



COMMITTEE NAME: CABINET

19 DECEMBER 2017

DIRECTOR OF FINANCE: MARK MCLAUGHLIN

**CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE: COUNCILLOR
ROBIN BROWN**

Subject:	Draft Budget 2018-19 and Medium Term Planning and Funding position to 2021-22
Recommendations:	<p>That Cabinet:</p> <ul style="list-style-type: none">a) approves the Draft Budget for consultation which sets:<ul style="list-style-type: none">i. a net revenue budget of £435.54mii. a Council Tax requirement of £292.86miii. a Band D Council Tax increase of 4.98%, including Social Care Precept of 3.00% taking Band D Council Tax from £1,166.59 to £1,224.69b) approves the draft Budget Summary 2018-19 to 2021-22 at Appendix Ac) approves the planned utilisation of the Dedicated Schools Grant (DSG) for 2018-19 at Appendix B pending the final DSG settlementd) notes the Fees and Charges Policy Appendix Ce) approves the Fees and Charges at Appendix D and detailed schedule at Appendix Ef) notes the Reserve Policy at Appendix Fg) notes the Reserve Summary Statement at Appendix Gh) approves the budget proposals underpinning the MTP revenue budgets for 2018-19 set out at Appendix Hi) approves the Capital Strategy at Appendix Ij) approves the Strategy for the County Property Estate 2018-19 at Appendix Jk) approves the Treasury Management Strategy Statement at Appendix Kl) approves the flexible use of capital receipts as set out in section 9.4

1. Purpose of report

1.1 This report sets out the 2018-19 Draft Budget and associated Medium Term Plan (MTP) for Northamptonshire County Council (NCC). The Draft Budget and MTP are based on the latest information currently available, as a starting point for the

budget consultation process leading to approval by Full Council on 22nd February 2018. The Full Council meeting will also approve the associated Council Tax level and precepts for 2018-19.

1.2 In accordance with the Council's Constitution, Cabinet agrees the Draft Budget proposals for review by Scrutiny and the general public during the consultation period. The outcomes of both the Scrutiny review and consultation will inform the Cabinet's recommendations on the budget and Council Tax precepts for 2018-19, together with the other budget framework documents included within the appendices of this report, to the Full Council meeting on 22nd February 2018.

2. How this decision contributes to the Council plan

2.1 The Council's vision is to make Northamptonshire a great place to grow up, live, work and grow old. This is achieved through increasing the wellbeing of our 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 gives 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. Background and context

3.1 The draft budget report marks the start of the formal process to ensure the County Council has a robust financial plan to support service delivery for the year 2018-19. The longer term view for the future vision and direction of the Council is set out in the Council Plan, with the resources necessary to enact the plans supported by the draft Medium Term Plan. Taken together these key strategic and operational documents ensure that the Council is able to set a budget that is affordable and deliverable.

3.2 For a number of years the operating context of the County Council has been extremely challenging. In many ways, the operating environment could now be described as extremely difficult. The combination of the local population growing 1.5% faster than the national average, increasingly complex and costly care provision and service demand set alongside reducing government funding, and

economic uncertainty have meant continued savings and efficiency proposals totalling £376m have been required from 2010-11 to 2017-18.

- 3.3 Despite these ongoing financial pressures NCC has delivered services within its budget envelope year on year. However 2017-18 is proving that this may no longer be possible.
- 3.4 To illustrate, the number of children that the Council cares for has increased by over 200 over the last three years. The Council is caring for more unaccompanied asylum seeking children than it receives funding for. Referrals into Children's Social Care are high when compared to similar authorities with over 40% of assessments resulting in no further action. The reasons for over-referral appear complex, often relating to stress in families.
- 3.5 The Council has seen the costs of adult social care rising, despite putting effective front door and demand management processes in place. Costs are driven by the increasingly complex needs of service users and by the fragile care market. To demonstrate the effect on the Council's budgets, the average weekly cost of supporting those over the age of 85 has increased by over 25% in three years. As people are living longer, the Council is expecting the number of over 65s to have increased by 28% by 2024 and therefore demand for care in both the state and private care markets will be high.
- 3.6 The health and care economy within the county is highly pressurised. There have been numerous occasions where the county's acute hospitals have been on 'black alert', meaning limited admissions and cancellation of non-emergency scheduled procedures to ensure enough capacity for emergency and urgent care. All local areas are now mandated to reduce the delays in transfer of care from hospital to social care to a nationally prescribed level, with the threat of withdrawal or reduction to the Improved Better Care Fund if the Council does not deliver to these targets. In many ways, the Council carries a risk of penalty in an area of highest need.
- 3.7 The County Council has maximised the use of financial flexibilities it can control such as use of capital through in-year receipts and drawing on its cash reserves to deliver to budget. However, these mitigations are one-off contingencies which are not sustainable options. Despite having one of the lowest Council Tax rates for a County Council in England, there are currently legislative restrictions on the Council's ability to raise income through local taxation in the form of Council Tax. Any increase above 2% would require approval through a local referendum. In the 2015 Autumn Statement, the Chancellor announced the ability for local authorities to raise an Adult Social Care Council Tax precept. This allowed authorities to raise Council Tax by an additional 3% in 2017-18 and 2018-19 over and above the referendum threshold, with the additional income generated being used to support Adult Social Care Services.
- 3.8 The County Council launched a campaign this year calling for Fair Funding. Counties in general receive the least funding per head compared to London Boroughs and metropolitan areas. In terms of public services funding as a county and a County Council, NCC are at both levels amongst the least funded in England. The Council must also ensure that its services reach to highly rural

areas, where efficiency and productivity are compromised compared to densely populated cities and large towns.

- 3.9 The Council's responsibility for social care means that provision must be maintained at adequate levels to safeguard the most vulnerable in the community. To meet these duties, the Council has had to review all areas of discretionary provision and levels of service in other statutory areas to ensure that it continues to protect vulnerable people.
- 3.10 In areas such as road maintenance, the Council continues to work hard to repair potholes, with over 40,000 repairs conducted each year. Traffic growth is continuing, as Northamptonshire is a rural county where car ownership is high and roads are vital to get people to work and to local services. The Council expects traffic volume to increase by around 30% by 2030. However with increased use comes increased wear and damage to the highway, so managing the demand for repair service within a pressurised budget becomes harder.
- 3.11 Therefore the Council now has to take action to change the scope, scale and way it delivers local services, presenting budget proposals for consideration that maximise the support of frontline services but also recognise the need to optimise the service levels the Council can deliver from the resources available. Delivery to budget will be crucial in addressing the challenging pressures that the Council is experiencing, and the Council's approach and new vision for service delivery and outcome delivery is set out in a new Council Plan for 2018-2022.

Council Plan 2018-2020

- 3.12 At a time when the whole public sector finds itself under unprecedented pressure to meet more complex needs with ever-reducing budgets, NCC is taking the opportunity to review and refresh its vision and purpose, in order to place itself in a position where it can not only deliver for the residents of the county, but also be financially sustainable.
- 3.13 The 2018-19 Council Plan will set out NCC's short and medium-term vision, its values and its role in not only managing the difficult financial situation the county faces, but in ensuring that Northamptonshire will grow and thrive. The Council wants to reconsider its role in the county, its relationship with residents, partner agencies and Central Government and it wants to do so in a way which encourages residents to take ownership of their own lives and of their communities, and shape services with the County Council when they need its support.
- 3.14 The Council is not here to deliver or commission all services, but to work with residents and partner agencies to facilitate the achievement of its vision statement: Making Northamptonshire a great place to grow up, live, learn, work and grow old. However, the reality in which the Council operates means that it is here to meet its statutory responsibilities within the budget envelope set by the Government. It is therefore important that the Council makes it clear what its duties are, what it can and can't do for the people of Northamptonshire and what

it is that residents and communities can do themselves with the right support if they need it.

3.15 Business Plans will be produced for each Directorate and presented as part of the Final Budget for February 2018.

4. Financial Background and Context

October 2017 update to Medium Term Plan

4.1 The existing Medium Term Plan was approved by Full Council in February 2017. Having recognised the increasing demand pressures being faced, the Council undertook a review of its MTP, the results of which were presented in a report to Cabinet on 19th October 2017. This entailed a thorough review of all of the financial judgements and assumptions within the MTP, and additional service pressures which have emerged since February. These were incorporated into the overall financial position to establish the Council's medium term financial position.

4.2 A list of budget proposals were presented within the October report, totalling £9.6m in 2018-19. A consultation process subsequently began in respect of these proposals and an update on this is shown in section 12 of this report.

4.3 The Council makes no prejudgements about the outcome of this consultation process, and the final decision on the proposals within the October report will be made once the consultation has concluded and due consideration has been given to the findings. For the purposes of preparing the MTP, the figures used in relation to these proposals are as shown in the October report. However if upon conclusion of the consultation there are any changes made to any of these proposals then the effect of this upon the overall MTP position will be updated for the final budget paper in February 2018.

	2018-19 £k	2019-20 £k	2020-21 £k
MTP Gap	37,269	28,578	16,877
Budget proposals within October Cabinet report	-9,565	-839	-486
Revised MTP Gap as at October 2017	27,704	27,739	16,391

Table 1: Revised MTP position as at October 2017.

5. Resources

5.1 The Council-wide approach to ensuring there is a robust Budget set for 2018-19, was to continue with a 'zero-based budgeting' financial review of all planned service provision. The financial planning approach has considered the prioritised service outcomes that the Council must deliver to meet its statutory responsibilities within 2018-19, using the latest available financial and performance management information, to ensure that the optimum level of resources are set for each service area.

5.2 A series of 'star chamber' meetings have taken place between Cabinet members, Directors and Assistant Directors, supported by Finance and HR. During these meetings, detailed discussions were undertaken in respect of each Directorate, including a line by line review of all areas of the budget.

Consideration was also given to the demography and cost pressures within each area, as well as the funding and resources available.

- 5.3 Where the required budget fell short of existing resources, the gap has been mitigated through the introduction of service-specific proposals. See Appendix H.
- 5.4 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.

5.5 Funding Announcements

- 5.5.1 On 22nd November 2017 the Chancellor of the Exchequer announced the Autumn Budget 2017 which outlined the overall fiscal outlook.
- 5.5.2 The following section considers those areas that will immediately have an impact on the medium term planning with assumptions discussed later within the report. Full details of the announcement can be found here:
<https://www.gov.uk/government/topical-events/autumn-budget-2017>
- 5.5.3 Further to this, it is anticipated that the Local Government Finance Settlement will be issued before Christmas. However the lack of certainty makes it extremely difficult to issue a report with the most up to date information. The finance team will be working through the detailed implications when the Local Government Finance Settlement is announced. Consequently, any financial impact and changes required will be incorporated into the Final Budget Report in February 2018.

Chancellor's Budget Announcement
- 5.5.4 In summary, there were no significant changes announced in the plans for departmental expenditure or Local Government in particular. Overall Government spending is forecast to be £3.1bn lower than reported in the Spring Budget 2017.
- 5.5.5 The National Living wage will increase from £7.50 to £7.83 per hour from April 2018.
- 5.5.6 Borrowing is forecast to be £49.9bn this year, £8.4bn lower than forecast in the Spring budget 2017. Borrowing is estimated to fall to £32.8bn by 2020-21, an increase of £12.2bn from the position reported in the Spring Budget 2017.
- 5.5.7 The Chancellor acknowledged that negotiations on the United Kingdom's future relationship with the EU were at a critical phase, and set aside an additional £3bn over the next two years for Brexit preparations.
- 5.5.8 Economic and fiscal forecasts provided by the Office for Budget Responsibility (OBR), show slowing growth compared to previous forecasts. Growth forecasts have been reduced to 1.5% in 2017, with forecast growth of 1.4% in 2018, 1.3% in 2019, 1.3% in 2020, 1.5% in 2021 and 1.6% in 2022.

5.5.9 Inflation is expected to peak at around 3% in this quarter, before falling back towards the target level of 2% for CPI in the next year.

5.5.10 Several announcements were made in respect of Business Rates:

- The planned switch from Retail Price Index (RPI) to Consumer Price Index (CPI) in setting the multiplier will be brought forward to April 2018. The new multiplier will be used in the provisional local government finance settlement to recalculate authorities' top-ups and tariffs.
- The Government announced it will reinstate the previous Valuation Office Agency (VOA) practice for valuing multi-occupancy buildings (often referred to as the 'Staircase tax' or the 'Mazars Case'). Any affected business will be able to ask the VOA to recalculate their valuations based upon the previous practice backdated to April 2010.
- The £1,000 discount for pubs with a rateable value of less than £100k will be extended for a further year to March 2019.
- The next business rate revaluation will be in 2022. After that revaluations will take place every 3 years.

5.5.11 The Government's Charter for Budget Responsibility contains the following provisions:

- The public finances should be returned to balance as early as possible in the next Parliament, and, in the interim, cyclically-adjusted borrowing should be below 2% by 2020-21.
- Public sector net debt as a share of GDP must be falling by 2020-21.
- Welfare spending must be within a cap, set by the government and monitored by the OBR.

5.5.12 The Government made announcements in relation to the Cambridge to Oxford corridor, with a commitment to build up to 1m homes by 2050, along with road and rail infrastructure.

5.5.13 A large focus within the Autumn Budget was investment in infrastructure and housing. The three elements which may help enable the Council deliver its ambitions in relation to infrastructure and for which the outcome/impact for Northamptonshire are currently unknown are:

- Increased investment in the National Productivity Investment Fund (NPIF), from £23bn to £31bn. The focus around this is for Innovation and Infrastructure with allocations covering Housing, Transport, Digital Communications and Research & Development. The detail on how much of an opportunity this may be for the Council is currently unknown, with detail on allocations or the bidding process expected to follow.
- The government announced it will lend local authorities up to £1bn at a discounted interest rate to support infrastructure projects. Details of the bidding process for local authorities will be published in December 2017.

- An additional investment of £45m nationally in 2017-18 to tackle potholes.

6. Medium Term Plan - Revenue

6.1.1 The Council accepted the Government's four year settlement offer for 2016-17 to 2019-20, as although this still meant significant funding reductions, it provided assurances over funding levels that would not have been available if the multi-year settlement was not accepted. The funding makes assumptions for both the Revenue Support Grant and Business Rates baseline.

6.1.2 Appendix A sets out the four year expenditure forecasts together with the total funding due for the period 2018-19 to 2021-22, and takes account of investment required to meet any structural deficit following the outcome of a 'Zero Based Approach' to budget setting.

6.1.3 The Table below provides details of the changes in funding over medium term in addition to the unavoidable pressures.

	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	Total £m
Changes in Government funding	10.0	17.2	(0.1)	0.0	27.0
Changes to Other Grants & Income	(0.4)	(28.2)	0.0	0.0	(28.6)
Flexible Use of Capital Receipts	(12.3)	29.5	0.0	0.0	17.2
Transfer to and from Reserves	(3.0)	(1.7)	0.0	0.0	(4.7)
Changes in Local Funding	(19.7)	5.9	(11.7)	(9.5)	(34.9)
Total Reduction / (Increase) in Funding	(25.4)	22.7	(11.8)	(9.5)	(24.0)
Unavoidable Pressures	59.7	25.4	22.2	22.2	129.5
Total Savings Required	34.3	48.0	10.5	12.7	105.5

Table 2: Summary changes in funding

6.1.4 To provide further explanation of the table above the following sections outline changes to the assumptions on:

- Government Funding and Other Grants
- Council Tax
- Key Spending.

6.1.5 The impacts on the MTP are then summarised, identifying the Council's savings requirement in order to balance the MTP for 2018-19 and beyond.

6.2 Government Funding

Dedicated Schools Grant

6.2.1 Information on the Dedicated Schools Grant (DSG) is contained in Appendix B. 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 £572 million but this is reduced in year through the Education Funding Agency (EFA) DSG recoupment for schools that are academies, which means that Central Government adjust the Council's DSG in order for the EFA to fund

academies directly. In 2018-19 the DSG recoupment is estimated at approximately £360 million, which is 63% of the overall DSG grant.

Improved Better Care Fund (IBCF)

- 6.2.2 This statutory requirement for Adults Social Care funding created two separate streams of IBCF income. The first formed part of the spending review 2013 which allocated additional funds totalling £7.6m in 2018-19 and £14.4m for 2019-20 sourced from the New Homes Bonus income.
- 6.2.3 This was supplemented with further IBCF funding as part of the Spring 2017 budget that offered an additional £11.5m funding in 2017-18 (with £7.7m 2018-19 and £3.8m in 2019-20) in order to meet three key requirements:
- Ensure market sustainability in the social care market;
 - To help meet Adults Social Care demand and care pressures, and
 - To improve the social care interface with Health and specifically to improve performance related to Delayed Transfers of Care (DTOCs) for social care which occur when residents are awaiting discharge from hospital but the required social care is not in place to support that discharge.
- 6.2.4 This funding was in addition to the existing Better Care Fund which aims to recognise the significant continued pressures nationally, both within local authorities and the healthcare system and already provides £14m for out of hospital services provided by Adults Social Care.
- 6.2.5 This means that the Council’s total IBCF additional income to meet care pressures, manage market sustainability and address the DTOC challenges is now as follows:

	2017-18 £m	2018-19 £m	2019-20 £m
February 17 Budget	11.5	7.7	3.8
2013 Spending Review (new homes bonus)	0.1	7.6	14.4
	11.6	15.3	18.2

Table 3: Summary of IBCF funding

- 6.2.6 However, there are clear performance requirements that need to be met around ‘delayed transfer of care’ with regular reporting to DCLG on a quarterly basis.
- 6.2.7 The MTP has included this funding and reflected the anticipated reductions to £7.7m in 2018-19, £3.8m in 2019-20.

Funding Risks - IBCF

- 6.2.8 The existing demand on the Adults Care system and rising number of admissions to hospital (especially for the over 75s) has led to continued challenges in reducing delayed transfer of care in Northamptonshire which remains a national poor performer. This is driven not only by high admissions

but also by limited capacity in home care, residential care and nursing care to take those ready to be discharged. This presents a significant risk for the IBCF grant funding in future years. If this cannot be recovered, the funding assumptions of £7.7m in 2018-19 will need to be revisited and reduced accordingly. Currently this risk amounts to £5m but will not be fully known until the final review in March 2018.

General Fund Resources

- 6.2.9 The Council is forecasting to receive £22.49m in Revenue Support Grant (RSG) in 2018-19. This is a 36% cut in the £35.5m of funding received in 2017-18. The underlying data for the determination of RSG is based upon 2012 population figures. This was part of the consequence of moving to the Business Rates Retention Scheme. However, this causes significant financial pressures for an area of rapid growth such as Northamptonshire, particularly as the Business Rates Retention Scheme includes a levy to prevent authorities benefiting from 'disproportionate growth'.
- 6.2.10 The Council estimates that it will retain £93.1m of Business Rates collected during 2018-19. Of this amount £88.7m is the Council's Baseline Funding Level, and the remaining £4.4m represents the estimated retained amount of funding since 2013-14 resulting from business rates growth (net of levy). This compares with £90.1m that the Council forecast it would receive in 2017-18.
- 6.2.11 The 2016-17 local government finance settlement gave local authorities the opportunity for far greater certainty over their future funding through the acceptance of a multi-year (four year) settlement offer. This settlement was accepted by NCC, giving some certainty to the level of government funding to be received by the Council over the four year period to 2019-20. The Government will provide individual local authority funding allocations in December 2017 as part of the Provisional Financial Settlement, which will then be confirmed in February 2018.
- 6.2.12 Public Health Grant is ring-fenced grant funding given to deliver Public Health and Health and Wellbeing outcomes. The final settlement published in February 2017 reported £34.8m available for 2018-19 which includes a reduction of £928k compared with the allocation for 2017-18. The MTP assumes the 2019-20 allocation further reduces to £33.9m and is held at this level for future years until 2021-22 awaiting further clarification on the impact of local government funding changes in 2019-20. Full details of the services commissioned to deliver public health outcomes for Northamptonshire during 2018-19 will form part of the papers prepared for the Final Budget in February 2018.

6.3 Council Tax

- 6.3.1 The budgeted Council Tax income for 2018-19 totals £292.86m. This is based upon a 4.98% overall increase in Council Tax, including the continuation of the 3% Social Care Precept which has been applied in accordance with the recommended level announced within the Spending Revenue 2015. The estimated Council Tax base has been provided by

Districts and Borough Councils with a headline Band D Council Tax of £1,224.69 which will be finalised and confirmed within the Final Budget report in February 2018.

6.3.2 The precepts calculated for each Borough and District based on an average band D rate of £1,224.69 are set out below;

District	Tax Base (Number of Band D equivalent dwellings)	Core Precept (£k)	Adults Social Care Precept (£k) <i>Note 1</i>	Total Precept (£k)
Corby	19,070	21,644	1,711	23,355
Daventry	30,500	34,617	2,736	37,353
East Northamptonshire	31,348	35,579	2,812	38,392
Kettering	31,859	36,159	2,858	39,017
Northampton	66,781	75,795	5,991	81,786
South Northamptonshire	35,077	39,811	3,147	42,958
Wellingborough	24,492	27,798	2,197	29,995
Total	239,127	271,403	21,453	292,856

Table 4: Council Tax. Tax Base and Precept figures 2018-19.

Note 1 – Adult Social Care precept figures stated are cumulative.

6.4 Council Tax Referendums

6.4.1 As set out in the Department of Communities and Local Government (DCLG) report 'The Referendums relating to Council Tax Increases (Principles) (England) Report 2017-18' each billing authority and precepting authority must determine whether its total amount of Council Tax is excessive - where excessive is defined as the total amount of Council Tax (including 3% Adults Social Care Precept) being 5% or greater.

6.4.2 The 2018-19 Local Government Finance Settlement technical consultation paper proposes the continuation of the above principles in relation to Council Tax Referendums.

6.4.3 The MTP assumes a 1.98% increase from 2019-20 with no further increase to the Adult Social Care precept in 2019-20.

6.4.4 It should be noted that an additional 1% increase in Council Tax would generate an estimated £2.7m in additional funding for the Council.

6.5 Key Assumptions – Revenue

6.5.1 To summarise, the following assumptions have been made whilst determining the resources available for 2018-19:

- An increase of 4,795 in the number of Band D equivalent properties. This is based upon current projections and tax base information.

- RSG funding to be as per the indicative four-year settlement issued by the Government in 2015, and retained Business Rates from local estimates.
- Education Services Grant (ESG) has been phased out in recent years, and is assumed to stop altogether in 2018-19.
- A 4.98% increase in Council Tax (including 3.00% Social Care precept), with Northamptonshire County Council precept £1,224.69 for a Band D property.
- Public Health grant assumed to reduce by £928k to £34.8m in line with announcements by the Department of Health.

	£m
Central Government Grants	(21.5)
Revenue Support Grant	(22.5)
Retained Business Rates	(93.1)
Council Tax	(292.9)
Council Tax Collection Fund	(5.6)
Total Budget Funding	(435.5)

Table 5: Summary of forecast revenue resources 2018-19.

6.6 Fees and Charges Income

- 6.6.1 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 shown within Appendix C.
- 6.6.2 A summary of the main changes to charges is given within Appendix D and the detailed schedule reflecting the draft charges is contained within Appendix E.
- 6.6.3 There is a budget proposal for Fees and Charges Policy (proposal ref 15-004-19c/d) to maximise income generation including fees and charges. This is included within the list of budget proposals in Appendix H.

6.7 Revenue Budget Pressure and Outturn 2017-18

- 6.7.1 The significant financial challenges faced during 2017-18 have been raised through the Quarterly Financial Report with an existing forecast overspend totalling £11.9m which was reported to Cabinet in October 2017 with details of interventions to mitigate the pressures within Adults and Children's Services in particular.
- 6.7.2 In the possible circumstance that the 2017-18 budget is not fully delivered, any overspend will be met by utilising a draw down from the General Fund balance. Additional proposals and mitigating actions would then be required in 2018-19 to replenish the General Fund to the agreed policy level.
- 6.7.3 At this stage of the financial year the Council is managing significant risk with all its demand-led statutory services, but this is especially acute within Adult

Social Care, where there is not only financial risk as a result of potential winter pressures on the provision of care, but also the impact of the Council's duty to address any shortfalls in fees to providers related to sleep-in rates (with the potential for backdated liabilities) following a recent national tribunal, to ensure that all providers are funded to meet National Minimum wages and to address any liabilities for sleep-in rates for the Councils.

6.7.4 These risks are real and significant and are being carefully monitored as rate reviews are enacted and service fees rise as the regulations are implemented. Any increases in financial exposure for the Council as a result of these reviews that have an impact on 2018-19 expenditure will be accounted for in the ongoing in-year forecasts presented to Cabinet on a quarterly basis and next year's budget requirement set out in the final 2018-19 budget.

6.8 Reserves

6.8.1 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. (See Appendix F).

6.8.2 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.

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

6.8.4 The current forecast earmarked reserve levels indicate that there will be a total balance carried forward into next year in the region of £28.8m which includes Specific Schools Reserves of £24.0m. Full details are shown within Appendix G (excluding Schools).

6.8.5 Whilst the Council is aiming to maintain these reserve levels, the delivery of 2017-18 is likely to have an impact, which will need to be replenished in 2018-19. In-year forecasts on the delivery of 2017-18 will be reported to Cabinet on a quarterly basis, and any potential impact on 2018-19 will be factored into the final budget for February 2018.

6.9 Unavoidable Pressures

6.9.1 In addition to reduced Government funding, 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 plans. These continue to be reviewed and are detailed within Appendix H.

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

Key Assumptions on Inflationary and Service Pressures

6.9.3 Inflation adds a huge pressure to the County Council's spending. These assumptions have been, and will continue to be, subject to an in depth review. The current assumptions are as follows:

- Pay inflation – Negotiated locally, with an assumption of 1%. However the local government National Employers have offered a 2% increase. If this were to be followed in Northamptonshire it would add further pressure;
- National Living Wage – based on national figures and third party intelligence through contract negotiations;
- Adults sleep-in/national living wage – based on Government guidance and current position regarding national tribunals there is a potential pressure to align rates to national guidance subject to qualification and review across the provider base.
- Apprenticeship Levy – estimate based on 0.5% of the total salary budget for NCC funded services;
- Pensions – percentage increases in the employer's contribution based on triennial valuation of the Pension Fund (2017-18 to 2019-20);
- Contract inflation – based on current analysis of existing contract inflation;
- Utilities inflation – based on prices already negotiated by procurement;
- Private Finance Initiatives (PFI) and Public Private Partnerships (PPP) inflation – based on contract agreements;
- Waste management inflation – based on price per tonne; and
- Other local demand and spending pressures including the impact of demography.

6.9.4 In addition to a review of the assumptions behind spending pressures there were 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 and anticipated levels of demand based on 2017-18 liabilities and emerging pressures.

6.9.5 The draft budget considers the significant additional demand for Council services and budget delivery shortfall anticipated in 2017-18, and corrects the 2018-19 base budget position. This corrects the structural budget deficit and

ensures that the opening 2018-19 base budget is accurate based upon the latest 2017-18 forecasts.

6.10 Business Planning - Key Spending Assumptions

6.10.1 The impact of these pressures over the four years of the MTP in the context of the whole budget are shown in Appendix A and summarised below in Table 6. This clearly demonstrates the areas where the Council is facing the unavoidable spending pressures of £129.5m over the next four years, which can only be met with savings and from increase in the Council Tax.

	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m	Total £m
Inflation	11.3	12.8	13.2	12.7	50.0
Other Service Pressures	48.5	12.5	9.1	9.5	79.6
Total 2018-22 MTP	59.7	25.4	22.2	22.2	129.5

Table 6: Summary of Pressures

6.11 Savings

6.11.1 The Council's 2018-19 savings requirement totals £34.3m. The table below summarises the savings by Directorate and Federated Vehicles at the draft budget stage;

	2018-19 £m
People - Adults Social Care	(12.3)
People - Children, Families and Education	(6.3)
People - Public Health and Wellbeing	(0.6)
Place Services	(5.8)
Service MTP Savings	(25.0)
Chief Executive Services	(3.9)
Corporate Functions	(3.1)
LGSS Managed	(0.4)
LGSS operational	(2.0)
Total NCC Group	(34.3)

Table 7: Summary of Savings

6.11.2 The below table sets out how these savings will be delivered;

Savings Type	2018-19 £m
Efficiency	(18.0)
Income Generation	(2.8)
Service Transformation	(9.6)
Service Reductions	(3.9)
Total	(34.3)

Table 8: Summary of Savings by type

6.11.3 In summary, the 2018-19 draft budget proposes £34.3m of savings through service reductions which will fundamentally change the way the Council delivers its services. Appendix H sets out the individual savings proposals.

6.12 Financial Strategy

6.12.1 Since 2010 a combination of government funding reductions and significant demand for services has resulted in the Council having to identify savings in order to balance its budget each year. Savings totalling £376m were identified across the period 2010-11 to 2017-18. The Council's strategic approach to delivering savings is shown in the diagram below;



6.12.2 The continuation of austerity potentially beyond 2021, and above average population growth and demand for Council statutory services, means that over the next four years the Council will need to deliver a further £105m of savings, a total of £481m since 2010.

6.12.3 As each year passes, the cumulative nature of the Council's significant savings programme, means that it has been increasingly difficult to identify areas of the Council that can be delivered more efficiently; and as such the 2018-19 budget proposals mainly focus on service reduction on the limited amount of discretionary services still provided, and asset sales utilised through the Governments Flexible Use of Capital Receipts policy.

6.12.4 The 2018-19 Budget will result in the Council only delivering core statutory services, and as such, this provides the Council very limited scope to address its forecast medium-term funding shortfall structured in its current form. Although the Council constantly seeks value for money in all of its business decision making and transformation agenda, only significant local government re-organisation, moving to a Unitary status, would provide the opportunity to reduce its costs significantly over the coming years. Therefore at this stage the Council is facing a funding gap of £69.2m between 2019-20 and 2021-22 without possessing the ability to address this.

6.13 Budget Summary for 2018-19

6.13.1 Table 9 below provides an overall summary of the Directorate resource allocations with total growth and savings included.

Directorate	Base £m	Service Pressures £m	Savings £m	Gross Budget £m	Income £m	Net Budget £m
People						
Adults Social Care	213.1	30.7	(12.3)	231.6	(51.6)	180.0
Children, Families and Education	153.2	12.9	(6.3)	159.9	(19.5)	140.4
Public Health and Wellbeing	51.1	0.1	(0.6)	50.6	(45.9)	4.7
Total People Services	417.4	43.7	(19.1)	442.0	(117.0)	325.0
Place Services	119.6	9.6	(5.8)	123.3	(38.0)	85.4
NCC Group – (Chief Exec Services, Corporate, and LGSS)	64.4	6.5	(9.3)	61.5	(36.4)	25.1
Total Service Budget	601.5	59.7	(34.3)	626.9	(191.3)	435.5
Dedicated Schools Grant and Schools Grants	212.3	0.0	0.0	212.3	(212.3)	0.0
Overall Total	813.8	59.7	(34.3)	839.2	(403.7)	435.5

Table 9: Directorate Allocations

6.13.2 Northamptonshire Adult Social Care Services (NASS) has continued to experience increased costs for care as a consequence of increased demand for services this year. This demand has materialised due to the rise in complexity and acuity of care required to meet the needs of our elderly population, the high costs of care for increasingly complex younger adults clients and the costs of meeting our statutory duties to meet eligible care needs. There is also significant challenge around market rates and the availability of placements where demand is consistently outstripping supply leading to rising costs for care, particularly within the residential and nursing care market.

6.13.3 Whilst the cost of homecare is less than typical residential or nursing placements and the Council has been successful in driving down the number of placements (in line with best practice and Council priorities) this has meant the Council is unable to collect the same level of client contributions (mainly due to reductions in contributions in line with the type of care and to the value of a home not being taken into account when assessing the level of contribution for home care). This is being considered as part of the Government's Green Paper on social care funding but means that the Council's success at keeping people in their own homes and for longer is leading to reduced ability to offset pressures through income.

6.13.4 Whilst the national living wage has been estimated for the service for 2018-19 this does not include the financial impact of the anticipated uplifts or changes to the allowances paid to providers and employees for sleep-ins within the service. The full impact is continuing to be worked through and will be finalised and presented as part of the final budget in February.

6.13.5 Children, Families and Education has continued to experience increases in demand for social care provision. There was a sharp increase in numbers during June and July 2017 taking the number of children in care to 1057,

although during the year this has stabilised; nevertheless, this additional increase has placed considerable strain on placements budgets. Compared to the national average, Northamptonshire has approximately 30 more children in our care than other local authorities. The total number of children in care includes 115 Unaccompanied Asylum Seeking Children (UASC) for which the Home Office provide a grant, but this funds only 45% of costs incurred and the remainder is funded by the County Council. Northamptonshire has the fourth highest number of UASC of all Local Authorities.

6.13.6 Since 2011, the county's population has increased at a greater rate than across England as a whole and a fifth of the county's population are children aged 0-15 years. The latest ONS population estimates show that between 2016 and 2021 the number of under 19s in Northamptonshire is forecast to increase at a significantly higher rate than the national average and this in turn will inevitably lead to increased demand. The financial settlement for Northamptonshire does not take into account this population growth and the associated increased need in our area.

6.13.7 National and local challenges mean ongoing increases to the cost of providing children's services, with some changes in the national arena placing additional burdens upon the Council. Examples of these include difficulties in the recruitment and retention of professional staff, adoption reform and the increasing numbers of children with Education, Health and Care Plans (EHCPs).

6.13.8 This budget addresses the cost of this significant increase in demand and demographic growth for services, and sets aside resources for the growth anticipated in future years.

6.14 ***Transfer of Northamptonshire Fire and Rescue Service (NFRS) to the Office of the Police and Crime Commissioner (OPCC)***

6.14.1 Following public consultation, the OPCC submitted its Business Case to the Home Office in August 2017, with a proposed effective date of April 2018. Since then, the Council's Finance department have worked closely with counterparts at the OPCC to demonstrate that the proposal is council tax neutral. However, as a result of the detailed work, it has been determined that the transfer will create an MTP pressure for NCC in the region of £300k per annum. This is partly due to the net effect of removing existing growth and savings pressures and partly due to the future inability to reassign the proportion of the council tax increase that relates to the Fire budget to support demand-led services. The Department for Communities and Local Government have advised that there is no financial support available to address this pressure, which must be managed locally. Notwithstanding this, the County Council has now signed off the transfer and the Home Office are in the process of putting advice to Ministers.

6.15 Summary Medium Term Plan

6.15.1 Appendix A sets out the four year expenditure forecasts together with the total funding due for the period 2018-19 to 2021-22, and is summarised in the Table below.

	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Net Expenditure MTFP base budget	416.8	435.5	464.2	483.4
Service Pressures and Investments	59.7	25.4	22.2	22.2
Efficiencies	(18.0)	(1.0)	(0.8)	0.0
Income Generation	(2.8)	(0.4)	(0.5)	0.0
Service Transformation	(9.6)	2.5	(1.6)	0.0
Service Reductions	(3.9)	(0.1)	0.0	0.0
Flexible Use of Capital Receipts	(12.3)	29.5	0.0	0.0
Movement in Budget Smoothing/Reserves	(3.0)	(1.7)	0.0	0.0
Movement in Service Income	8.6	(25.5)	0.0	0.0
Revised Net Service Expenditure	435.5	464.2	483.4	505.7
To Be Met By				
Other Central Grants and Contributions	(21.5)	(24.1)	(24.1)	(24.1)
Government Base Funding	(115.6)	(98.5)	(98.6)	(98.6)
Council Tax and Collection Fund	(298.5)	(292.6)	(304.2)	(313.7)
Total Budget Funding	(435.5)	(415.2)	(427.0)	(436.5)
Base Budget Savings to be found per year	0.0	(49.0)	(7.5)	(12.7)
Cumulative savings to be found	0.0	(49.0)	(56.5)	(69.2)

Table 10: Total Revenue Expenditure and Funding 2018-19 to 2021-22

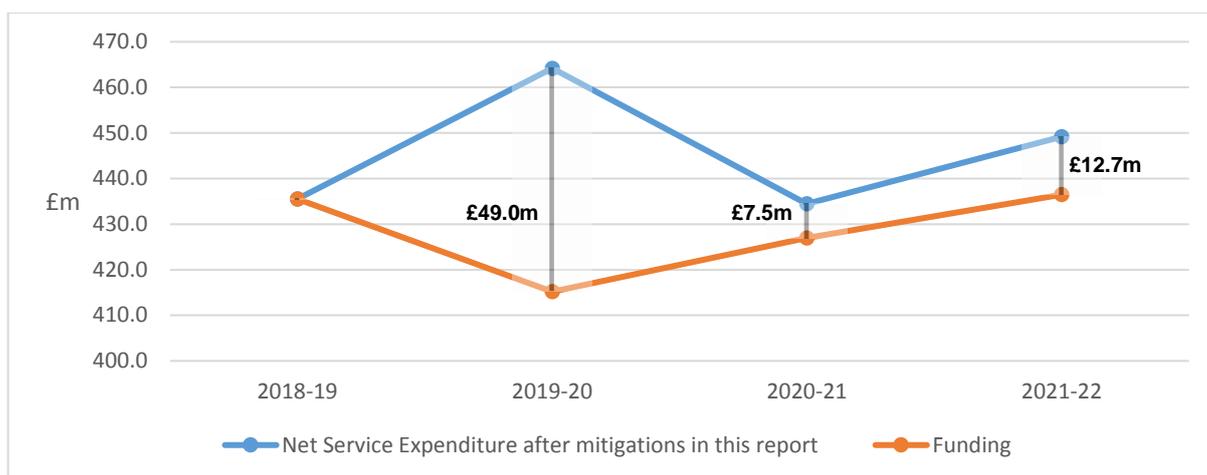


Chart 1: Base budget savings to be found per year

6.15.2 The funding of the Net Expenditure position above is based on the four year settlement offer, the latest information on other Government Funding and assumed levels of Council Tax and Council Tax base.

6.15.3 It should be noted that although the Government's Budget announcement took place on 22nd November 2017, the actual settlement figures are anticipated to be published by Government prior to Christmas. The numbers set out in within this report and appendices reflect the latest known information, and will be subject to change once the settlement figures are available. The figures from the local government finance settlement will be incorporated into the final budget report to be presented to Full Council on 22nd February 2018.

7. Summary of movement since October Cabinet report.

7.1 As set out in Table 1 earlier in this report, the revised MTP Gap for 2018-19 was identified to be £37,269k as at October. The following table summarises how this gap has been closed to reach the position within this report.

	£k
2018-19 MTP Gap as per October Cabinet Report (see Table 1)	37,269
Changes to gross expenditure:	
Savings proposals within October 2017 Cabinet Report (see paragraph 7.2)	(9,565)
Additional savings proposals December 2017 (see paragraph 7.2)	(20,895)
Additional 2018-19 pressures identified since October 2017 (see paragraph 7.3)	9,872
Technical Adjustments (see paragraph 7.4)	1,522
Changes to gross income:	
Additional use of flexible capital receipts (see paragraph 7.6)	(15,000)
Reduction to Service Income (see paragraph 7.7)	7,148
Funding changes (see paragraph 7.8)	(10,351)
Revised 2018-19 MTP Gap	0

Table 11: Summary of movements in 2018-19 position since October 2017 Cabinet Report

7.2 There were savings proposals within the October 2017 Cabinet Report totalling £9.6m. These are re-presented within Appendix H, together with £20.9m of additional proposals identified since October. Appendix H also includes £3.8m of

proposals for 2018-19 which were included within the previous MTP from February 2017, giving the total list of £34.3m of saving proposals for 2018-19 presented within Appendix H.

- 7.3 Additional 2018-19 pressures of £9.9m have been identified since the October report. Along with the pressures already identified this gives a total of £59.7m pressure for 2018-19. A full breakdown of the pressure items by Directorate is shown within Appendix H.
- 7.4 The MTP includes a number of technical adjustments. These are adjustments to expenditure budgets required to reflect changing levels of service specific income, including:
- Additional £7.7m IBCF funding that formed part of the Spring Budget 2017;
 - Adjustments to the expected level of Dedicated Schools Grant (-£4.8m);
 - Reduction in the level of Public Health Grant received (-£0.9m);
 - And -£0.5m combined adjustments to reflect changes in partner contributions and health income, and changes in service-specific income levels such as changes to Adult Social Care contributions.
- 7.5 The transfer of the Fire Service budget to the OPPC (see section 6.14) is also included as a technical adjustment in 2019-20.
- 7.6 The MTP requests approval to increase the Council's use of flexible capital receipts by £15m to a total of £29.5m to fund the Council's transformation programme totalling in 2018-19. Further details are set out in section 9.4.
- 7.7 Changes to service income levels have been reflected within the MTP including a £4.8m reduction in the expected level of the Dedicated Schools Grant, £1m contribution to earmarked reserves, and combined changes to service-specific income levels of £1.2m.
- 7.8 The changes to funding since the position reported in October reflect the additional £7.7m IBCF funding from the Spring Budget 2017. Additional income from Business Rates and Council Tax has also been factored in to the position since October, following a refresh of the funding models and update to taxbase figures.

8. Capital Funding Outlook

8.1 Over recent years, the Government has revised mechanisms to prioritise capital funding, such as revolving capital pots and increased business case bids and developments e.g., the Better Care Fund and the Single Local Growth Fund, to bring together local public sector partners. The Council expects this trend to continue and to be further expanded under the influence of the South East Midlands Local Enterprise Partnership (SEMLEP). Through whichever mechanism they are delivered, direct grants are expected to be a significant source of capital funding for the Council.

8.2 The key Capital areas announced in the Autumn Budget 2017 were:

- The expansion of the National Productivity Investment Fund (NPIF) to support innovation, upgrade the UK's infrastructure and underpin the

government's modern Industrial Strategy. The NPIF will last an additional year and total over £31bn. This includes investment in 5G and full fibre technology alongside roads and housing.

- A Transforming Cities Fund of £1.7bn of which 50% will go to the six areas of the country with elected mayors with the other 50% open to bids. Whether this will extend outside of formally agreed cities will be within the detail to be published.
- Support for the development of the charging infrastructure for electric cars.
- £1bn of discounted lending for local authorities for high value infrastructure. It is unclear as yet whether this may be anything more than the discounted certainty rate currently available.
- Announcement that the Homes and Communities Agency will become Homes England to include money, expertise, planning and compulsory purchase powers to facilitate the new homes needed, with a target to nationally be delivering 300,000 new homes per year by the mid 2020s.
- £10bn Capital investment for the NHS. Although this will not come directly to the Council, it may support efficient service delivery in the care sector.

9. Capital Strategy 2018-19 to 2022-23

9.1 The Council's Draft Capital Strategy sets out the framework and strategy to be adopted over the plan period following consultation with elected Members and stakeholders. To inform this consultation process three key objectives (Golden Rules) are applied:

- The Council's annual discretionary capital financing costs should not rise above the self-imposed ceiling of 9% of its annual net revenue budget over the plan period and any future plan periods.
- All net capital receipts will be allocated 50% to repay Council borrowing and 50% for re-investment in funding of the Council's Capital Programme. However, as a result of the adoption of the capitalisation flexibilities to support the revenue budget in relation to transformation costs, as outlined in section 9.4, this Golden Rule continues to be subject to temporary suspension. This is a continuation of the approach from 2017-18 and additional financing costs will be incurred as a result. The strategy will be to bring the Council back inside the Golden Rules in the next MTP period from 2019-20.
- Innovative capital funding will be released to support the growth of the local economy through investment in infrastructure that will pump-prime economic growth for the benefit of Northamptonshire. Innovative investment will be subject to strict investment criteria and robust business cases. Invest to Save funding is unlimited but is subject to strict investment criteria and robust business cases which clearly evidence revenue savings to the Council.

9.2 Work is in hand to review and prioritise current bids for new and extended scheme funding within the Golden Rules and against the criteria below:

- Capital investment which delivers a saving against current budget pressures.
- Capital investment which meets additional demand for services through the provision of new or enhanced assets.
- Capital investment which delivers an improvement in services through asset improvement or investment in new assets.

This exercise will be completed within the limited envelope for new discretionary funding and the outcomes will be detailed in the Final Capital Strategy in February. The headline position ahead of prioritisation is:

- A potential Capital Programme forecast of £540m (Committed Capital Programme plus Development Pool) over the five year plan period;
- Development Pool bids totalling £472m, comprising 49 schemes put forward for prioritisation;
- A potential Discretionary Funding Pot totalling £75m over the plan period including the announcement of £40m of new discretionary funding;
- Forecasted capital receipts of £45m over the plan period supporting the levels of capital investment able to be announced;
- 50 schemes/priorities achieving programme entry into the Council's Pre-Qualification Group which the Council will consider for future capital investment.

9.3 The Council's Draft Capital Strategy 2018-19 to 2022-23 setting out the background, framework, and funding and scheme details can be found in Appendix I.

9.4 Flexible use of Capital Receipts

9.4.1 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 enables authorities to fund transformation and cost reduction programmes of reform from capital receipts in the years the flexibility is offered.

9.4.2 The MTP requests approval for the use of capital receipts to fund the Council's transformation programme totalling £29.5m in 2018-19. This is a £15m increase from the £14.5m approved by Full Council in February 2017.

9.4.3 In addition, the initial 2017-18 capital flexibilities amount approved by Full Council in February 2017 was a total of £17.2m. Following review of capital receipts it is requested to increase this figure to £21.5m for 2017-18. This will continue to be reviewed in line with the Council's asset disposal programme and the progress made in delivering the county-wide transformation programme.

10 Asset Utilisation Strategy

10.1 The Strategy for the County Property Estate 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 2017-18 Strategy was presented to Cabinet for approval at the meeting on 13th June 2017. This has been refreshed to create a 2018-19 Strategy which is attached at Appendix J.

- 10.2 The Council will continue to explore all asset usage with a view to exploiting and commercialising its assets. Detailed occupancy surveys of One Angel Square (OAS) have been undertaken, alongside developing an understanding of partner demand for corporate space within OAS and at locality working levels. The Assets and Capital team will be looking in detail at the potential for leasehold income aligned to transformation of NCC services and changes of space requirements.

11 Treasury Management

- 11.1 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.
- 11.2 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 K, details the underlying policy that will govern the annual strategy statements.
- 11.3 The refreshed TMSS continues to comply with the CIPFA Code of Practice and has been updated to reflect the current financial environment.
- 11.4 An increasing Capital Financing Requirement (CFR) coupled with falling reserves and balances means 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 (up to 5 years) from other local authorities, the Public Works Loan Board and the Municipal Bonds Agency. The Council's balance sheet health will be monitored on a regular basis to ensure that an appropriate borrowing strategy is in place, minimising short to medium term costs.
- 11.5 The Minimum Revenue Provision (MRP) policy, set out within the Treasury Management Strategy Statement, sets out the policy for the forthcoming year. The MRP policy has been updated to reflect the Council's planned property investment activities to be funded from borrowing.

12 Consultation and Scrutiny

- 12.1 The MTP Update paper presented to Cabinet at the meeting on 19th October 2017 included the first phase of draft budget proposals for 2018-19. These proposals totalled £9.6m. Consultation on these proposals commenced following the October Cabinet meeting. Consultation on the Libraries proposal runs until 13th January 2018. The consultation on the remaining proposals within the

October Cabinet paper concluded on 1st December 2017. There were 1,021 responses to the questionnaire (online and hard copy) along with further responses via Easy Read surveys, emails and letters which are currently being analysed and will subsequently be reported to Cabinet.

12.2 For the purposes of preparing the MTP, the figures used in relation to these proposals are as shown in the October report. However, if there are any changes made to any of these proposals following the consultation process, then the effect of this upon the overall MTP position will be considered for the final budget paper in February 2018. This does not predetermine any decision that the Council may make in February 2018.

12.3 In order to fulfil the requirements of Part 4 (C) Budget and Policy Framework Procedure Rules, a six week period of consultation on the remaining proposals contained within the Draft Budget and Council Plan 2018-19 will begin on Wednesday 20th December 2017 and conclude on 30th January 2018.

12.4 The structure and design of the consultation will be broadly consistent with the Draft Budget and Council Plan Consultation which was carried out last year and the Phase 1 Budget Consultation.

12.5 To ensure the widest possible reach, a variety of consultation methods will be used to maximise the range of accessible channels for consultees:

- An interactive and accessible website – available free at libraries for those without internet access
- Online survey – available free at libraries for those without internet access
- Public consultation events to be held in those district areas that have not yet had an event, along with a second event in Northampton as the area with the greatest population
- A bespoke email address
- Social media - including Facebook, Twitter and LinkedIn
- Postal address
- E-petitions/ petitions
- Formal correspondence from the Leader of the Council and Chief Executive will be sent to the following key stakeholders, inviting them to comment through the above consultation channels and asking them to promote the consultation to their members/community: partner organisations, MPs, MEPs, Town and Parish Councils, Residents Associations, Voluntary Sector Infrastructure Organisations, Voluntary Sector organisations representing groups with protected characteristics, Chamber of Commerce and Federation of Small Businesses.
- A toolkit has been developed to enable user groups/forums such the Children & Young People's Partnership Shadow Board, Children in Care Forum, Older Peoples Forum, and Learning Disabilities Partnership, to hold their own discussions. This will allow debates to be tailored to individual group needs.

12.6 A Budget Scrutiny process will also run simultaneously with the consultation process outlined here. Scrutiny is a means for Councillors not in the Cabinet to investigate local issues, influence the development of policies and services, and hold decision-makers to account. Budget Scrutiny involves Councillors reviewing significant proposals from across the Draft Budget and reporting their conclusions about the deliverability of these proposals to the Cabinet. In this way Budget Scrutiny assists in the development of the final Budget proposals and supports local democracy.

12.7 Members of the public and representatives of community groups can contribute to Budget Scrutiny by giving Councillors their views about which proposals they should scrutinise and about how particular budget proposals may affect services. There will be opportunities to do so, as part of meetings of the Council's Budget Scrutiny Working Group taking place at County Hall, at the following times:

- Wednesday 3rd January 2018 at 10.00am – This meeting will be used by Councillors to select budget proposals for more detailed scrutiny at later meetings.
- Monday 8th January at 10.00am – This meeting will focus on budget proposals relating to Children, Families and Education.
- Monday 8th January at 2.00pm – This meeting will focus on budget proposals relating to Public Health and Wellbeing.
- Wednesday 10th January at 3.30pm – This meeting will focus on budget proposals relating to strategic and corporate matters.
- Thursday 11th January at 12.00pm – This meeting will focus on budget proposals relating to Environment, Development and Transport, and commercial matters.
- Friday 12th January at 12.00pm – This meeting will focus on budget proposals relating to Adult Social Care Services.

13 Equality Screening

13.1 Before taking decisions on the budget overall, and on savings proposals in particular, it is important that there is awareness of the potential implications of the proposals on people with protected characteristics, in order to comply with the general equality duty.

13.2 Equality Impact Assessments (EqIAs) have been prepared for all savings proposals that may or will have an impact on service users and residents. These are available in draft form by following the link below. Hard copies will also be available to Members prior to this Cabinet meeting. The detail contained in the EqIAs will assist in the decision-making process by allowing Members and Officers to have due regard to the three aims of the Equality Duty when considering the budget proposals by understanding their impact on people with protected characteristics. Where an EqIA is not required, this is explained in an overarching summary.

www.northamptonshire.gov.uk/eqias

13.3 Further work undertaken during the consultation period (including findings from the consultation) will be used to inform the final EqlAs which will be considered as part of the final decision-making process on the budget in February. This will be an essential step in ensuring that the consultation findings are used to demonstrate the impact of proposals when the final decisions on the budget are being taken.

14 Chief Financial Officer Considerations

14.1 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 2018.

14.2 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 MTP 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 MTP savings plans, aligning them with the available resources and using borrowing from reserves where appropriate to deliver this;
- The continued uncertainty of changes to Government funding calculations;
- The risk of external challenge where appropriate consultation is not undertaken in a timely and targeted manner.

14.3 The CFO needs to consider the targeted and balanced use of reserves and one-off funding and potential base budget contingency allocations, to ensure that pressures can be mitigated and rephased over future years, where it is prudent to do so, where resources allow it and where robust plans exist over the medium term to balance the budget as a whole.

14.4 Where budget proposals can't be delivered, or new base budget pressures appear, such as greater demography growth than planned for, it is more prudent to ensure that some base budget provision is made in the medium term to ensure the budget is sustainable.

14.5 Given the above factors, and 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, NCC must take steps to ensure full and proper challenge and consultation is undertaken on the figures presented in this report, prior to approval by Full Council on 22nd February 2018. £34.3m is a significant level of savings to deliver in a single year and action plans are being developed, to be reviewed over the coming months, to ensure that these will be in place to be implemented ahead of the new financial year. Delivery of these action plans will

be absolutely vital during 2018-19, and the plans must be robust, realistic and free of optimism bias.

15 Alternative Options considered

15.1 The acceptance of this report by Cabinet for submission to Full Council is a required step in the final approval of the 2018-19 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.

16 Financial Implications

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

17 Risk and Business Continuity Management

17.1 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 2018 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 2018-19 budget.

17.2 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 2018-19 Proposals identified for 2018-19 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
The Council is unable to deliver a balanced Budget for each subsequent year of the Medium Term Plan from 2019-20 onwards. Proposals identified for these years 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. Escalation of impact on statutory services to DCLG.	Red

18 List of Appendices

- Appendix A – Budget Summary*
- Appendix B – Dedicated Schools Grant*
- Appendix C – Fees and Charges Policy*
- Appendix D – Fees and Charges Summary*
- Appendix E – List of Fees and Charges*
- Appendix F – Reserves Policy*
- Appendix G – Reserves Summary*
- Appendix H – List of Proposals*
- Appendix I – Capital Strategy*
- Appendix J – Capital Strategy for the County Property Estate*
- Appendix K – Treasury Strategy*

Author:	Name: Iain Jenkins Team: LGSS Finance
Contact details:	Tel: 01604 364664 Email: ijenkins@northamptonshire.gov.uk
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 – final budget papers in February 2018.
Does the report include delegated decisions? If so, please outline the timetable here	NO
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: Mark McLaughlin
Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Cllr R Brown
Has the relevant scrutiny committee been consulted?	Scheduled Scrutiny Committee: Finance and Resources
Has the report been cleared by Legal Services?	YES Name of solicitor: Susan Zeiss
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
Procurement/Contractual Implications: <ul style="list-style-type: none"> • Have you evidenced compliance with the Council's Contract Procedures Rules? • Have you identified where you are seeking Cabinet to approve an exemption from the Contract Procedure Rules and detailed the risks and mitigations? • Have you identified any EU or UK legislative risks associated 	N/A

<p>with the exemption process such as non-compliance with the Public Contract Regulations Act 2015, transparency and open competition?</p> <ul style="list-style-type: none"> • Have you identified the procurement or contractual risks associated with a contract? • Has the contract/procurement been subjected to the Council's Commercial Board? 	
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