the medium term.

Capital Funding Outlook

- 4.7 The Government's Autumn Statement 2016 chose to prioritise additional high-value investment, specifically in infrastructure and innovation that will directly contribute to raising Britain's productivity, confirming that national capital investment would increase above previous forecasts.
- 4.8 The Government has put infrastructure at the heart of its economic strategy and has set up the National Infrastructure Commission (NIC) to provide expert advice on the country's strategic infrastructure needs and independent recommendations on how to meet them.
- 4.9 Mechanisms for distributing government funding continue to evolve through the Government's Devolution agenda specifically through the Local Growth Fund (LGF) and the increased role of Local Enterprise Partnerships in the strategic oversight of regional areas. Linked initiatives of which Northamptonshire is a partner include England's Economic Heartland an alliance of local authorities and LEPs which seeks to boost economic growth in the area.
- 4.10 Further change also continues in the Education sector with the Education Funding Agency (EFA) providing direct support and grants to specific free school and academy build projects.
- 4.11 The changes to control around business rates growth may fundamentally change the balance of how funding flows through to support projects.
- 4.12 Further opportunities for alternative delivery models such as joint ventures and other new ways of working with partners will bring new opportunities and evaluation of risk in order to deliver a Capital Programme to support the future shape of the public sector and services to the public.

5. Consultation Feedback

- 5.1 Further to the Draft Budget being approved by Cabinet in early December, the six week consultation process for the 2017-18 began on 13 December 2016 and concluded on 24th January 2017.
- 5.2 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.

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”

5.3 The consultation elaborates on proposals subject to consultation and scrutiny in previous Draft, and Final, Budget and Council Plan consultations.

5.4 The directorate plans and proposals which form the core of the 2017-18 consultation will be refined and developed more fully over the coming months, and subject to further consultation, as appropriate. The consultation responses received during the draft budget consultation period, and the responses discussed at Scrutiny, both provide an important part of this process.

5.5 Councillors, local MPs and MEPs, district and borough councils, parish and town councils, partner organisations, voluntary and community sector organisations, representatives of protected characteristic groups, local business groups, customer and user groups and members of the Northamptonshire Residents’ Panel were formally invited to give their views and asked to promote the consultation to their members, or within their local area.

5.6 Opportunities to take part in the consultation were also promoted in the local media, through the council’s website, e-newsletter and social media channels, allowing both internal (e.g. NCC staff) as well as external consultees to get involved in the process.

5.7 Local people and organisations were able to have their say about the Draft Budget proposals in a range of ways, by:

- Visiting the Draft Budget and Council Plan Consultation webpage;
- Emailing consult@northamptonshire.gov.uk;
- Writing to Draft Budget and Council Plan Consultation, Northamptonshire County Council, County Hall, Northampton, NN1 1DN;
- Using social media: Tweeting @mycountycouncil or posting comments on the mycountycouncil Facebook page or LinkedIn page;
- Using the toolkit to hold their own discussions and feeding back to us;
- Signing or submitting a petition or e-petition.

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

5.8 Local people and organisations were also able to take part in Budget Scrutiny meetings. Budget scrutiny involves Councillors reviewing the draft budget proposals, looking at their aims and how their delivery may affect Council services. Although these scrutiny sessions happen at the same time as the Draft Budget Consultation process, they are separate from it.

The Budget Scrutiny Review included the following opportunities for members of the public to give their views in the following ways, through targeted scrutiny sessions:

- Monday 19th December 2016 – The first meeting of the Budget Scrutiny Working Group, to identify which proposals should be subject to further scrutiny;
- Tuesday 3rd January 2017 – An opportunity for members of the public to give their views about environment, planning and transport matters (NCC Place directorate);
- Wednesday 4th January – An opportunity for members of the public to give their views about children, families and education services/ issues;
- Thursday 5th January – An opportunity for members of the public to give their views about adult social care services;
- Friday 6th January - An opportunity for members of the public to give their views about prevention, health and wellbeing matters.

5.9 During the six week draft budget consultation period, excluding the unique web page views (which may, or may not, have led to a consultation response), and social media comments (which have been logged, but not counted as consultation feedback) using the various means available to consultees, 157 local people and organisations have contributed to the consultation. Responses were made through the following channels:

- The draft budget consultation website, which received a total of 1,860² unique views;
- 17 local people, partner agencies and local organisations made formal, individual representations by email, letter or social media, through the Consult mailbox;
- 140 consultees completed the online survey, hosted at Surveymonkey.com;
- Via social media, two relevant draft budget specific tweets were recorded (e.g. individuals voicing their opinion about specific Draft Budget Proposals) and opinions about the Draft Budget were logged by two individuals on Facebook.

5.10 It should be noted that, in comparison to last year's Draft Budget and Council Plan consultation, overall, far fewer consultation responses have been received.

² Of which 1,545 were specific to the Draft Budget website, and 315 to the Draft Budget Consultation entry on NCC's Consultation Register.

For the 2016-17 consultation, 101 bespoke (e.g. individual or organisational responses to the Draft Budget Consultation, sent by email or letter) responses and 376 online surveys were received, and close to 4,000 unique web page views. The specific reasons which account for the relatively low response rate for the 2017-18 consultation are summarised in the Appendix B to this report, but in brief:

- Several high-profile consultations (for instance, in respect of proposed changes to Children’s Centre services and proposed changes to Adult Social Care service provision) ran alongside the Draft Budget Consultation. This has enabled people to comment directly on key issues of concern to them, as well as the ‘overarching’ Council Plan and each directorate’s plan/ proposals. Thus, whilst Draft Budget Consultation specific responses are fewer, overall rates of participation are higher.
- Last year, a significant volume of individual and survey-based consultation feedback was received from individuals with concerns about service changes which were actually not being proposed, or in any part of the Draft Budget or Council Plan. Specifically, consultees raised concerns about ‘proposed changes’ to short-break provision for disabled children, and clubs/ organisations supporting disabled children. Neither of these were actually proposed or part of the consultation.

5.11 Any additional proposals developed since the Draft Budget haven’t formed part of the budget consultation and scrutiny process and may therefore present a risk to deliverability. As such, for any new, post-Draft Budget proposals, full and appropriate consultation will need to take place before any decision is taken. In such circumstances, a decision will be taken by Cabinet after taking careful account of the results of such consultation in order to reach an informed decision. Where full consultation is necessary, all relevant details will be presented to Cabinet separately.

6. Equality Screening

6.1 The Equality Act (2010) contains a range of rights, powers and obligations to assist in the drive towards equality. Northamptonshire County Council has a duty towards people who share ‘Protected Characteristics’ to have ‘due regard’ to:

- Eliminating discrimination;
- Promoting equality;
- Fostering good relations.

6.2 We must demonstrate compliance with the duties in our decision-making processes, which we do by requiring decisions made at Cabinet to be accompanied, where appropriate, by Equality Impact Assessments (EqIAs) to measure the effect of the proposed decision or policy on people with protected characteristics:

- Age
- Disability
- Gender reassignment
- Marriage and civil partnership (relating to the first aim)
- Pregnancy and maternity
- Race
- Religion and belief (including no belief)
- Sex
- Sexual orientation.

6.3 The provision of equality impact analysis supports Members to consider the potential impact on groups who are protected under the Equality Act 2010 both before and during consideration of a decision, which is required by law. We do this by using an impact assessment form.

6.4 Equality Impact Assessments (EqIAs) were available throughout the consultation process in draft form. Feedback received through the consultation process has been used (where relevant) to review and update the assessments. All final assessments have been made available both in hard copy in the group rooms and in electronic copy at the link below. The equality impact assessments need to be viewed and considered before and during the meeting:

<http://www.northamptonshire.gov.uk/en/councilservices/council/equalities/pages/budgetproposalseqias201718.aspx>

6.5 To support our internal process of developing robust savings proposals, the EqIAs for this budget setting round have been expanded to cover a wider range of implications and risk assessments. These assessments, which we call Integrated Impact Assessments, have allowed us to undertake a thorough review of the proposals with regard to their deliverability, as well as ensuring that we pay due regard to the duties outlined in the Equality Act 2010.

6.6 This meant we undertook Integrated Impact Assessments on all budget saving proposals that were not simply technical financial adjustments. This allowed us to assess the equality impact of all proposals, as well as the wider implications, and has provided further internal challenge in the development of our budget.

6.7 Assessments have not been undertaken for budget proposals affecting future revenue beyond 2017-18 as these will be completed at a later date as part of the proposal development. Each assessment has been reviewed and an overview of the budget proposals for 2017-18 is attached at Appendix C which summarises the feedback received from an equalities perspective and also looks at the potential cumulative effect on groups with protected characteristics where they may be affected by more than one proposal.

6.8 To ensure compliance with the duty, all assessments must be considered prior to and during a decision on the budget being taken. The overview in Appendix C highlights the following proposals which may have an impact on service users and may, if implemented, require mitigating actions or further work to explore the implications as the proposals develop more fully:

15-004-25 Increased use of Social Impact Bonds

16-004-06 Community Hub Review

16-001-05 Prevention and eligibility

16-001-06 Staffing and effective structural efficiencies

16-001-18 Review of OCS

16-002-01 Targeted Early Help Service Contracts (Children's Centres)

16-002-01 Targeted Early Help Service Contracts

(Non-Children's Centres element)

16-002-02 Children's Services Workforce Remodelling and System Improvements

16-006-03 Trading Standards Reduction

16-006-04 Home to School Transport Review

6.9 In addition to the proposals above, the new savings proposals set out in Appendix C have been added since the publication of the draft budget. As these have not yet been through the normal consultation and Scrutiny process, proposals that affect service users will be subject to a further consultation period before they are implemented, pending the outcome of that consultation. High level integrated impact assessments, setting out an initial assessment of the equality implications where there may be a customer impact, are published alongside the assessments for the proposals that were published at draft stage. Where required, these assessments will be updated as the proposals are developed to ensure that the equality impacts are fully understood, and mitigating actions are considered where appropriate.

6.10 It is not unreasonable to expect the current financial climate to have a bearing on whether mitigation will deal with all of the impacts, however, Members need to show that they are aware of the potential impacts, have considered any mitigation and have taken all of this into account when making their decision, therefore paying 'due regard' to the duties outlined in the Equality Act 2010.

7. Overview and Scrutiny

7.1 The draft budget 2017-18 has been scrutinised during December and January by non-executive Councillors through a Budget Scrutiny Review process led by the

Finance and Resources Scrutiny Committee. A series of “challenge meetings” have been held to scrutinise selected proposals, focusing on their intended aims, the possible risks involved in delivering them, and how these could be managed.

7.2 The Budget Scrutiny Review has scrutinised 40 proposals from across all corporate directorate plans, representing £64 million savings and £54 million spending commitments in 2017-18.

7.3 There is a separate report on this agenda setting out the recommendations resulting from the Budget Scrutiny Review. These have been informed by discussion with Cabinet Members and senior officers, as well as information provided by representatives from partner organisations and members of the public. The Cabinet’s proposed responses to the recommendations from the Budget Scrutiny Review are set out in an appendix to the Scrutiny report and incorporated into the final budget proposals to be recommended to Council.

8. Council Response to Consultation, Scrutiny Funding Changes

8.1 The Draft Budget outlines the proposals for consultation and scrutiny, which then provides the Council with the opportunity to review and make changes ahead of the Final Budget approved by Full Council on 23rd February 2017.

8.2 In response to the feedback received from stakeholders, the 2017-18 proposals listed below have been reconsidered, recognising the challenges faced by the Council in respect of service delivery moving forward. Consequently, some of the proposals for Adults and Children’s Social Care services have been revisited and alternative proposals put forward and forms part of the Final Budget.

8.3 A summary of all changes has been included within Appendix E with additional details and commentary provided within the revised four year Business Plans at Appendix I (1-5).

8.4 In addition to the overall review of proposals on the following matters that were subject to discussion as part of by the Budget Scrutiny Review have been reconsidered or revised:

- 16-001-18 - Review of Olympus Care Services;
- 16-001-17 - Partnerships;
- 16-002-01 - Targeted early help service contracts;
- 16-008-14 - Third Sector Support.

The Draft Budget focus was on addressing the structural deficit through a ‘Zero Based’ financial review of the existing 2016-17 budget and providing a balanced deliverable budget for 2017-18 with clear plans in place for each saving proposal.

8.5 However, to ensure a robust Medium Term Plan, proposals will continue to be scoped during 2017 and developed to address any savings requirement for future years.

9. Resources

- 9.1 The Council-wide approach to ensuring there is a robust Budget set for 2017-18, was to undertake a 'zero-based budgeting' financial review of all planned service provision. This review built from the bottom upwards addressed structural deficits, the level of resources required to deliver the aspirations and key service priorities of each Directorate as outlined in their individual Business Plans. Whilst not activity based at this stage, this approach allowed the introduction of a robust budgeting methodology which will continue to be refined over the medium term.
- 9.2 The financial planning approach considered the prioritised service outcomes that were required to be delivered, in conjunction with the latest available financial and performance management information, to ensure that the optimum level of resources are set in 2017-18, and resources that were not required were re-prioritised accordingly.
- 9.3 Where the required budget fell short of existing resources, the gap has been mitigated through the introduction of service-specific proposals, detailed in our business plans, see Appendices I(1-5).
- 9.4 This method of budgeting supported the Council to plan the delivery of its services in the most cost effective manner – whether that is through delivering its objectives through in-house provision, externally commissioning contracts, or through third party transfers.

Multi-Year Settlement Budget

- 9.5 The 2016-17 local government finance settlement was a first step along this road of self sufficiency and gave local authorities the opportunity for far greater certainty over their future funding through the acceptance of a multi-year (four year) settlement which has been accepted by NCC and the efficiency plan submitted by the deadline date in October 2016.
- 9.6 Department for Communities and Local Government (DCLG) has confirmed that NCC is now formally on the multi-year settlement which provides the necessary security for future funding with the allocations published as part of the 2016-17 local government finance settlement in 2017-18, 2018-19 and 2019-20. However, it needs to be noted that the Government will also need to take account of future events such as the transfer of functions to local government, transfers of responsibility for functions between local authorities, mergers between authorities, any other unforeseen events.
- 9.7 In addition, funding will be subject to the normal statutory consultation process for the local government finance settlement but there is an expectation that these allocations will be the amounts presented to Parliament each year.

Flexible use of Capital Receipts

- 9.8 As part of the Local Government Spending Review on 17th December 2015, the Government provided councils with the flexibility of utilising in year capital receipts for qualifying expenditure. This is to enable authorities to fund

transformation and cost reduction programmes of reform from capital receipts in the years the flexibility is offered.

- 9.9 The capitalisation flexibilities have been explored in the context of the move to a Next Generation Council (NGC), set alongside the significant financial pressures that exist for 2016-17. As a result, the MTFP requests approval for the use of capital receipts to fund the Council's NGC transformation totalling £31.7m with a suggested profile of £17.2m required for 2017-18 and £14.5m in 2018-19.
- 9.10 In addition, the initial 2016-17 amount approved by Full Council in February 2016 was a total of £14.5m. The Efficiency Plan and report to Full Council in October 2016 approved an additional increase of £6.5m. Following a further review of Capital receipts a further £4m is requested to be approved by Full Council bringing the overall total to £25m for 2016-17. This profile will continue to be reviewed in line with receipts available and the progress made in delivering the county wide transformation programme.
- 9.11 The Council Plan included at Appendix A sets out the Council's strategic direction and key transformational programmes;
- Organisational transformation
 - New and alternative funding streams
 - Service transformation
 - Workforce transformation
 - Asset utilisation. Funding Announcements
- 9.12 In addition, the Business Plans at Appendix I(1-5) provide details of Service outcomes, delivery and business planning over the medium term in line with the next generation model.
- 9.13 **Funding Announcements**
- 9.13.1 As previously reported within the Draft Budget the Spending Review and Autumn Statement outlined the overall fiscal outlook for the next four years with some indication of the Local Government funding changes ahead. Full details of the announcement can be found here:
- <https://www.gov.uk/government/publications/autumn-statement-2016-documents>
- 9.13.2 This review saw a number of changes being made to the future funding of local authorities including schools. There was a particular focus on providing funds to address challenges within social care and the profile of local government funding reductions anticipated over the four year period to 2019-20.
- 9.13.3 Finally, from the capital perspective there are proposed plans to increase departments' capital spending by £22 billion over the 5 years 2017-18 to 2021-22. The Government will exceed its commitment to invest in infrastructure by 2020-21. A refreshed National Infrastructure Delivery Plan was published in March 2016, setting out in detail how it will deliver key projects and programmes over the next 5 years. This new National Infrastructure Delivery Plan brings

together the government's plans for economic infrastructure over the next 5 years with those to support delivery of housing and social infrastructure. It was further announced in January 2017 that Northamptonshire would be allocated £2.9m from the National Productivity Investment Fund for 2017-18 with a target to reduce congestion and improve access to jobs and housing.

Local Government Finance Settlement 2017-18 through to 2019-20

9.13.4 The Provisional Settlement Announcement was made on 15th December giving confirmation of the funding for the second year of the four year Core Spending Offer to Local Authorities. Given the timing of the Finance Settlement Full Council will be notified of any material changes of any variance exceeding £1m and will need to be tabled on the day. The following summarises the key headlines and full details can be found at:

<https://www.gov.uk/government/consultations/provisional-local-government-finance-settlement-2017-to-2018>

- The overall reduction to the Settlement Funding Assessment (SFA), compared to 2016-17, is 10.6% with the overall reduction in Revenue Support Grant at 30.7%.
- Confirmation of an additional 1% adult social care precept for 2017-18 and 2018-19 increasing the overall precept by 3% but maintaining that the overall increase from 2017-18 through to 2019-20 will be held at a total of 6%. Local Authorities are still awaiting guidance on how this additional funding must be reported to taxpayers and DCLG.
- There is £241m topsliced from the New Homes Bonus in 2017-18 which has been redistributed to Local Authorities as an Adults Social Care Grant through the Relative Needs Formula (RNF).
- Reduction in the number of payment years for the New Homes Bonus from 6 years to 5 years in 2017-18 and to 4 years in 2018-19. Bonus will also only be paid above a 0.4% housing growth baseline and consultation on further New Homes Bonus reforms will take place in 2018-19.
- The Section 31 will continue to be a grant in place to provide funding for the impact of Small Business Rates relief that was announced as part of the Autumn Statement
- The Council received £4.6m in ESG grant in 2016-17. This comprised £15 per pupil for retained duties covering all pupils in the county (£1.667m) and £2.9m for general duties funded at a main rate of £77 per pupil in maintained schools. The funding for the general duties element ends in 2017-18 with the Government paying a reduced rate for the period April to August 2017. The transitional ESG funding for this period is £1m. The £1.667m funding for retained duties was moved by the Government to the DSG for 2017-18. This becomes a central schools block expenditure item requiring an annual vote by the School Forum. At the 17th January meeting the Forum approved this DSG budget for 2017-18.

- The funding for all 3 DSG blocks, schools, early years and high needs has increased for 2017-18. Details are shown in Appendix F. The increases largely reflect population increases (high needs), over 2,200 additional pupils in the county's schools and the introduction of the 30 hours early years free entitlement for working parents from September 2017. The early years DSG 2017-18 allocation will be revised during the year to reflect actual numbers in January 2017 and January 2018.

9.13.5 The Final Settlement will be announced later than usual following the parliamentary debate on the Final 2017-18 Local Government Finance Settlement which is expected to take place shortly after Parliament returns from recess on Monday 20th February. Therefore, as previously indicated it is requested that that Full Council delegates authority to the Section 151 Officer and responsible Cabinet member for any variation up to £1m to be managed through transfer either to or from the general reserve.

9.14 **Medium Term Financial Plan Revenue**

9.14.1 The full details of the Budget Plan for the four year period are set out within Appendix D and summarise a balanced position for the three years to 2019-20. This will continue to be reviewed as funding is confirmed and any additional proposals put in place where necessary.

9.14.2 The Draft Budget focussed on 2017-18 and provided details of the total savings still to be developed in future years. The estimated impact of funding changes and review of savings following the Draft Budget are detailed in Appendix E.

9.14.3 The anticipated Government funding changes and local pressures have been summarised in the table below. It provides details of the financial impact that the Council faces over the coming years.

	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	Total £m
Changes in Government funding	19.0	10.6	9.2	8.1	46.9
Changes to Other Grants & Income	(3.1)	0.1	(5.2)	0.0	(8.2)
Flexible Use of Capital Receipts	(5.2)	2.7	14.5	0.0	12.0
Transfer to and from Reserves	3.4	(2.7)	(3.1)	2.5	0.1
Changes in Local Funding	(19.2)	(19.5)	(9.0)	(12.2)	(59.9)
Total Reduction / (Increase) in Funding	(5.1)	(8.8)	6.4	(1.6)	(9.1)
Unavoidable Pressures	62.9	21.1	21.5	19.4	124.9
Total Savings Required	57.8	12.3	27.9	17.8	115.8

Table 1 : Summary changes in funding

9.14.4 The following sections outline changes to the assumptions on:

- Government Funding
- Council Tax
- Key Spending Assumptions

9.14.5 The impacts on the MTFP are then summarised, identifying the additional savings that have needed to be identified in order to balance the Budget for 2017-18. The remaining four years indicate the estimated pressures and indicative funding changes with initial savings proposals being scoped for the full four year MTFP. Appendix E provides full details of the changes post Draft Budget

9.14.6 Whilst assumptions have been made in the MTFP and represent a balanced position there is uncertainty the further out we forecast and as such this will be subject to ongoing review with appropriate updates to Cabinet.

9.15 **Government Funding**

Settlement Funding Assessment and Associated Grants

9.15.1 The introduction of the Core Spending Power which takes into consideration Council Tax, Adults Social Care Precept, New Homes Bonus, Transitional Grant and Better Care Funding when reviewing the Settlement Funding Assessment (SFA). This presented a significant reduction in funds in 2016-17 which needed to be met through additional savings proposals.

9.15.2 Whilst the SFA for 2017-18 is unchanged in the provisional settlement December 2016, the allocation for New Homes Bonus has been reduced by £0.5m and a new 'one year' grant for Adults Social Care has been given, amounting to £2.7m resulting in a net increase of £2.2m in government funding for NCC.

9.15.3 As previously mentioned the multi-settlement offer has been accepted and provides some reassurance of the expected funding over the four year period 2016-17 through to 2019-20. The funding makes assumptions for both the Revenue Support Grant and Business Rates baseline. The main Government grant funding is reduced by 13.3% in 2017-18 compared 2016-17 with an average of 8.5% for the remaining years of the plan. The estimated projection for 2020-21 reflects a mid-point using a number of models with forecast changes in funding amounting to an overall reduction of £47m over the medium term plan.

9.15.4 Whilst a number of the Central Government grants have been published, not all are fully known at this stage, with some of the service specific grants awaiting confirmation. Any changes to the estimates included within the Final Budget will be reported as variances within the in-year monitoring and included in the budget planning process for future years.

Business Rates Retention

9.15.5 Within the SFA, the Council will benefit from an RPI increase of 2% on the Business Rates Baseline funding for 2017-18 alongside any growth in excess of

the baseline amount. However, the Business Rates Retention Scheme continues to present a number of risks and opportunities for Northamptonshire, as detailed in the following sections.

- 9.15.6 The Business Rates revaluation will take effect from April 2017 and recent valuation lists have reported an overall national average increase in rateable values of 11%. The multiplier is adjusted to ensure that revaluation is fiscally neutral from a national point of view, an increase in rateable values has resulted in a reduction to the multiplier. Tariffs and top-ups have been adjusted to account for corresponding changes in yield for individual authorities.
- 9.15.7 As reported in the Draft Budget, initial valuation lists showed that Northamptonshire has grown at a significantly lower rate than the national average (which has been affected by substantial increases in London). This means that when the new, reduced multiplier is applied, business rates yield in Northamptonshire will fall. This will be offset by an increase in the top-up paid to the County Council.
- 9.15.8 Whilst there has been some reassurance that this potential change in net yield is offset by a change in the multiplier and top-up or tariff used for funding, there is still a risk that there will be reduced yield as a result of additional appeals and reduced collection rate.
- 9.15.9 Consequently, these risks present some difficulty in future projections moving forward. The 2017-18 NNDR1 returns were submitted on 30th January and show an improved net yield of £1.3m compared with the draft budget despite initial indications suggesting that this could be reduced following revaluation. In addition, the estimated 2016-17 collection fund compared with the Draft Budget has a further improvement of £120k with the dividend from the pooling arrangement on target to exceed the budgeted £800k in 2016-17
- 9.15.10 However, anticipating the continued risks around the introduction of the revaluation in April 2017 and potential impact of appeals on this funding stream over the coming months, the initial benefit has been transferred to the business rates reserve and will be monitored closely over the coming months with district and borough colleagues.

Funding Risks

- 9.15.11 The funding outlook for local government continues to present ongoing challenges as the Central Government grants diminish and the development and implementation of changes to business rates funding is applied. This year has already seen changes to the methodology and approach, with the introduction of the Core Spending Power to include Council Tax collection, which has adversely impacted the Council for 2016-17 onwards.
- 9.15.12 In addition, the Medium Term Financial Plan (MTFP) estimates to receive annual grants and contributions in the region of £136m excluding schools. This presents a continued risk where grant funding is not guaranteed in future years. The following paragraphs detail some of those that present a significant risk moving forward.

- 9.15.13 Section 31 Business Rates Relief Grant –The Autumn Statement confirmed that the Small Business Rates reliefs will continue and an initial estimated assumption has been received from the billing authorities through the NNDR1 returns and included within Final Budget assumptions. Whilst, this suggests a reduced amount compared with 2016-17 work continues to understand the full financial impact of the revaluation changes to be introduced from April 2017. Consequently, this will be reviewed over the coming months and with any variances to be reported and managed in next financial year.
- 9.15.14 Public Health Grant – this funding is given to deliver Public Health and Health and Wellbeing outcomes. The 2017-18 Public Health Grant allocation is confirmed as in line with the allocation previously reported as part of the 2016-17 Budget Plan. However, the Government has indicated Public Health funding may be included within the Business Rates Retention Scheme moving forward.
- 9.15.15 Education Services Grant – as announced in December 2016, this grant will be removed from August 2017 with a transitional amount given for period April to August 2017. As previously reported, the funding for retained duties now forms part of the DSG and is included within the central schools block. Therefore the MTFP has been adjusted to include £1m for 2017-18 and fully removed from 2018-19.
- 9.15.16 Better Care Fund - Discussions around the Better Care Fund structure and size in 2016-17 are being undertaken between the Council and the CCGs. This may result in an increased pooled fund with the aim of increasing efficiencies across the Health and Social Care economy. The Provisional Settlement saw the NHB scheme being reduced and the resources freed up, combined with top-sliced RSG to fund an improved Better Care Fund in 2018-19 and 2019-20. The Better Care Fund remains in place. However, planning guidance from Central Government has been delayed until the end of February and the formal submission will be made in May 2017.
- 9.15.17 Capital Programme risks, both actual and future, continue to surround the Council's ability to announce capital investment. These include; delivery on the forecast capital receipts of £43.1m (2017-18 to 2021-22); unaffordable future match funding commitments; ongoing costs of front-funding innovative investment; potential for funding gaps on existing committed capital schemes (such as the receipt of section 106 contributions); and the potential for Government to extend its policy of allocating capital funding to Growth Deals rather than directly to local authorities, resulting in potential shortfalls in capital maintenance funding.
- 9.16 **Council Tax**
- 9.16.1 The current Council Tax revenue accounts for in excess of 65% of Northamptonshire County Councils Net Budget within the 2016-17 budget approved by Council in February 2016. This is based upon a 4.98% overall increase in Council Tax collection and includes the increased Social Care Precept of 3% which has been applied in accordance with the recommended level announced within the Provisional Settlement 2017-18. The Council Tax

base has been confirmed by the District and Borough Councils with a headline Band D Council Tax of £1,166.59.

- 9.16.2 The table below details the Council Tax precepts for District and Borough Councils showing the overall total precept of the budgeted amount of £273m collected for Core Council Tax and Adults Social Care. The total amount collected for Adults Social Care in 2016-17 was £4.9m with a proposed £7.8m for 2017-18.

District	Tax Base	Total 2017-18 Precept £
Corby	18,336.00	21,390,594
Daventry	29,857.91	34,831,939
East Northamptonshire	30,871.00	36,013,800
Kettering	31,234.00	36,437,272
Northampton	65,709.29	76,655,801
South Northamptonshire	34,474.00	40,217,024
Wellingborough	23,849.00	27,822,005
Total	234,331.20	273,368,435

Council Tax Rates

- 9.16.3 The below Council Tax bands have been calculated by taking the current 2016-17 rates and applying a proposed increase of 1.98% for Core Council Tax and 3% for Adults Social Care Precept.

Council Tax Band	Council Tax £	Adults Social Care £	Total £
A	741.25	36.48	777.73
B	864.79	42.56	907.35
C	988.32	48.65	1036.97
D	1111.87	54.72	1166.59
E	1358.95	66.88	1425.83
F	1606.03	79.04	1685.07
G	1853.12	91.20	1944.32
H	2223.74	109.44	2333.18

9.17 Council Tax Referendums

- 9.17.1 Each year, the Government will review the level of increase they are minded to propose, with the final announcement now being confirmed within the Final Local Government Settlement. The 2017-18 threshold continues to be held at 2% for single tier authorities with any increase above this to trigger a referendum and therefore incurring a significant cost to carry out the vote. Upper tier authorities can raise a further 3% provided that they confirm it has been applied to their Adult Social Care budget. This amounts to £7.8m for Northamptonshire in 2017-18 and an estimated cumulative total of £21.5m for the period 2016-17 to 2019-20.
- 9.17.2 The MTFP assumes a 4.98% increase for 2017-18 and 2018-19, including the Adult Social Care Precept, this is then reduced to 1.98% for 2019-20 onwards.

9.18 Fees and Charges Income

- 9.18.1 As part of the overall medium term planning, the fees and charges are reviewed with any inflationary increases forming part of the annual consultation process in line with the existing policy as reported to Cabinet in December.
- 9.18.2 A summary of the main changes to charges is given within Appendix G with the detailed schedule reflecting the 2017-18 charges, which can be found at:
<http://www3.northamptonshire.gov.uk/councilservices/council-and-democracy/budgets-and-spending/Pages/current-and-past-budgets.aspx>
- 9.18.3 The Next Generation Council Model aims to provide an environment where opportunities can be maximised through joint working and income generation which is reflected within the Policy. However this will continue to be reviewed and updated as transformation takes place, with the introduction of the federated vehicles for both Adults and Children's services.
- 9.18.4 In addition, a proposal for Fees and Charges Policy is in place (15-004-19a/c/d) to maximise income generation, including fees and charges, and is included within each of the Business Plans at Appendix I(1-5).

10. Current Financial Position 2016-17

- 10.1 The budget proposals put forward for 2017-18 are subject to the assumption that there is no overspend in the current year 2016-17 and that the savings proposals not fully delivered or considered within the MTFP will be recurrently mitigated ahead of the new financial year.
- 10.2 It needs to be noted that the significant challenges faced during 2016-17 have been raised through the Monthly Financial Report with an existing forecast overspend totalling £9.3m to be reported to Cabinet in February 2016, including Capital Receipts amounting to £25m, of which £4m is subject to final approval by Full Council on 23rd February 2017.

10.3 Consequently, there is an increasing risk that 2016-17 Revenue Budget is not fully delivered and will need to be financed from General Reserves and replenished during 2017-18 with further proposals following the County Council elections. Management team are preparing proposals for this eventuality.

11. Reserves

11.1 The Council's Reserves Policy states that the level of reserves should be determined by taking account of the strategic, operational and financial risks facing the authority. Specifically, the Council is required to maintain general reserves sufficient to cover the key financial risks that it faces, as identified in its financial risk register.

11.2 In determining a prudent level of reserves to maintain, the Chief Financial Officer will take into account a number of factors. These could include:

- The current and future levels of inflation and interest rates;
- Estimates of the level and timing of capital receipts;
- Any risk and inherent service pressures from demography and demand;
- The scale, scope and deliverability of planned efficiency savings, and
- The financial risks inherent in partnership arrangements.

11.3 With the organisational changes ahead, the Council will aim to review and update the reserves position to take account of future risks and responsibilities.

11.4 The current forecast earmarked reserve levels indicate that there will be a total balance carried forward into next year in the region of £35.9m which includes Specific Schools Reserves of £23.6m. Full details are shown within Appendix H (excluding Schools).

11.5 The estimated end of year forecast balance of General Reserves continues to remain at £12m, which is in line with the agreed level laid down within the Reserves Policy of two to five percent of the Net Budget Requirement,

12. Revenue Budget Business Planning – Key Spending Assumptions

12.1 The impact of these pressures over the four years of the MTFP in the context of the whole budget are shown in Appendix D and summarised below in table 2. This clearly demonstrates the areas where the Council is facing the unavoidable spending pressures of £125m over the next four years, which must be met with savings and Council Tax.

	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	Total £m
Inflation	8.5	9.7	9.9	10.6	38.7
Other Service Pressures	54.4	11.4	11.6	8.8	86.2
Total 2016-21 MTFP	62.9	21.1	21.5	19.4	124.9

Table 2: Summary of Pressures

12.2 Business Plan Summary for 2017-18

12.3 The table below provides an overall summary of the Directorate resource allocations with total growth and savings included. This also presents the commitments to Schools. More detailed summaries of the four year plan can be found within Appendix I(1-5) .

Directorate	Base £m	Service Pressures £m	Savings £m	Gross Budget £m	Income £m	Net Budget £m
People						
Adults Social Care	194.3	33.9	(25.2)	203.0	(49.8)	153.2
Children, Families and Education	147.2	26.8	(16.3)	157.7	(24.2)	133.5
Public Health and Wellbeing	53.5	0.1	(2.6)	51.0	(45.8)	5.3
Total People Services	395.0	60.8	(44.1)	411.7	(119.8)	292.0
Place Services	125.6	1.7	(9.8)	117.5	(36.4)	81.1
NCC Group - CE Services	67.3	0.4	(3.9)	63.8	(19.9)	43.8
Total Service Budget	587.9	62.9	(57.8)	593.0	(176.1)	416.8
Dedicated Schools Grant and Other Schools Income	220.2	0.0	0.0	220.2	(220.2)	0.0
Overall Total	808.1	62.9	(57.8)	813.2	(396.4)	416.8

Table 3: Directorate Allocations

12.4 Unavoidable Pressures

12.4.1 In addition to changes stemming from national funding positions, there are other, local pressures that can arise from changed assumptions in local client service demand, local demographic trends, as well as the identification of new, individual service pressures that need to be factored into the medium term financial plans. These are detailed within Appendix I(1 – 5) and have been reviewed to include further changes totalling £1.2m with full details within Appendix E.

12.4.2 As part of the review of the MTFP, the assumptions behind existing pressures were reviewed and challenged. This includes detailed calculations on demography and client demand pressures, inflationary pressures on contracts and gas, electricity and fuel price pressures.

- 12.4.3 In addition to a review of the assumptions behind spending pressures, the Final Budget provided details of service pressures following the review of budgets that need to be taken account of to ensure that the overall budget correctly matches commitments against it, which totalled £47.5m for both Adults and Children, Families and Education Services.

Adults Social Care Services

- 12.4.4 The pressures in Adults Services relate to the full year impact of the demand experienced in 2016-17 within the independent care provision. Total client numbers have remained fairly static, although there has been a shift from residential placements to Community Care, where in 12 months the number of residential placements has reduced from 1420 at February 2016 to 1,313 in January 2017. Community care packages in the same period have increased from 4,159 to 4,239.
- 12.4.5 The complexity of care packages and increase in provider costs have increased the average weekly cost of a community care package across client groups from £290 to £390 in the last 12 months contributing to the overall demand pressure.
- 12.4.6 Additional pressures have been driven from unplanned liabilities in the 2016-17 Better Care Fund. The 2017-18 budget addresses this, alongside providing for the inflationary and demographic trends forecast.

Children, Families and Education Services

- 12.4.7 Children's Services have experienced significant, continued increases in demand for social care provision. The total number of children in care has increased from 827 at the end of March 2014, up to 995 to the beginning of April 2016. This is an unprecedented 20% increase in demand over the last two years.
- 12.4.8 Since April 2016, the total number of children in care has remained consistently high throughout the financial year, averaging at 988. This number started to rise from October 2016, with the county's children in care totalling 1,030 by the end of December 2016. However, throughout January 2017, numbers have gradually reduced to 1,008.
- 12.4.9 There have also been historic and ongoing increases to the cost of children's social care as a result of higher numbers of children subject to child protection plans, complex case loads, recent changes to S20 guidance, less cost effective supply of placements available due to the 46% increase in unaccompanied asylum seeking children aged between 16 and 17, and generally higher framework contract costs, in the main due to the introduction of the living wage.
- 12.4.10 This budget addresses the cost of this significant increase in demographic growth and demand for services, and sets aside resources for the growth anticipated in future years.

12.5 Savings

- 12.5.1 Next year presents significant challenges when reviewing and developing a four year Medium Term Plan which not only needs to respond to an ever changing environment and economy but also faces the impact of Government changes and priorities. Whilst the Council has successfully delivered previous savings through efficiencies and innovation, a more collaborative approach to deliver services, provide value for money and reduce cost for the people of Northamptonshire is the way forward.
- 12.5.2 The executive summaries at Appendix I(1-5) provide a service perspective on the overall proposals, illustrating how they will deliver the Council's priorities and outcomes within the resources available with the changes since the draft budget detailed within Appendix E.
- 12.5.3 A large proportion of the £116m that will need to be saved or offset by additional income between 2017-18 and 2020-21 and will be delivered by services continually reviewing and redesigning how they operate within the new federated model. However, the significant challenge that the Council is faced within 2017-18 will result in some radical service transformation and re-prioritisation of how the Council needs to meet its statutory obligations.
- 12.5.4 The Table below summarises the total savings scoped within the Business Plans. Savings proposals are provided in detail within Appendices I(1-5).

	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	Total £m
Adults Social Care	(25.2)	(3.0)	(4.9)	(3.1)	(36.2)
Children, Families and Education	(16.3)	(2.3)	(2.0)	0.0	(20.6)
Place Services	(9.8)	(3.7)	(12.0)	0.0	(25.5)
Public Health and Wellbeing	(2.6)	(1.3)	(1.3)	0.0	(5.2)
Total NCC Group	(3.9)	(2.0)	(7.7)	(10.4)	(24.0)
Savings Requirement for future years	0.0	0.0	0.0	(4.3)	(4.3)
Service MTFP Savings	(57.8)	(12.3)	(27.9)	(17.8)	(115.8)

Table 4: Summary of Savings

- 12.5.5 The Provisional Settlement announcement and confirmation of other funding streams has enabled the Council to revisit the pressures and savings particularly within Adults Social Care Services. The above table summarises the savings at £58m and reflects in the reduction of £9m compared with the Draft Budget. Adults Social Care Services have moderated the savings to a total reduction of £10m which has been financed through the redirection on grant and precept providing an extra £5.3m and the remainder through alternative savings proposals.
- 12.5.6 Whilst, the fiscal outlook, continued changes within spending reviews and impact of continued change presents financial challenges, the Council has maintained a balanced budget up to the 2019-20, however risks and uncertainty remains in 2020-21 following the potential for a new parliament and the introduction of 100% business rates which remains unclear at this point.

- 12.5.7 Through the continuing work on delivering the Next Generation Council (NGC) and finessing the details of our proposition, we have been moving closer to our strategic model for sustainable local government in Northamptonshire. In April 2016, our new social enterprise First for Wellbeing was officially launched in Northamptonshire as a Community Interest Company (CIC) founded by NCC, Northamptonshire Healthcare NHS Foundation Trust (NHFT) and the University of Northampton. This is the first of the delivery vehicles which will support the creation of the NGC and is designed to deliver integrated wellbeing services to help people live a happy and healthy life, focusing on prevention outcomes.
- 12.5.8 Throughout 2016, work has been carried out to scope the work required to transfer the Adult Social Care Services and Children, Families and Education directorates into delivery vehicles wholly owned by NCC but with the ability to trade and attract additional funding. Preliminary business cases have been approved by Cabinet and work continues at pace to ensure arrangements are in place for a smooth transition. Throughout the year, these service areas have operated in shadow form, under the strategic commissioner arrangements at the heart of the NGC model, and will continue to do so until fully transferred into the new entities. These are on target to be implemented during 2017-18, with detailed work taking place on reviewing and re-structuring the current organisational frameworks in the existing services.
- 12.5.9 In addition, plans continue to be developed to improve customer care pathways, create synergies alongside efficiencies through integration and joint working with health and district and borough councils.

12.6 Summary Medium Term Financial Plan

- 12.6.1 Appendix D sets out the five year expenditure forecasts together with the total funding due for the period 2017-18 to 2020-21, and is summarised in table 5.

	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m
Net Expenditure MTFP base budget	416.5	416.8	425.2	431.7
Service Pressures and Investments	62.9	21.1	21.5	19.4
Savings Proposals	(57.8)	(12.3)	(27.9)	(17.8)
Revised Movement in Capitalisation 2017-18	(5.3)	2.7	14.5	0.0
Movement in Budget Smoothing/Reserves	4.7	(4.1)	(3.1)	2.5
Other Technical Adjustments	(4.2)	1.0	1.5	0.0
Revised Net Service Expenditure	416.8	425.2	431.7	435.8
To Be Met By				
Other Central Grants and Contributions	(12.4)	(13.2)	(19.9)	(19.9)
Government Base Funding (SFA)	(125.1)	(113.7)	(104.5)	(96.4)
Council Tax and Collection Fund	(279.3)	(298.3)	(307.3)	(319.5)
Balance	0.0	0.0	0.0	0.0

Table 5: Total Revenue Expenditure and Funding 2017-18 to 2020-21

- 12.6.2 The funding of the Net Expenditure position above is based on the latest forecasts for Government Funding and assumed levels of Council Tax and Council Tax base.
- 12.6.3 Whilst the Government has provided some indications of the expected changes to funding in future years, the actual settlement figures have yet to be announced. This means that the numbers set out in within this report and appendices only reflect the latest information as known, and will still be subject to change.

13. Capital Strategy 2017-18 to 2020-21

- 13.1 The Capital Strategy defines and outlines the Council's approach to capital investment, including the processes by which the Council allocates its capital resources and the governance arrangements. The Strategy also provides details of the Council's future Capital Programme and Capital Funding expectations. The Strategy is attached at Appendix J.

14. Asset Utilisation Strategy

- 14.1 The Asset Utilisation Strategy is an over-arching document which sets out the Council's approach to the utilisation and rationalisation of its property portfolio, outlining current issues and challenges and the steps being taken to achieve the required outcomes. The current 2016-17 document is attached at Appendix K for information.
- 14.2 This will be updated during 2017-18 as operational requirements for property are reviewed and the Council progresses with the Managing Agent approach for commissioning estate management and property services.

15. Treasury Management

- 15.1 The Local Government Act 2003 requires the Council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- 15.2 The Act requires that the Council sets out its Treasury Management Strategy Statement (TMSS) for borrowing, and prepares an Annual Investment Strategy. The Treasury Management Strategy at Appendix L, details the underlying policy that will govern the annual strategy statements.
- 15.3 The refreshed TMSS continues to comply with the CIPFA Code of Practice (revised 2012) and has been updated to reflect the current financial environment.
- 15.4 An increasing Capital Financing Requirement (CFR) coupled with falling reserves and balances mean that the Council's underlying need to borrow is increasing. The Council has now maximised its internal borrowing position to optimise the treasury position, reduce credit risk associated with investing and generate

revenue savings. Therefore new loans, which have been budgeted for, will be required to maintain sufficient operational cash resources. Sources of finance include short term loans (out to 5 years) from other local authorities, the PWLB and the Municipal Bonds Agency. The Section 151 Officer and LGSS Treasury Team will monitor the Council's balance sheet health alongside forecasts for interest rates and deploy an appropriate borrowing strategy, minimising short to medium term costs.

- 15.5 The Minimum Revenue Provision policy, set out within Appendix L-4 of the Treasury Management Strategy Statement sets out the policy for the forthcoming year.

16. Chief Financial Officer Considerations

- 16.1 Section 25 of the Local Government Act 2003 requires that the Chief Financial Officer (CFO) must make a statement with regard to the robustness of the budget estimates and the adequacy of the level of reserves, when the Final Budget is presented to Full Council in February 2017.

- 16.2 In advance of this, there are a number of issues that the CFO needs to consider alongside this requirement, such as:

- The magnitude of savings to be found, and the ability to deliver such large savings in a single year, when the budget contains a significant amount of fixed costs over the short term.
- The level of risk the MTFP carries as a result of the risk assessed levels of demand and demography.
- The successful engagement of Members, senior officers and their teams in developing and establishing the four year position to smooth the MTFP savings plans, aligning them with the available resources and using borrowing from reserves where appropriate to deliver this.
- Options to use Government capital flexibilities in the MTFP savings plans, aligning them with the available resources and using borrowing from reserves where appropriate to deliver this.
- The continued uncertainty changes to Government funding calculations, through Local Government Resources Review (LGRR) through other partners such as the NHS.
- The risk of external challenge where appropriate consultation is not undertaken in a timely and targeted manner.

- 16.3 The above considerations are set out in more detail within the CFO's Section 25 report at Appendix M. This report considers the above factors together with the risks and required mitigations, recognising the need to be able to both build a robust and deliverable budget and deliver the necessary savings in an effective and coherent manner. The CFO recognises the significant financial pressure on the Council, the challenges ahead in delivering a substantial savings programme

and the overall level of balances available to the Council following the significant financial challenges faced in 2017-18.

17. Alternative Options Considered

- 17.1 The acceptance of this report by Cabinet for submission to Full Council is a required step in the final approval of the 2017-18 budget and framework documents. In developing individual budget proposals, the Cabinet and senior officers will have considered alternative options through a series of scheduled meetings throughout the budget planning and setting process.

18. Financial Implications

- 18.1 The financial implications of the Council's draft plans are set out in detail in the appendices of this report.

19. Risk and Business Continuity Management

- 19.1 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 2017 to both the Cabinet and the Council by the Chief Financial Officer (Section 151 Officer). This report is required under Section 25 of the Local Government Act 2003 prior to the Council agreeing its 2017-18 budget.
- 19.2 The task of planning how the Council spends its financial resources, in an ever increasing challenging financial climate, inevitably results in higher budget delivery risks. The Cabinet must have regard to the Council's risk profile as set out in the risk registers, ensuring that budgets and the Council's financial reserves are sufficient to mitigate risks to acceptable levels. The Cabinet should also be satisfied that all budget proposals are sufficiently robust and deliverable.

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
The Council is unable to deliver a balanced Budget for each year of the Medium Term Financial Plan: Proposals identified for 2017-18 will not be fully deliverable within the timeline available	Robust financial management processes to review and fully develop the following years Budget proposals with action plans in place for regular monitoring via the Budget Tracker.	Amber
Deliverability of savings proposals to address any estimated funding shortfall within the Medium Term Financial Plan	Robust Budget Setting and Planning processes in place to Provide Officers with the necessary support in the development of strategic ideas which are linked to the Council Plan.	Amber

b) Risk(s) associated with not undertaking the proposal

Risk	Mitigation	Residual Risk
The Council will not be in position to manage the impact of reduced funding and increased demand on services	Regular review of the funding and pressures through financial monitoring and forecasting to provide intelligence within the planning process.	Amber

20. List of Appendices

- Appendix A* – *The Council Plan*
- Appendix B* – *Consultation Feedback Summary*
- Appendix C* – *EqlA Impact*
- Appendix D* – *Budget Summary*
- Appendix E* – *Post Draft Adjustments*
- Appendix F* – *Dedicated Schools Grant*
- Appendix G* – *Fees and Charges Summary*
- Appendix H* – *Reserves Summary*
- Appendix I (1-5)* – *Directorates Executive Summary Business Plans*
- Appendix J* – *Capital Strategy*
- Appendix K* – *Asset Utilisation Strategy – 2016-17*
- Appendix L* – *Treasury Strategy*
- Appendix M* – *Section 25 Report*

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Background Papers:	
Does the report propose a key decision is taken?	YES
If yes, is the decision in the Forward Plan?	YES
Will further decisions be required? If so, please outline the timetable here	NO
Does the report include delegated decisions? If so, please outline the timetable here	YES – see recommendations for delegated authority re. the Final Settlement 2017 still to be confirmed.
Is this report proposing an amendment to the budget and/or policy framework?	YES
Have the financial implications been cleared by the Strategic Finance Manager (SFM)? Have any capital spend implications been cleared by the Capital Investment Board (CIB)	YES Name of SFM: All YES
Has the report been cleared by the relevant Director?	YES Name of Director: Damon Lawrenson
Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Robin Brown
Has the relevant scrutiny committee been consulted?	Scheduled Scrutiny Committee: Finance & Resources
Has the report been cleared by Legal Services?	YES Name of solicitor: Laurie Gould
	Solicitor's comments:
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Simon Deacon
Have any property issues been cleared by Property and Asset Management?	N/A
Are there any community safety implications?	NO
Are there any environmental implications:	NO
Are there any Health & Safety Implications:	NO
Are there any Human Resources Implications:	YES
Are there any human rights implications:	NO
Constituency Interest:	ALL