



**CABINET**

**11 FEBRUARY 2020**

**EXECUTIVE DIRECTOR OF FINANCE: BARRY SCARR**

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

<b>Subject:</b>	Final Budget 2020-21																																				
<b>Recommendations:</b>	<p>That Cabinet approves and recommends to Council:</p> <p>a) the Revenue Budget 2020-21, which sets:</p> <ul style="list-style-type: none"> <li>i. Subject to approval of the 'Fair Contributions Policy' report within this Cabinet agenda, a gross General Fund Revenue Budget of £645.87m and a Net Revenue Budget of £445.71m,</li> <li>ii. a total Council Tax requirement for the Council's own purposes for 2020-21 of £321.06m</li> <li>iii. a Band D Council Tax of £1,285.42, an increase of 3.99% (1.99% on 'core' Council Tax and 2.00% on Social Care Precept) from 2019-20 with Band A to H Northamptonshire County Council precept detail for 2020-21 as set out in the table below</li> </ul> <table border="1" data-bbox="587 1115 1497 1608"> <thead> <tr> <th><b>Council Tax Band</b></th> <th><b>'Core' Council Tax £</b></th> <th><b>Social Care Precept £</b></th> <th><b>Total £</b></th> </tr> </thead> <tbody> <tr><td>A</td><td>780.66</td><td>76.29</td><td>856.95</td></tr> <tr><td>B</td><td>910.76</td><td>89.01</td><td>999.77</td></tr> <tr><td>C</td><td>1,040.88</td><td>101.72</td><td>1,142.60</td></tr> <tr><td>D</td><td>1,170.98</td><td>114.44</td><td>1,285.42</td></tr> <tr><td>E</td><td>1,431.20</td><td>139.87</td><td>1,571.07</td></tr> <tr><td>F</td><td>1,691.42</td><td>165.30</td><td>1,856.72</td></tr> <tr><td>G</td><td>1,951.64</td><td>190.73</td><td>2,142.37</td></tr> <tr><td>H</td><td>2,341.96</td><td>228.88</td><td>2,570.84</td></tr> </tbody> </table> <ul style="list-style-type: none"> <li>b) the detailed proposals underpinning the revenue budget for 2020-21 as set out within Appendix B.</li> <li>c) the fees and charges for 2020-21 as set out within Appendix C.</li> <li>d) the utilisation of Dedicated Schools Grant for 2020-21 as at Appendix E.</li> <li>e) the Capital Strategy as at Appendix F.</li> <li>f) the Treasury Management Strategy 2020-21 as at Appendix G, which includes:</li> </ul>	<b>Council Tax Band</b>	<b>'Core' Council Tax £</b>	<b>Social Care Precept £</b>	<b>Total £</b>	A	780.66	76.29	856.95	B	910.76	89.01	999.77	C	1,040.88	101.72	1,142.60	D	1,170.98	114.44	1,285.42	E	1,431.20	139.87	1,571.07	F	1,691.42	165.30	1,856.72	G	1,951.64	190.73	2,142.37	H	2,341.96	228.88	2,570.84
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	<ul style="list-style-type: none"> <li>i. the Prudential Indicators, including the Capital Financing Requirement of £680.0m and the Authorised Borrowing Requirement of £750.0m,</li> <li>ii. the Annual Investment Strategy as at Appendix G-5.</li> </ul> <ul style="list-style-type: none"> <li>g) the Minimum Revenue Provision Policy as at Appendix G-4.</li> <li>h) the Flexible Use of Capital Receipts Strategy as at Appendix H, which sets out the latest transformation projects to be funded by the flexible use of capital receipts.</li> </ul> <p>That Cabinet notes:</p> <ul style="list-style-type: none"> <li>i) the Consultation feedback as at Appendix I as having been taken into consideration.</li> <li>j) the Equality Impact feedback as at Appendix J as having been taken into consideration.</li> <li>k) the Chief Finance Officer's Section 25 Report as at Appendix K.</li> </ul> <p>That Cabinet:</p> <ul style="list-style-type: none"> <li>l) approves the responses to the Scrutiny recommendations as at Appendix L.</li> <li>m) delegates authority to the Executive Director of Finance to manage any variation in budget prior to the start of 2020-21 as a result of final confirmation of funding/income, or unforeseen commitments; in consultation with the Chief Executive, Commissioners and Finance Portfolio Holder.</li> </ul>
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## **1. Purpose of Report**

- 1.1 In accordance with the Council's Constitution, on 12<sup>th</sup> November 2019 Cabinet agreed the draft 2020-21 Budget, which included budget proposals for review by the Overview & Scrutiny Committee and the general public during a consultation period.
- 1.2 This report sets out the final 2020-21 Budget for Northamptonshire County Council (NCC), including the associated Council Tax level and precepts for 2020-21, for approval by Full Council on 20<sup>th</sup> February 2020. This is after consideration of the outcome of the Overview & Scrutiny Committee review, the budget consultation, the provisional local government finance settlement, and the ongoing review by officers to ensure that the budget is set based upon the latest information. These have informed the Cabinet's recommendations on the Budget and Council Tax precept for 2020-21; together with the other budget framework documents included within the appendices of this report.

## **2. How this decision contributes to the Council Plan**

- 2.1 The Council's vision is for Northamptonshire to be a county where everyone looks after each other and takes responsibility, where the vulnerable are protected and supported and where the people who can help themselves receive the assistance they need to stay independent and healthy.

This initiative helps the Council to deliver this vision through the following strategic priorities outlined in the Council Plan:

- Working in partnership with other public sector organisations (such as the seven district and borough councils, the local NHS bodies, and Northamptonshire Police).
- Enabling individuals and communities to achieve better outcomes.
- Using innovation to find better and more sustainable ways of delivering services ensuring they are efficient and affordable in the long term.
- Focusing resources on prevention and early intervention.
- Commissioning and procuring services and goods with partners.
- Utilising the Council's assets effectively.

### **3. Executive Summary**

3.1 This is a final budget for 2020-21 which addresses any ongoing financial issues identified in the 2019-20 budget monitoring process, and estimates the level of resources required to deliver the Council Plan. The budget enables the Council's continued transformation of services so they are sustainable into the future as the Council prepares for the upcoming local government re-organisation within Northamptonshire.

3.2 The key themes underpinning the 2020-21 budget are as follows:

- A balanced budget with provision made for a contingency to strengthen the Council's financial resilience for unforeseen events or issues; the draft budget has been published a month earlier than in prior years, to allow further time for scrutiny by members, public and other stakeholders.
- Allocating resources to ensure our most vulnerable residents are kept safe. Focusing on what is important to our communities and enabling them to support each other.
- Working effectively with our local partners including the Health Service and Borough and Districts Councils to make the most of the public pound in Northamptonshire and transform service delivery.
- Commitment to staff through money invested in the staff pay award, National Living Wage rise and social worker pay progression.
- The identification of savings, mainly efficiency and commissioning led.

### **4. The Council Plan**

4.1 The Council approved an updated Council Plan for 2019-21 in February 2019, which outlined the strategy through which the Council will resource through its Medium Term Financial Plan (MTFP).

4.2 This plan sets out our county vision where we all look after each other and take responsibility, where the vulnerable are protected and supported, and where the

people who can help themselves receive the assistance they need to stay independent and healthy.

4.3 We can only do this in partnership with other public sector organisations (such as the seven District and Borough Councils, the local NHS bodies, Northamptonshire Police), private sector businesses, the voluntary and community sector and you; who all have a vital role to play in the economic health of the county.

4.4 As such, we see the future of public services in the county as being shaped by closer working with partner agencies – our focus will be not only on aligning our priorities with the seven District and Borough Councils, but also continuing to identify opportunities to integrate with Health and Northamptonshire Police.

4.5 The Council will;

- Continue to improve how we operate so that we deliver value for money and live within our means
- Prioritise the needs of the vulnerable children and adults amongst us
- Make it easier for residents and communities to do all they can to help themselves and each other
- Help create the right environment for businesses to thrive and the economy to grow
- Provide you with the information you need to make the right choices for you and your family
- Listen to your feedback and use it to improve what we do.

4.6 Across our local economy and infrastructure, we will work on growing revenue, shaping the place and enabling communities to live well and businesses to thrive and generate prosperity.

4.7 Our work with children and families will focus on investment in prevention, better outcomes through permanent placements for our children in care and effectively managing risks, to ensure the most vulnerable young people are consistently safeguarded and protected from harm.

4.8 In supporting vulnerable adults, we will focus on preventing needs and intervening early to provide people with the best possible chance of maintaining an independent life, ensuring they are safeguarded and receive good quality care at the right time through services which demonstrate good value for money.

4.9 Across the organisation, we will ensure those support services which allow us to run our business and deliver services are fit for purpose and provide good value for money. They exist to support and enable effective front line service delivery and allow our residents to interact with the Council when and wherever they want to.

4.10 The pillars on which we will structure our work over the next year are

- The future of public services in the county, which means our lifespan as an organisation is limited and we need to focus on those statutory services which are important to residents
- The financial constraints in which we operate, and the need to live within our financial means
- The imperative to make services sustainable, so that, regardless of the shape organisations in the county take, vital services for our residents are affordable.

## **5. Current Financial Position 2019-20**

- 5.1 The Council's forecast in-year outturn for 2019-20 based on spending to the end of December (Quarter Three), is an underspend of £29k compared to available resources of £417.7m.
- 5.2 The 2019-20 Budget, approved by Council on 21<sup>st</sup> February 2019, included savings proposals of £41.4m. In addition, there are income proposals of £0.5m for 2019-20 and savings brought forward from prior years of £1.5m; so £43.4m savings in total. So far, after three quarters, £33.3m (80%) of the £41.4m proposals are forecast to be delivered. These savings are being monitored and reviewed through the Council's Transformation Boards which meet monthly to monitor progress. Business plans have been developed to steer the implementation of the savings. Clear plans are in place and staff at all levels are working hard to deliver them.
- 5.3 The Monthly Finance Report sets out this financial position in detail and is included on the same Cabinet agenda.
- 5.4 The 2020-21 Budget addresses any reported on-going overspends identified in the current year, to ensure the Council starts the new financial year with a 'clean slate' however, this does not alter the expectation that the Council will successfully balance its budget in 2019-20. Therefore the 2020-21 Budget is predicated on the assumption that there is no overspend in 2019-20.

## **6. Draft Budget 2020-21**

- 6.1 The Council's draft 2020-21 budget was presented to Cabinet on 12<sup>th</sup> November 2019. A summary of the draft budget is shown in the following table:

<b>Draft Budget</b>	<b>2019-20 £m</b>	<b>2020-21 £m</b>
Opening Base Budget (Note 1)	610.9	614.9
Inflation	7.1	17.7
Budget Pressures	41.3	33.9
<b>Savings</b>	<b>(41.4)</b>	<b>(23.2)</b>
<b>Base Budget Requirement (Gross)</b>	<b>617.8</b>	<b>643.3</b>
Transfer to/(from) reserves	0	4.9
<b>Less</b>		
Direct Grants (Note 1)	(121.8)	(119.7)
Income (Note 2)	(77.8)	(79.8)
<b>Income Generation Proposals</b>	<b>(0.5)</b>	<b>(1.0)</b>
<b>Net Budget (General Fund)</b>	<b>417.7</b>	<b>447.7</b>
<b>Funded by</b>		
Social Care Grant	0	(10.7)
Business Rates income	(98.7)	(101.5)
Section 31 grant	(4.1)	(4.1)
New Homes Bonus	(3.9)	(3.9)
Collection Fund deficit/(surplus)	(7.7)	(5.0)
Council Tax to be collected	(303.3)	(322.5)
<b>Total Funding</b>	<b>(417.7)</b>	<b>(447.7)</b>
<b>Remaining Savings Requirement</b>	<b>0.0</b>	<b>0.0</b>

*Table: Total Revenue Expenditure and Funding 2020-21, with 2019-20 comparator figures Draft budget as at 12<sup>th</sup> November 2019.*

*Note 1 - Dedicated Schools Grant (DSG) income and corresponding expenditure is not included.*

*Note 2 - Income includes Fees & Charges, Client Contributions and other contributions.*

## **7. Consultation**

### Consultation Process

- 7.1 The Council has consulted on the proposals in the draft 2020-21 Budget. Consultation commenced on 13<sup>th</sup> November 2019 and concluded on 24<sup>th</sup> December 2019.
- 7.2 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.
- 7.3 In terms of best practice, Consultation Institute guidance emphasises the need for consulters to recognise the 'Doctrine of Legitimate Expectation' as a key component

of public sector budget consultation. In short, in terms of public participation, “...the courts...recognise Consultees’ right to expect fair process from public bodies...and incorporates much guidance and management promises into the law.<sup>1</sup>”

- 7.4 Opportunities to take part in the consultation were 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.
- 7.5 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, 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.
- 7.6 Separate consultations were held in relation to the following proposals, in order to bring them to the attention of service users who may be directly affected by them:
- 19-001-05 Care Home Review (consultation ran from 11<sup>th</sup> September to 19<sup>th</sup> November)
  - 19-001-16 Fair Contributions Policy (consultation ran from 11<sup>th</sup> September to 3<sup>rd</sup> December)
  - 19-001-04 Reviewing catering facilities at day services (consultation ran concurrently with the draft budget consultation from 13<sup>th</sup> November to 24<sup>th</sup> December)

### Consultation Responses

- 7.7 Using the various means available to consultees, local people and organisations contributed to the consultations 864 times (acknowledging that some people may have taken part in more than one consultation or responded to the same consultation via a number of different methods).
- 7.8 The consultation feedback on the Care Home Review (Evelyn Wright House) was considered at Cabinet in January when the decision was taken to close Evelyn Wright Care Home and transfer the customers to other services. The [consultation analysis report](#) to that Cabinet report gives further detail on the feedback received, including from residents of Evelyn Wright House and their family members and carers.
- 7.9 The consultation feedback on the Fair Contributions Policy is being considered at this Cabinet meeting (February); and the agreement of the budget is subject to the discussion and agreement on the agenda item on the Fair Contribution Policy. The link to the consultation analysis report on the Policy is available on the Council’s [Consultation Hub](#). This report gives further detail on the feedback received,

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<sup>1</sup> The Consultation Institute *Engaging on Public Service Budgets*, 17 September 2015

including from current service users who may be affected by the proposed policy changes.

- 7.10 The highest number of responses received in the Draft Budget Consultation were in relation to the proposed increase in Council Tax. 46.9% of respondents said that they strongly agree or tend to agree with the proposed increase, while 40.7% said they strongly disagree or tend to disagree with the proposed increase. When asked about the Adult Social Care Precept, 49.6% of respondents said that they strongly agree or tend to agree with the proposed increase, while 36.4% said they strongly disagree or tend to disagree with the proposed increase.
- 7.11 Looking at individual proposals, the proposal which had the highest proportion of respondents that agreed with it was 19-002-05 Reducing reliance on Agency Staff (Children First Northamptonshire), where 91.3% of respondents to that question agreed with the proposal. The proposal that had the highest number of respondents agreeing with it was 19-001-07 Brain in Hand (NASS), being supported by 134 respondents. The proposal that had both the highest proportion of respondents that disagreed with it, and also the highest number of respondents that disagreed with it was 18-006-10 Targeted delivery of roads maintenance (Place Services). Twenty-nine respondents (27.6% of respondents to that question) disagreed with the proposal.
- 7.12 The consultation feedback on proposed changes to the Fair Contributions Policy showed that 37.9% of respondents agreed with the proposal to change the Disability Related Expenditure rate and 47.4% disagreed. On the Older Person's Standard Income Disregard proposal, 39.4% agreed with the proposal and 52.1% disagreed. On the residential colleges proposal, 44.4% of respondents agreed with the proposal and 20% disagreed.
- 7.13 The targeted consultation for service users and their families who would be affected by the review of catering services at day centres showed that 69.2% of service user and family member/carer respondents felt that the proposal would have a significant impact on them (rating it 4 or 5 out of 5, where 5 is significant).
- 7.14 While not specifically commenting on proposals, we received a written submission from the district and borough councils in North Northamptonshire. The same submission was also received from South Northamptonshire Council. In it, the Councils note and welcome the improved financial position and more robust approach to financial projections in financial monitoring reports over the last 18 months and the efforts and impacts made by NCC's leadership are recognised. They also commented on the 2019-20 position, the robustness of the 2020-21 draft budget and the Medium Term Financial Plan, as well as the reserves and balances position.
- 7.15 The feedback on all the proposals is analysed in more detail in Appendix I. Members should ensure they read and consider the analysis and redacted comments that have been made available to them before making their decision on the budget.

## 8. Overview and Scrutiny

- 8.1 The draft budget 2020-21 has been scrutinised during November-January by non-executive Councillors through a Budget Scrutiny Review process led by the Overview & Scrutiny Committee (O&S). 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.
- 8.2 The Budget Scrutiny Review has scrutinised selected proposals from across all directorates. 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.
- 8.3 The Budget Scrutiny Report is to be presented to Cabinet alongside the 2020-21 Budget Report, with Appendix 1 setting out the specific recommendations for consideration by Cabinet. The headline themes highlighted by the Overview & Scrutiny Committee was as follows:
- **Overall robustness of the draft budget:** The O&S Committee considers that this draft budget generally represents a better, more robust, budget than examples that have been produced by the Council in previous years. It seems to be based on an approach that is transformational, rather than just seeking budget savings. At the same time the Committee recognises that there are still risks involved.
  - **Role of third parties:** The O&S Committee emphasises the additional risk associated with any draft budget proposal where full delivery is dependent on achieving a successful outcome from negotiations with a third party. It is even more important for the Council to have a sound view about the balance between risk and return in cases involving factors outside of its direct control, whether these are commercial factors when working with service-providers or the political and policy priorities influencing governmental bodies.
  - **Timing of service changes:** The O&S Committee has noted examples of savings proposals linked to service changes that are still being put in place. The Committee draws attention to the need for service changes to be implemented on-time in order to deliver the full-year benefit included in the budget. If this is not achieved it will produce additional pressures in 2020-21 that will then have to be managed by the Council or risk affecting the financial position it hands over to the new Northamptonshire authorities.
  - **Improved engagement with Overview & Scrutiny:** The O&S Committee considers that its ability to scrutinise this draft budget has been significantly enhanced in comparison with previous years. The publication of the draft budget a month earlier assisted O&S to apply a more considered approach to its task. The greater level of information on the aims, risks and deliverability of draft budget proposals that directorates made available then particularly assisted O&S to focus on those areas where scrutiny was most merited. Ultimately, this Budget Scrutiny Review has seen O&S use its resources more effectively to produce

more meaningful results. This reflects the aims of the new O&S model that the Council introduced in 2018-19.

- 8.4 For further details please see the papers for the Overview & Scrutiny Committee meeting on 29<sup>th</sup> January 2020.  
<https://cmis.northamptonshire.gov.uk/cm5live/MeetingsCalendar/tabid/73/ctl/ViewMeetingPublic/mid/410/Meeting/3472/Committee/452/Default.aspx>
- 8.5 The final budget proposals to be recommended to Council incorporate the feedback received from the Overview and Scrutiny Committee.
- 8.6 The responses to the recommendations raised by Overview & Scrutiny Committee are set out in Appendix L to this report.

## **9. Fees and Charges Income**

- 9.1 As part of the budget setting process all fees and charges are reviewed, and revised where necessary, with any changes forming part of the annual budget consultation.
- 9.2 A detailed schedule reflecting the 2020-21 charges is given within Appendix C.
- 9.3 Note that the some changes have been made to fees and charges schedule from the draft budget. The amended charges are set out in the table on the following page. These changes have no impact on the overall amount of income collected by the Council through fees and charges but have been listed for completeness.
- 9.4 The 2019-20 rate for these charges was stated incorrectly in the fees and charges schedule published in the draft budget, and this has now been corrected. Consequently the 2020-21 rates have also been corrected. The correct 2019-20 charges were stated on the Registration Service and Country Parks websites.
- 9.5 The charge for a download of a single image from the online image library within Archives and Heritage was incorrectly left blank in the listing published in the draft budget. The fee of £9.30 has now been stated. This is a new charge for 2020-21.

Service area	Description of charge	Existing 2019-20 Fees £	2020-21 Fees £	Increase / (Decrease) £	Increase / (Decrease) %
Registration Service	Your Day Your Way – Ceremony held on Saturday	760.00	760.00	0.0	0.0%
Registration Service	Combined wedding or civil partnership celebration ceremony – Monday to Thursday	455.00	455.00	0.00	0.0%
	Friday	545.00	545.00	0.00	0.0%
Registration Service	Combined renewal of vows and naming ceremony – Monday to Thursday	395.00	395.00	0.00	0.0%
	Friday	475.00	475.00	0.00	0.0%
	Saturday	495.00	495.00	0.00	0.0%
	Sunday, Bank Holidays	545.00	545.00	0.00	0.0%
Country Parks	Parking season permit (per car charges for additional ticket for vehicles registered to same address)	10.00	10.00	0.00	0.0%
Country Parks	Room Hire Brixworth Mackintosh Centre – Lapwing and Woodpecker rooms	20.00	22.00	2.00	10.0%
Country Parks	Education Ranger standard activities	4.50	4.50	0.0	0.0%
Archives & Heritage	Online Image Library – download of single image	n/a	9.30	New charge	-

9.6 The other fees and charges are as stated in the schedule in the draft budget.

## 10. Budget 2020-21

### Budget proposal changes from draft to final budget

10.1 The final 2020-21 budget proposals builds upon the progress made in the draft 2020-21 Budget that was approved by Cabinet on 12<sup>th</sup> November 2019. The final budget proposals have been informed by the following;

- **Continued internal due diligence, including review and validation of anticipated levels of demand, future expenditure and funding assumptions, budget robustness and risk analysis.** - The budget setting process is a continual cycle of review and challenge. The financial judgements and assumptions used are based upon the most up to date information available.
- **The outcome of the consultation process on the proposals in the draft budget.** - In response to the feedback received from stakeholders (and including the need to have due regard to the Equality Duty), the 2020-21 budget

proposals have been considered, recognising the challenges faced by the Council in respect of service delivery moving forward.

- **The budget scrutiny process undertaken by the Council's Overview and Scrutiny Committee.** – The Overview and Scrutiny Committee undertook a comprehensive review of the 2020-21 budget setting process, the underlying planning assumptions and individual budget proposals; as such budget proposals have been reviewed upon their feedback.
- **The provisional local government finance settlement.** - Funding assumptions have been updated based upon the figures announced in the provisional local government settlement on 20<sup>th</sup> December 2019.

10.2 Appendix D summarises the changes since the publication of the draft Budget. These changes are summed up in the following table.

	<b>Change to 20-21 budget Adverse / (favourable) £m</b>
<b>Change in Gross Expenditure / Income</b>	
Inflation	1.7
Service Pressures	0.5
Savings	0.4
Income and Grants	(1.7)
Reduce reserve transfer to offset fluctuations in resource base	(2.0)
Reduction in other reserve transfers	(0.9)
<b>Net movement</b>	<b>(2.0)</b>
<b>Change in Funding</b>	
Changes to Council Tax	3.1
Changes to Business Rates / Baseline Funding / Revenue Support Grant	(0.8)
Changes to New Homes Bonus	(0.2)
<b>Net movement</b>	<b>2.0</b>

### **Changes to Inflation**

10.3 Inflation growth has increased by £1.7m compared to the Draft Budget. In the main, this is a result of an additional £1.5m of contractual inflation within Adult Social Care, as growth and inflation calculations have been reworked to reflect increased pressures from market prices offset with reduced demographic volume. All contracts have been reviewed to ensure the latest inflation indices have been applied.

### **Changes to Service Pressures**

10.4 Service pressures increased by £0.5m. This is the result of a number of council-wide change to cost assumptions, based on the latest intelligence gathered since November.

10.5 Additional growth has been built into the Children First Northamptonshire (CFN) budget in respect of the full year effect of 2019-20 demand pressures such as Fostering, and additional demand for social care transport. The CFN rebaselining figure has been increased to take account of current demand levels for social care legal support, and demand levels for statutory service provisions for the Childrens

Act 1989. There has been significant focus on rebaselining Childrens budgets in preparation for the set-up of the Children's Trust in 2020-21.

- 10.6 There has been a reduction in demographic and prevalence pressures within Adult Social Care. The on-going service financial costs of demand have also reduced during 2019-20. The draft budget rebaselining figure has therefore been reduced, reflecting the revised financial monitoring being reported by NASS in 2019-20. This offsets the increased inflation in NASS.
- 10.7 There have been a number of offsetting changes within Waste between draft and final budget. This was anticipated as the waste contracts specify the use of particular inflation rates which are not published until mid-November. Similarly, the waste tonnages model is updated for figures to the end of September after which there follows a period of remodelling and validation with external consultancy support to confirm the budgetary impact. Between draft and final budget, the inflation and volume pressures have reduced by a total of £577k. At the same time, other known and anticipated pressures, e.g. a reduction in recycle income and the removal of a contract discount, have increased by the same amount to give a net nil change overall. The capital programme includes £655k for the purchase of pothole machines which will increase pothole repairs from 10,000 to 48,000 each year. The revenue impact of this will be funded from additional pothole grant announced by the Government as part of the Local Government Finance Settlement and will be cost neutral.
- 10.8 The growth in the Treasury budget has been reduced, as the reversal of the reprofiling overprovision write-back for Minimum Revenue Provision (MRP) has been moved back a year to 2021-22. There is also a reduction from capitalised interest.
- 10.9 The Council has also been able to set aside an additional £0.6m to invest in priority service areas. This is in addition to the £1.4m committed in the draft budget, making a total investment of £2m in priority service areas.

### **Changes to Savings**

- 10.10 Savings have reduced by £0.4m from £23.3m to £22.9m following the outcome of the Budget Consultation, Overview and Scrutiny feedback and officers internal due diligence proposal deliverability reviews. The proposal in relation to the Disabled Childrens review has reduced, due to a reduction in forecast Continuing Healthcare (CHC) savings. In addition, the proposal in relation to the reconfiguration of the Social Work Academy has also reduced, following the completion of an options appraisal.
- 10.11 **Changes to Income and grants**
- 10.12 Income and grants have increase by £1.7m compared to the draft Budget. In the main this relates to rebaselining of PFI liabilities to historic values.
- 10.13 In addition, the Department for Education (DfE) have confirmed grant funding for the Supporting Families: investing in practice programme. The DfE are working with a

number of local authorities, including NCC, to test a model of Family Group Conferencing to gather robust and usable evidence on the effectiveness in keeping children and parents together. Grant income of £0.3m has been included in the 2020-21 budget in respect of this, along with a corresponding increase in service expenditure.

### **Changes to Council Tax**

- 10.14 Borough and District Councils have confirmed their Tax Base for 2020-21. (The Tax Base is the number of Band D equivalent dwellings forecast to pay Council Tax for the year). The taxbase for 2020-21 is confirmed to be 249,768 Band D equivalent dwellings.
- 10.15 This is an increase of 1.78% compared to the 2019-20 Tax Base. The draft Budget included an assumed increase in Tax Base of 2.25%. This forecast was based on the average trend across the Tax Base in recent years. The resulting change in Council Tax income compared to the draft Budget is a reduction of £1.473m.
- 10.16 Borough and District Councils have also confirmed their forecast surplus/deficits on their Council Tax Collection Funds at the end of 2019-20. The Collection Fund surplus is forecast to be £3.4m. The draft Budget included a working assumption of £5m for the Collection Fund surplus, so this confirmed figure is £1.6m less. However, in recognition of the uncertain volatility at the time on the Collection Fund forecasts, the draft Budget also included £2m set aside in an earmarked reserve to manage fluctuations in the Council's resource base. This £2m has now been utilised to offset the reduction in Collection Fund surplus.
- 10.17 In summary, the changes in Council Tax income compared to the draft Budget are:
- Reduction in Tax Base growth -£1.5m
  - Reduction in Collection Fund surplus -£1.6m
  - Offset by funds set aside in draft Budget to manage fluctuations in resource base +£2.0m
  - **Net resource base funding reduction -£1.1m**
- 10.18 For further information on Council Tax please see section 12 of this report.

### **Resources and funding settlement**

- 10.19 The provisional Local Government Finance Settlement was announced on 20<sup>th</sup> December 2019 and provided confirmation of Local Government funding for 2020-21. Full details can be found at:  
<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2020-to-2021>
- 10.20 The Final 2019-20 Local Government Finance Settlement is awaited and will be announced during February 2020. (Date to be confirmed). Members are asked to delegate authority to the Executive Director of Finance to manage any variation in

budget as a result of the Final Settlement, in consultation with the Chief Executive, Commissioners and Finance Portfolio Holder.

10.21 The table below summarises the changes in different funding streams, following confirmation of figures in the provisional Local Government Finance Settlement. Further details of the individual movements are set out in Section 12 of this report.

Funding element	Draft budget  £m	Updated position following the Provisional Local Government Financial Settlement  £m	Difference  £m
Increase in Baseline Funding level	1.7	1.6	(0.1)
Business Rates inflationary adjustment	-	0.1	0.1
Additional Business Rates growth	-	0.3	0.3
Increase in Section 31 grants	-	0.5	0.5
Improved Better Care Fund (iBCF)	18.2	18.2	0.0
Winter Pressures Support Grant <i>(Note: This will be included in iBCF from 20-21)</i>	2.8	2.8	0.0
Better Care Fund (BCF) and Care Act	16.0	Not stated in Settlement	-
Social Care Support Grant	4.6	4.6	0.0
Additional Social Care Grant Announced	10.7	10.7	0.0
New Homes Bonus	3.9	4.1	0.2
<b>Total movement compared to Draft Budget</b>			<b>1.0</b>

## 11. Budget Proposals

11.1 The Council's Budget proposals as set out within Appendix B. It should be noted that any future spending decisions for 2021-22 and beyond will be a matter for the two new unitary councils and subject to approval by their members.

### Pressures

11.2 The revised pressures and inflation figures for the budget are summarised in the table below.

Directorate	Inflation £m	Budget Pressures £m	Total Growth 2020-21 £m	Change compared to Draft 2020-21 Budget £m
Northamptonshire Adult Social Care	12.3	11.9	24.2	0.8
Children First Northamptonshire	2.6	13.1	15.7	1.0
Corporate Services	0.6	0.9	1.5	0.0
LGSS	0.7	0.0	0.7	0.0
Place Services	3.2	4.8	8.0	0.6
Public Health and Wellbeing	0.0	0.3	0.3	0.0
Technical Finance, Treasury and Insurance; and cross-service	0.0	3.4	3.4	(0.1)
<b>Total</b>	<b>19.4</b>	<b>34.4</b>	<b>53.8</b>	<b>2.3</b>

*Table: Inflation and Pressures by Directorate*

### Savings

11.3 The Council's updated 2020-21 savings requirement totals £22.9m. The following table summarises the savings by Directorate;

	2020-21 £m	Change compared to Draft 2020-21 Budget £m
Northamptonshire Adult Social Care (NASS)	(12.9)	0.0
Children First Northamptonshire	(3.6)	0.4
Public Health and Wellbeing	0.0	0.0
Place Services	(4.2)	(0.2)
Corporate Services	(1.2)	0.2
Technical Finance, Treasury, Insurance and cross-service	0.0	0.0
LGSS	(1.0)	0.0
<b>Total</b>	<b>(22.9)</b>	<b>0.4</b>

*Table: Summary of Savings*

11.4 Appendix B sets out the detailed individual savings proposals, and the changes that have taken place since the draft proposals were published.

## Directorate budgets for 2020-21

11.5 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.

Directorate	Base Gross Budget	Service Pressures & inflation	Savings	Gross Budget	Income - DSG grant	Gross Budget (General Fund)	Transfer to/(from) reserves	Income Generation Proposals	Income - Other Grants	Other Income*	Net Budget
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Northamptonshire Adult Social Care	241.8	24.2	(12.9)	253.1	0.0	253.1	0.0	(1.4)	(43.7)	(41.1)	167.0
Children First Northamptonshire	131.2	15.7	(3.6)	143.4	(5.5)	137.8	0.0	0.0	(8.4)	(1.8)	127.7
Corporate Services	19.1	1.4	(1.2)	19.4	0.0	19.4	0.0	0.6	(0.8)	(5.6)	13.5
LGSS	19.6	0.7	(1.0)	19.4	0.0	19.4	0.0	0.0	(0.2)	(5.3)	14.0
Place Services	131.6	8.0	(4.2)	135.4	(0.3)	135.1	0.0	(1.4)	(16.7)	(24.4)	92.5
Public Health and Wellbeing	36.9	0.3	0.0	37.2	0.0	37.2	0.0	0.0	(36.7)	(0.5)	(0.0)
Technical Finance, Treasury and Insurance	29.2	3.4	0.0	32.5	(1.5)	31.0	2.0	(0.1)	(1.1)	(0.8)	31.1
<b>Total Service Budget</b>	<b>609.3</b>	<b>53.8</b>	<b>(22.9)</b>	<b>640.3</b>	<b>(7.3)</b>	<b>633.0</b>	<b>2.0</b>	<b>(2.3)</b>	<b>(107.5)</b>	<b>(79.5)</b>	<b>445.7</b>
Schools	652.7	0.0	0.0	652.7	(639.8)	12.9	0.0	0.0	(12.5)	(0.4)	0.0
<b>Overall Total</b>	<b>1,262.1</b>	<b>53.8</b>	<b>(22.9)</b>	<b>1,293.0</b>	<b>(647.2)</b>	<b>645.9</b>	<b>2.0</b>	<b>(2.3)</b>	<b>(120.0)</b>	<b>(79.8)</b>	<b>445.7</b>

**Table:** Directorate budgets 2020-21

\*Note 1: Other Income = Fees & Charges, Client Contributions, and Other Contributions.

Note 2: Figures are rounded to nearest £0.1m

## 11.6 Budget Summary

11.7 The 2020-21 budget is summarised in the following table. The 2019-20 budget is shown for comparison.

	2019-20 £m	2020-21 £m
Opening Base Budget (Note 1)	610.9	614.9
Inflation	7.1	19.4
Budget Pressures	41.3	34.4
<b>Savings</b>	<b>(41.4)</b>	<b>(22.9)</b>
<b>Base Budget Requirement (Gross)</b>	<b>617.8</b>	<b>645.9</b>
Transfer to/(from) reserves	0	2.0
<b>Less</b>		
Direct Grants (Note 1)	(121.8)	(120.0)
Income (Note 2)	(77.8)	(79.8)
<b>Income Generation Proposals</b>	<b>(0.5)</b>	<b>(2.3)</b>
<b>Net Budget (General Fund)</b>	<b>417.7</b>	<b>445.7</b>
<b>Funded by</b>		
Social Care Grant	0	(10.7)
Revenue Support Grant	0	(7.9)
Business Rates income	(98.7)	(92.9)
Section 31 grant	(4.1)	(5.6)
New Homes Bonus	(3.9)	(4.1)
Collection Fund deficit/(surplus)	(7.7)	(3.4)
Council Tax to be collected	(303.3)	(321.1)
<b>Total Funding</b>	<b>(417.7)</b>	<b>(445.7)</b>
<b>Remaining Savings Requirement</b>	<b>0.0</b>	<b>(0.0)</b>

**Table:** Total Revenue Expenditure and Funding 2020-21, with 2019-20 comparator figures

Note 1 - Dedicated Schools Grant (DSG) income and corresponding expenditure is not included.

Note 2 - Income includes Fees & Charges, Client Contributions and other contributions.

11.8 Future years beyond 2020-21 are not shown in the above table. The upcoming Local Government Reorganisation will mean that 2020-21 is the last year that the County Council is in existence. Subject to legislation being passed, there will be two new unitary councils from 2021-22 onwards, with a vesting day of 1st April 2021.

11.9 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. Funding

### 12.1 Council Tax

#### Council Tax Referendums

- 12.2 Each year the Government announces through the local government finance settlement the level of Council Tax increase they are minded to allow before the need for a Council Tax referendum. The Spending Review stated that the Council Tax referendum threshold for 2020-21 will be 2% (plus 2% on Adult Social Care precept) and this has subsequently been confirmed in the Settlement. Any increase above these thresholds would be subject to a local referendum before the decision could be taken, incurring a significant cost to carry out the vote.

#### Council Tax 2020-21

- 12.3 The budgeted Council Tax income for 2020-21 is based upon a 3.99% overall increase in Council Tax. (1.99% on 'core' Council Tax, plus 2% Adult Social Care Precept). The Council Tax base has been confirmed by the District and Borough Councils with a headline Band D Council Tax of £1,285.42.
- 12.4 The Council Tax calculations in the Draft Budget were based upon an estimated tax base (the number of Band D equivalent dwellings subject to the Council tax charge) of 250,914. An increase in taxbase of 2.25% compared to 2019-20 had been forecast, based upon trends from recent years. The Borough and District Councils have now formally confirmed the tax base for each district for 2020-21 budget setting purposes. The final tax base is 249,768 Band D equivalent dwellings. This is an increase of 1.8% dwellings, compared to 2019-20; less than the 2.25% increase that had been forecast in the Draft Budget.
- 12.5 The table below details the Council Tax precepts for District and Borough Councils showing the overall total precept for 2020-21 of the budgeted amount of £321.06m collected for Council Tax.

District	Tax Base (Number of Band D equivalent dwellings)	Total 2020-21 Precept £
Corby	20,085	25,817,664
Daventry	32,446	41,706,343
East Northamptonshire	32,320	41,544,779
Kettering	33,060	42,495,990
Northampton	69,376	89,177,668
South Northamptonshire	37,012	47,576,099
Wellingborough	25,469	32,738,366
<b>Total</b>	<b>249,768</b>	<b>321,056,909</b>

#### Collection Fund surplus

- 12.6 Based upon latest information provided by District and Borough Councils, the Council has a forecast surplus on the Council Tax Collection Fund for 2020-21 of £3.4m as set out in the following table. This will be paid to NCC during 2020-21.

District	Collection Fund (surplus)/deficit £
Corby	(764,253)
Daventry	(619,059)
East Northants	(522,222)
Kettering	(562,009)
Northampton	(126,658)
South Northants	(811,467)
Wellingborough	0
<b>Total</b>	<b>(3,405,668)</b>

### Council Tax Rates

- 12.7 The below Council Tax bands have been calculated by taking the current 2019-20 rates and applying the proposed increase of 3.99%.

Council Tax Band	2019-20 Council Tax charge £	Increase to 'core' Council Tax at 1.99% £	Increase to Adult Social Care Precept at 2% £	Total 2020-21 Council tax charge £
A	824.07	16.40	16.48	856.95
B	961.41	19.13	19.23	999.77
C	1,098.76	21.87	21.97	1,142.60
D	1,236.10	24.60	24.72	1,285.42
E	1,510.79	30.07	30.21	1,571.07
F	1,785.48	35.54	35.70	1,856.72
G	2,060.17	41.00	41.20	2,142.37
H	2,472.20	49.20	49.44	2,570.84

### 12.8 Business Rates Retention

- 12.9 All the Councils of Northamptonshire became a Business Rates pilot area for the 75% retention scheme in 2019-20.

- 12.10 The Government published its 2019 Spending Review on 4<sup>th</sup> September 2019, which included a number of announcements in relation to local government funding. The Spending Review was followed by a technical consultation, which closed on 31<sup>st</sup> October. The consultation confirmed that existing Business Rates pilots will finish at the end of the current financial year. This was substantiated by the provisional Finance Settlement. There will be no further pilots in 2020-21.

- 12.11 As NCC is currently in a 75% retention pilot this will finish at the end of the current financial year. This means that the Council will receive Revenue Support Grant in 2020-21 (no RSG was received in 2019-20 as a result of being in the pilot).

- 12.12 As the 75% retention pilot will cease, the Council will revert back to the 50% retention pool with arrangements as per previous years.

### 12.13 **Settlement Funding Assessment and Revenue Support Grant**

- 12.14 As the Council will no longer be part of the Business Rates Retention pilot this will mean that Revenue Support Grant (RSG) will be reinstated in 2020-21. (No RSG was received in 2019-20 as a result of being part of the 75% Business Rates Retention pilot).
- 12.15 The Council's Settlement Funding Assessment of £94.5m for 2020-21 has been confirmed in the settlement. This comprises a baseline funding level of £86.62m and Revenue Support Grant of £7.88m. The Council's baseline funding level has been updated in the settlement to reflect it no longer being part of the 75% Business Rates Retention Pilot, and reverting to 50% retention.
- 12.16 Baseline funding levels will increase in line with the inflationary increase in the September CPI index and the change to the small business non-domestic rating multiplier. This inflationary increase had been forecast to be worth £1.7m following the Spending Review announcement. The settlement confirms it to be £1.6m, £0.1m less than forecast in the draft budget.
- 12.17 Total budgeted Business Rates income to be received in 2020-21 is £98.6m, based on existing provisional data provided by the District and Borough Councils in 2019-20. Final confirmation will be received from the District and Borough Councils on completion of the NNDR1 business rates returns.
- 12.18 The total Business Rates income of £98.6m includes the Business Rates Baseline of £86.62m, within which includes a government top up of £63.3m, as announced in the provisional Local Government Finance Settlement on 20<sup>th</sup> December 2019. The budgeted income also includes forecast growth of £6.2m and forecast Collection Fund surplus of £0.2m. Alongside this anticipated section 31 grants in relation to reliefs granted by District and Borough Councils included total £5.6m.
- 12.19 Section 31 grants are paid to local authorities by the Government to compensate authorities so that they don't lose income as a result of business rate reliefs that have been granted. This includes a Section 31 grant that is payable to compensate authorities for a 2% cap that applied to the business rates multiplier in 2014-15 and 2015-16 and the switch to using Consumer Price Index (CPI) to inflate the multiplier rather than Retail Price Index (RPI) from 2018-19 onwards. There has been a widening gap between CPI and RPI and as a result the Council forecasts to receive an additional £0.57m in this Section 31 grant in 2020-21. This additional income is included in the figures shown above.
- ### 12.20 **New Homes Bonus**
- 12.21 New Homes Bonus (NHB) will continue at £900m nationally in 2020-21.
- 12.22 NCC receives £3.9m of NHB in 2019-20 and the draft budget had assumed that this funding would continue at the same level in 2020-21. The Council's allocation for New Homes Bonus as confirmed by the settlement is £4.1m, which is higher than the amount forecast by £0.2m.

12.23 The settlement states that no legacy payments will be made on the new NHB allocations, but that legacy payments on allocations from earlier years will continue to be made in 2020-21. The effect of this will be to reduce this funding stream in future years from 2021-22 onwards, effectively phasing it out by 2023-24.

#### 12.24 **Social Care Funding**

12.25 The Spending Review announcement in the autumn stated that the existing £2.5bn of social care funding for 2019-20 would continue for 2020-21 at the same level.

12.26 This comprises improved Better Care Fund (iBCF), Winter Pressures Grant and Social Care Support Grant. NCC's allocation of this is £18.24m for iBCF, £2.72m for Winter Pressures and £4.64m for Social Care Support Grant. (The Winter Pressure monies will be rolled in the iBCF for 2020-21, and is no longer ringfenced for alleviating winter pressures). The provisional settlement confirms that the 2020-21 allocations for these will be as per the figures in the Spending Review. So there is no effect on the 2020-21 budget assumptions.

12.27 The original Better Care Fund (BCF) will continue into 2020-21 and the Spending Review consultation stated that the NHS contribution to adult social care will increase by 3.4%. This will provide additional funding estimated at £470k. Further details of the BCF are not included in the provisional settlement and "will be issued in due course."

#### 12.28 **Additional Social Care Grant**

12.29 Additional funding for Social Care was announced in the Spending Review. This is £1.5bn nationally and comprises additional grants of £1bn and £0.5bn through a 2% social care precept on Council Tax.

12.30 The amount of NCC's allocation from the additional £1bn grant was subject to consultation and has now been confirmed in the settlement. Of the £1bn of additional funding, £850m will be allocated using Adult Social Care (ASC) Relative Needs Formula (RNF), with the remaining £150m allocated based on Adult Social Care precept flexibility. NCC's allocation is £10.66m, which is made up as follows:

Authority	Element used to equalise for 2% ASC precept flexibility (£m)	Remaining new funding, using 2013-14 ASC RNF (£m)	Total (£m)
Northamptonshire	1.040	9.623	<b>10.663</b>

#### 12.31 **Future Funding Announcements and Fair Funding Review**

12.32 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. This includes the Public Health grant for 2020-21, confirmation of which is still awaited. Updated collection fund figures for Business Rates are also still awaited from the local District and Borough Councils. The Chancellor will also publish his next Budget on 11<sup>th</sup> March 2020, so any implications on Local Government funding are not yet known.

- 12.33 Members are asked to delegate authority to the Executive Director of Finance to manage any variation in budget as a result of the final confirmation of these outstanding funding streams, in consultation with the Chief Executive, Commissioners and Finance Portfolio Holder. Any changes to the estimates included within the Final Budget will be reported within the in-year monitoring reports and included in the budget planning process for future years.
- 12.34 The Government's settlement offer covered 2020-21 only. The Government's Fair Funding Review is expected to change the way that Local Government funding is allocated from 2021-22 onwards, but the implications of this are not yet known.

### **13. Schools Funding and Dedicated Schools Grant (DSG)**

- 13.1 The DSG is a ring-fenced grant that supports a range of mainly education related services. Over 90% of the DSG funds direct education provision including schools and early education providers. The grant in gross terms is £647 million but this is reduced in year through the Education and Skills Funding Agency (ESFA) DSG recoupment for schools that are academies, which means that Central Government adjust the Council's DSG in order for the ESFA to fund academies directly. In 2020-21 the DSG recoupment is estimated at approximately £413 million, which is 63.8% of the overall DSG grant. Details of the grant and its utilisation in 2019-20 and 2020-21 is contained in Appendix E.
- 13.2 The DSG funds schools and academies through the Schools Block; services to high need pupils including special schools, alternative provision and out of county placements through the High Needs block, and early years settings for 2, 3 and 4 year olds through the Early Years Block.
- 13.3 The DSG funding is allocated to Northamptonshire over the 4 DSG blocks (Schools, Central Schools, High Needs and Early Years) although ESFA regulations do allow some movement between blocks with Schools Forum approval.
- 13.4 The majority of the final DSG funding blocks for 2020-21 were published by the ESFA in December 2019.
- 13.5 There will be revisions to the grant allocations in 2020-21 where high needs import and export adjustment will be updated, and the early years block updated for actual January 2020 early years numbers. Both revisions are expected to be announced by July 2020.
- 13.6 The Council consulted with schools regarding moving up to the allowed maximum of 0.5% between the schools and high needs blocks in 2020-21 to alleviate pressures in high needs.
- 13.7 At the December 2019 meeting, Schools Forum approved a transfer of 0.25% (£1.254m) from schools block to the high needs block and a transfer of £2.26m from the Central Schools Block to the High Needs Block to balance the 2019-20 deficit and to create a reserve for projects to reduce high needs demands and costs.
- 13.8 At the January 2020 Schools Forum meeting a further block transfer of £0.8m was approved from the high needs block to the early years block to continue the inclusion fund contribution as in prior years (£0.8m in 2019-20 and £0.7m in 2018-19)

13.9 High needs demand pressures have continued to increase and the full value of the transfers into the high needs block would be required to balance the 2019-20 position which would leave nothing for the essential high needs projects reserve. In order to progress these projects, the deficit repayment from 2019-20 will be staged so that £1.25m high needs project reserve can go ahead.

13.10 The following table sets out the planned utilisation of DSG funding, following Schools Forum on 21<sup>st</sup> January 2020.

<b>TOTAL DSG UTILISATION</b>	<b>2019-20 (£m)</b>	<b>2020-21 (£m)</b>	<b>Movement (£m)</b>
Central Schools block	6.6	7.4	0.8
Schools Block	471.2	500.5	29.3
Early Years Block	46.7	47.5	0.8
High Needs Block			
High Needs Block - Main	78.0	87.6	9.6
Utilised to fund 2019-20 estimated DSG overspend	0.0	3.1	3.1
Utilised to create High Needs Demand Reduction Project Reserve	0.0	1.3	1.3
Sub Total High Needs Block	78.0	91.9	13.9
Utilised to fund 2018-19 estimated DSG overspend	1.0	0.0	(1.0)
<b>TOTAL</b>	<b>603.4</b>	<b>647.2</b>	<b>43.8</b>

*Table: Utilisation of DSG funding over the 4 DSG blocks*

*Note 1 - This table reflects the movement of £0.8m in 2019-20 contribution from the high needs block to the early years Inclusion Fund. No corresponding move is planned in 2020-21.*

## 14. Reserves

14.1 The Council's level of reserves are 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.

14.2 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.

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

14.4 The current forecast earmarked reserve levels indicate that there will be a total balance carried forward into next year as shown in the following table. (Note this excludes Schools Reserves).

	Opening Balance April 2019	Forecast Transfers to/(from) Reserve 2019-20	Forecast Closing Balance March 2020 to be carried into 2020-21	Budgeted transfers to/(from) reserves 2020-21	Budgeted Reserve Balances 2020-21
	£000	£000	£000	£000	£000
<b>General Fund Balance</b>	<b>20,000</b>	<b>0</b>	<b>20,000</b>	<b>0</b>	<b>20,000</b>
<b>Earmarked Reserves:</b>					
Budget Delivery Reserve	9,262	412	9,674	2,000	11,674
Public Health Reserve	5,540	0	5,540	0	5,540
Insurance reserve	3,513	0	3,513	0	3,513
LGSS reserves	672	0	672	0	672
Service Carry Forwards of Partnership Funding	23	(23)	0	0	0
Other Earmarked reserves	847	(200)	647	0	647
<b>Total Earmarked Reserves</b>	<b>19,857</b>	<b>189</b>	<b>20,046</b>	<b>2,000</b>	<b>22,046</b>
<b>Grand Total – General Fund and Earmarked Reserves</b>	<b>39,857</b>	<b>189</b>	<b>40,046</b>	<b>2,000</b>	<b>42,046</b>

- 14.5 It should be noted that the above table shows the current forecast, but is subject to change. For example, in the case of earmarked reserves which hold ringfenced funds such as the Public Health Reserve, and Service Carry Forwards of Partnership Funding, the closing position will not be known until the end of the 2019-20 financial year. No movement is currently shown on these reserves in the above table. Likewise, the value of the Insurance Reserve will be assessed and adjusted at year end based upon the latest valuation of the Insurance Fund by the actuary.
- 14.6 Further updates on the year end forecast on reserves will be reported through the Council's Monthly Monitoring Reports to Cabinet for the remainder of 2019-20.
- 15. Report on the robustness of the 2019-20 budget estimates and the adequacy of contingencies and reserves. (Local Government Act 2003, Section 25).**
- 15.1 The setting of the budget is a function reserved to Full Council. The Council is required to set a balanced budget each year.
- 15.2 In each financial year the Council must make its budget calculation in accordance with Sections 43-47 of the Local Government Finance Act 1992. In particular the Council must calculate the following:
- The expenditure the authority estimates it will incur in the coming year in performing its functions and will charge to the revenue account for the coming year.
  - An allowance for contingencies that the authority considers appropriate in relation to expenditure to be charged to the revenue account in the coming year.

- The financial reserves that the authority estimates it will be appropriate to raise in the coming year in order to meet its estimated future expenditure.
  - The financial reserves sufficient to meet a revenue account deficit for any earlier financial year that has not already been provided for.
- 15.3 The Cabinet is required to consider the recommendations it wishes to make to Full Council on the calculations set out above. These calculations determine the Council Tax requirement for the year.
- 15.4 The Council is required to set a balanced budget. Once the budget is agreed by Full Council, the Cabinet cannot make any decisions which conflict with that budget, although variations and in-year changes may be made in accordance with the Financial Regulations which have been adopted by the Council.
- 15.5 The Council must then issue its precept before 1<sup>st</sup> March in the financial year preceding that for which it is issued.
- 15.6 When meeting these statutory obligations the Council must have regard to the advice of its Chief Finance Officer appointed under Section 151 of the Local Government Act 1972.
- 15.7 Furthermore, under Section 25 of the Local Government Act 2003 the Chief Financial Officer has a duty to report to the authority on the robustness of the estimates that underpin the calculations required of the Council.
- 15.8 The Section 151 Officer's comments on the robustness of the 2020-21 budget estimates and the adequacy of contingencies and reserves are set out in Appendix K to this report and structured so as to assist Council in making the budget calculations, determining the Council Tax requirement and setting the precept.

## **16. Capital Strategy 2020-21**

- 16.1 The Capital Strategy demonstrates how the Council will make expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. 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 objectives. The Strategy also provides details of the Council's planned future capital programme and capital funding expectations. The Council is due to be dissolved and incorporated into two new unitary councils. Priorities and the programme will be the subject of review once the shadow authorities are in place but the Council must continue to plan and produces plans for review in this interim period.
- 16.2 The Council's Capital Strategy forecasts a Capital Programme of £310m over the four year period, which comprises:

- A Development Pool totalling £256m and the prioritisation of 55 key schemes against the associated funding streams making up the Pool;
- A Discretionary Funding Pot totalling £22m over the plan period relating to the Development Pool schemes coming forward; and
- Potential unringfenced capital receipts of £40m over the plan period. No general capital receipts are assumed as utilised in funding either the current capital programme or development pool. Future decisions will depend on an assessment of optimal reuse of the assets.

16.3 Previous schemes for the Daventry Development Link Road approx. £20m and Castle Station Northampton £5m are subject to funding agreements with the relevant District Councils and will need to be considered in relation to the Council's debt position with the disaggregation work and potential move to unitary authorities.

16.4 The Strategy has been developed with reference to the requirements of the updated Prudential Code and Treasury Code of Practice and is attached at Appendix F.

## **17. Treasury Management Strategy**

17.1 CIPFA has defined treasury management as “the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

17.2 The Council borrows and invests substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

17.3 The Council's Treasury Management Strategy including prudential indicators is attached at Appendix G.

## **18. Future Northants Strategy and Local Government Reorganisation**

18.1 The Future Northants Strategy incorporates the Council's transformational activity and the associated funding streams. This activity is critical to the success of the Future Northants Programme and all existing and new transformation projects within the County Council now form part of the integrated programme, with their governance aligned to the new governance structure to ensure delivery of the council's budget and the effective transition of services to the new unitaries.

18.2 The approach towards delivering the Council's transformational activity is detailed in the Transformation Strategy. This was approved by the full Council meeting on 22<sup>nd</sup> November 2018 and set out the approach, together with the projects and programmes being initiated. The Transformation Strategy is integrated into a single programme, Future Northants with one programme team and governance structure that will deliver transformation and integration of the eight existing local authorities into two unitary authorities by April 2021.

- 18.3 A number of projects that are forecast to deliver savings in 2019-20 have been funded through the 'flexible use of capital receipts', subject to having sufficient capital receipts available. The delivery of these projects and their forecast outcomes are being monitored closely in order to ensure that benefits are realised and that they continue to qualify for funding through this route.
- 18.4 The qualifying criteria set out by the Secretary of State also require that the Council approves an annual Flexible Use of Capital Receipts Strategy, which provides further background of the qualifying criteria, together with a review of the governance and planning process. The Flexible Use of Capital Receipts Strategy is attached at Appendix H and includes details of those projects that have been funded through this mechanism in 2019-20. Additionally, details are provided of those activities proposed to be funded in this way in 2020-21; these details must be disclosed and approved by full Council.
- 18.5 Additional business cases for transformation projects in 2020-21 have been developed and validated through the Future Northants Programme and governance process, with the primary focus on stabilising the Council's financial position.
- 18.6 It is important to note that the transformation project costs are non-recurrent, and for the purposes of this draft 2020-21 budget report, these costs are treated as one-off expenditure funded by one-off capital receipt funding, so the costs are not included in the base budget pressures and budget summary tables.

## **19. Alternative Options Considered**

- 19.1 The approval of this report by Cabinet for submission to Full Council is a required step in the final approval of the 2020-21 budget, Council Tax decision and framework documents.
- 19.2 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 following feedback from the consultation process and internal budget delivery assessments.

## **20. Equality Screening**

- 20.1 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.
- 20.2 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

20.3 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.

20.4 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:

<https://www3.northamptonshire.gov.uk/councilservices/council-and-democracy/equalities/equality-impact-assessments-eqias/Pages/budget-proposal-eqias-2020-to-2021.aspx>

20.5 Assessments have not been undertaken for budget proposals affecting future revenue beyond 2020-21 as these will be completed at a later date as part of the proposal development. Each EqIA has been reviewed and an overview of the budget proposals for 2020-21 is attached at Appendix J 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.

20.6 The Council acknowledges that, in this financial climate and faced with difficult decisions, some savings and income generation proposals within this budget may have a negative impact upon groups with protected characteristics. Feedback from the consultation has been used to inform the final proposals, and to identify where mitigating actions may need to be taken to minimise the impact upon customers where possible. It is important that Members are aware of the potential impacts (having read the individual equality impact assessments and the cumulative impact assessment at Appendix J), 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.

20.7 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 J highlights proposals which have been assessed as likely to have an impact on service users, whether that is positive, negative, neutral or whether the potential

impacts are unsure and more work is required. The following proposals may have a negative impact on service users and may, if implemented, require mitigating actions or further work to explore the implications as the proposals develop more fully:

<b>Proposal Ref</b>	<b>Title</b>	<b>Business Unit</b>	<b>Brief description</b>
19-001-04	Reviewing catering facilities at day services	NASS	Review of catering provision and options for in-house day services.
19-001-05	Care Home review	NASS	Review of Evelyn Wright care home viability and building investment and alternatives to meet need more effectively in the area.
19-001-16	Fair Contributions Policy (Disability Related Expenditure element)	NASS	Proposal to revise the allowances of a number of client cohorts in line with national and local levels.
19-001-16	Fair Contributions Policy (Older People's Standard Income Disregard element)	NASS	Proposal to revise the allowances of a number of client cohorts in line with national and local levels.
19-002-03	Disabled Childrens review	CFN	Ensuring that children's health needs are funded through the NHS Continuing Care for Childrens framework where appropriate. Working with Health on a case by case basis and agree a funding formula to help manage and forecast costs.
19-002-12	Transport Optimisation	CFN	Review of transport requirements to reduce costs through most efficient use of service.
18-006-10	Targeted delivery of roads maintenance	Place	Optimised route planning utilising improved decision-making on when to carry out gritting activity. Detailed consultation to be held with borough, district, town and parish councils in respect of any future planned changes to existing routes.
19-006-07	Economic Development	Place	Reduce operational budget and cease Local Area Assessment, reduced project delivery to support economic growth, business skills and job creation. Part mitigated through increased collaborative activity with partners.

## **21. Financial Implications**

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

## **22. Risk and Business Continuity Management**

22.1 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 2020 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 2020-21 budget.

22.2 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
Unforeseen demand/volatility particularly in social care and other demand led services.	Robust financial management and monitoring of demand via the Budget Tracker	Amber
The Council is unable to deliver a balanced outturn position for 2019-20.	The latest financial outturn as at period 9 is an underspend of £29k, with a balanced outturn position expected.	Green
The Council is unable to deliver its budgeted savings proposals for 2020-21	Proposals have been scrutinised and stress tested through a series of robustness workshops. Proposals have been risk assessed.	Amber

b) Risk(s) associated with not undertaking the proposal. The Council will not be in position to set a balanced budget, manage the impact of reduced funding and increased demand on services and fund its Council Plan sufficiently.

## 23. List of Appendices

Appendix A – Budget Summary

Appendix B – Budget Proposals listing

Appendix C – Fees and Charges schedule

Appendix D – Budget Changes Summary

Appendix E – Dedicated Schools Grant

Appendix F – Capital Strategy

Appendix G – Treasury Strategy

Appendix H – Flexible Use of Capital Receipts Strategy

Appendix I – Consultation Feedback Summary

Appendix J – EqIA Impact

Appendix K – Section 25 Report

Appendix L – Cabinet responses to Scrutiny recommendations

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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	Yes – Full Council 20 February 2020.
Does the report include delegated decisions? If so, please outline the timetable here	YES – see recommendations for delegated authority regarding funding 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: Barry Scarr
Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Cllr Longley
Has the relevant scrutiny committee been consulted?	Overview & Scrutiny Committee have reviewed the draft budget proposals.
Has the report been cleared by Legal Services?	YES Name of solicitor: Debbie Carter-Hughes
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Liam Beasley
Have any property Issues been cleared by Property and Asset Management?	N/A
Procurement/Contractual Implications: •	N/A
Are there any community safety implications?	NO
<i>Are there any environmental implications:</i>	NO
Are there any Health and Safety Implications:	NO
Are there any Human Resources Implications:	YES
Are there any human rights implications:	NO
Constituency Interest:	All