



Northumberland
County Council

Budget 2023 - 24

and Medium Term Financial Plan 2023-27



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Northumberland

County Council

CABINET

14 February 2023

Budget 2023-24 and Medium-Term Financial Plan 2023-27

Report of Councillor Richard Wearmouth – Deputy Leader and Portfolio Holder for Corporate Services

Executive Director: Jan Willis, Interim Executive Director of Finance and Section 151 Officer

Purpose of Report

The purpose of this report is to enable the Cabinet to make formal budget recommendations to the County Council.

The report provides the Revenue Budget for 2023-24 and Revenue Medium-Term Financial Plan (MTFP) 2023-27 and the Capital Budget for 2023-24 and Capital MTFP 2023-27, following the Government's Autumn Statement on 17 November 2022, and the publication of the provisional Local Government Finance Settlement on 19 December 2022.

It is important to note that there may need to be some revisions to the figures following receipt of the Government's February 2023 Final Local Government Finance Settlement figures. It is proposed that any changes to the figures as a result of this announcement, which impact on the Budget 2023-24 and MTFP 2023-27 are delegated to the Council's Section 151 Officer in consultation with the Portfolio Holder for Corporate Services.

Recommendations

The Cabinet is requested to make the following recommendations to the County Council:

- 1. Note that the figures contained within the Budget 2023-24 within Appendix 1 are based on the provisional Local Government Finance Settlement of 19 December 2022.**
- 2. Approve the revenue budget for 2023-24 including, the budget balancing target totalling £17.045 million contained within Appendix 1.**
- 3. Note the Revenue MTFP covering the period 2023-27 detailed within Appendix 1 and the requirement to deliver budget balancing measures of £9.564 million in 2024-25, £18.508 million in 2025-26, and £8.954 million in 2026-27.**
- 4. Note the estimated receipt of Revenue Support Grant of £12.430 million for 2023-24 contained within Appendix 1.**
- 5. Note the estimated retained Business Rates and the Top-Up grant funding to be received by the Council for 2023-24 of £94.805 million and £307.453 million over the remaining period of the MTFP contained within Appendix 1.**
- 6. Note the estimated deficit from prior years on Collection Fund Business Rates balances of £1.944 million in 2023-24 contained within Appendix 1.**
- 7. Note the estimated receipt of Rural Services Delivery Grant of £2.456 million for 2023-24 contained within Appendix 1.**
- 8. Note the estimated receipt of the New Homes Bonus of £0.961 million for 2023-24 contained within Appendix 1.**
- 9. Note the estimated receipt of Improved Better Care Funding Grant of £12.496 million for 2023-24 contained within Appendix 1.**
- 10. Note the estimated receipt of Social Care grant funding of £22.056 million for 2023-24 contained within Appendix 1.**
- 11. Note the estimated receipt of Adult Social Care Discharge Grant funding of £1.752 million in 2023-24 and £2.920 million in 2024-25 contained within Appendix 1.**
- 12. Note the estimated receipt of Adult Social Care Market Sustainability and Improvement grant funding of £3.563 million in 2023-24 and £5.357 million in 2024-25 contained within Appendix 1.**
- 13. Note the estimated receipt of the Services Grant of £2.677 million in 2023-24 contained within Appendix 1.**
- 14. Approve a 2.99% increase in Council Tax for 2023-24, noting that this is in line with the Government's assumptions regarding the Council's Core Spending Power: and, within the Government's referendum limit of 3.00%.**

15. Note that the MTFP 2023-27 includes a 2.99% annual increase in Council Tax for 2024-25 and then 1.99% thereafter for the remaining years of the MTFP and, that an estimate of annual tax base growth has been included.
16. Note the non-collection rate for Council Tax purposes remains at 1.00% for 2023-24 (1.00% in 2022-23).
17. Note the estimated surplus of £2.737 million from prior years on the Collection Fund Council Tax balance for 2023-24 contained within Appendix 1.
18. Note the estimated receipt of Council Tax Support funding of £0.654 million in 2023-24 and note the intended use of the grant contained within Appendix 1.
19. Approve a 2.00% increase in Council Tax for 2023-24 for use on Adult Social Care services; raising an additional £4.530 million to support the Budget 2023-24, and note the assumed increase included in the MTFP of 2.00% for 2024-25 and zero thereafter.
20. Approve the Reserves Policy for 2023-24 detailed in Appendix 2.
21. Note the Schedule of Reserves and Provisions contained within Appendix 3.
22. Approve:

The net contributions from the Strategic Management Reserve of £13.138 million in 2023-24 and note the proposed contributions from reserves of £15.792 million in 2024-25, £6.335 million in 2025-26 and the proposed contribution to reserves of £1.032 million in 2026-27 contained within Appendix 1, comprising:

 - a) non-recurrent pressures of £5.898 million for 2023-24, and note the non-recurrent pressures totalling £4.528 million in 2024-25; £0.935 million in 2025-26 and £0.159 million in 2026-27 (as detailed within Appendix 8; excluding the Adult Social Care Discharge Fund, Adult Social Care Market and Sustainability and Improvement Fund, Locality Coordinators, Council Tax Support Fund and Transformation Programme),
 - b) the Active Northumberland Management fee of up to £1.000 million in 2023-24,
 - c) delayed receipt of investment income from the airport of £0.957 million in 2023-24; and that interest of £0.161 million in 2024-25, and £1.191 million in 2025-26 and 2026-27 will be repaid into the reserve in this respect,
 - d) revenue contribution to capital (RCCO) of £8.171 million in 2024-25 and £6.591 million in 2025-26 for investment in the Schools' Development Programme, and,

- e) contribution from the reserve of £5.283 million in 2023-24 and note the subsequent proposed use of £3.254 million in 2024-25 in order to balance the budget.
23. Approve the use of the Public Health Revenue Grant Reserve of £0.199 million in 2023-24 and note the contribution for 2024-25, to fund five fixed term Locality Coordinator posts contained within Appendix 1.
 24. Note the proposed use of the General Fund Reserve of £7.850 million in 2024-25, to be set aside as a voluntary Minimum Revenue Provision (MRP) to enable the Council to repay debt at an appropriate time in the future contained within Appendix 1.
 25. Approve the use of the Council Transformation Fund Reserve of £3.000 million in 2023-24 and note the use of £3.000 million from this reserve in financial year 2024-25 contained within Appendix 1.
 26. Approve the use of the Collection Fund Smoothing Reserve of £1.944 million in 2023-24, to part fund the 2022-23 forecast deficit of the Business Rates element of the Collection Fund, and prior year deficit on Business Rates contained within Appendix 1.
 27. Note:
 - a) the Schedule of Service Specific Grants of £250.400 million contained within Appendix 4, and
 - b) the indicative 2023-24 Public Health Grant allocation of £17.366 million contained within Appendix 4, and its proposed usage.
 28. Approve the Inflation Schedule for 2023-24 totalling £28.900 million detailed in Appendix 5.
 29. Approve the Recurrent Growth and Pressures Schedules of £16.694 million and the additional revenue costs associated with the Capital Programme of £6.164 million for 2023-24; and note the growth and pressures of £2.422 million in 2024-25; £1.773 million in 2025-26; and, £0.392 million in 2026-27 and the additional revenue costs associated with the capital programme of £14.075 million in 2024-25; £10.098 million in 2025-26; and £6.000 million in 2026-27 included within Appendices 1, 6 and 7.
 30. Approve the Non-Recurrent Pressures of £15.066 million for 2023-24 and note the non-recurrent pressures of £16.004 million for 2024-25; £0.935 million for 2025-26 and £0.159 million for 2026-27 included within Appendix 8.
 31. Approve the Non-Recurrent Income of £0.157 million for 2023-24 and note the non-recurrent income of £5.601 million for 2024-25; £0.252 million for 2025-26 and £0.221 million for 2026-27 included within Appendix 8.

32. **Approve the identified budget balancing measures contained within Appendix 9 of £17.045 million for 2023-24; and note those budget balancing measures totalling £10.295 million already identified for 2024-25 to 2025-26.**
33. **Note the Corporate Equality Impact Assessment at Appendix 10.**
34. **Note the Budgets by Service Area 2023-24 detailed in Appendix 11.**
35. **Note the receipt of Dedicated Schools Grant of £160.287 million in 2023-24; and note the revised allocation of £150.832 million for 2022-23. This is following the conversion of three schools to academy status during 2022-23.**
36. **Approve the Capital Strategy 2023-24 to 2026-27 contained within Appendix 12.**
37. **Approve the revised Capital Programme as detailed within Appendix 13 and note the reduction in the Capital Programme 2023-27 of £37.599 million detailed in Appendix 14.**
38. **Approve the delegation of the detail of the final Local Transport Programme and any subsequent in-year amendments to the Executive Director responsible for Local Services in consultation with the Cabinet Member for Local Services.**
39. **Approve the delegation of the detail of the capital allocation for highways maintenance investment in U and C roads and footpaths to the Executive Director responsible for Local Services in consultation with the Cabinet Member for Local Services.**
40. **Approve the Prudential Indicators based on the proposed Capital Programme detailed within Appendix 15.**
41. **Approve the Annual Minimum Revenue Provision Policy detailed in Appendix 16.**
42. **Approve the Treasury Management Strategy Statement 2023-24 detailed in Appendix 17.**
43. **Approve a delegation to amend the Budget 2023-24 and MTFP in light of any changes as a result of the final Local Government Finance Settlement to the Council's Section 151 Officer in consultation with the Portfolio Holder for Corporate Services.**

Key Issues

1. In February 2022, the Council approved the Budget for 2022-23 and the Medium-Term Financial Plan (MTFP) covering the period 2022-26.
2. This report updates the MTFP position; and the budget for 2023-24, following the announcement of the Autumn Statement on 17 November 2022 and the provisional Local Government Finance Settlement on 19 December 2022. The final Settlement is not due until February 2023, which could alter the financial position. It is proposed that any changes to the figures as a result of this announcement, which impact on the 2023-24 Budget and the 2023-27 MTFP are delegated to the Council's Section 151 Officer in consultation with the Portfolio Holder for Corporate Services.
3. The report sets out in detail the budget balancing proposals for 2023-24 and illustrates that there is a requirement to deliver efficiencies equating to £17.045 million in 2023-24; and £37.026 million over the period 2024-27.
4. The report also sets out the forecast budget position for the financial year 2023-24. Whilst the position represents the best estimate at the current time, the income streams available to the Council are likely to change.
5. The Government consultation "Fair funding review: a review of relative needs and resources", a technical consultation on relative need, concluded on 12 March 2018. The Secretary of State had said that the results of the review would be introduced in 2020-21. The Secretary of State also confirmed that there would be a business rates baseline reset in 2020-21; and, from 2020-21, business rates retention would be at 75.00%.
6. The Government was expected to publish its Spending Round (SR) in the summer of 2019 covering a three-year period. Due to the on-going uncertainties around Brexit the Government announced on 8 August 2019 that the SR would be delayed until 2020 with another one-year settlement for local government for 2020-21. It was expected that, following the UK's departure from the European Union, the UK economy would be on a less turbulent footing in 2020. However, the impact of Covid-19 created a far greater uncertainty than caused by Brexit and as a result the Government announced on 25 November 2020 a further one-year SR. Following this, on 27 October 2021 the Government announced a three-year SR, and shortly after this on the 16 December 2021, a one-year funding settlement for 2022-23.
7. On 19 December 2022 the Government announced a further one-year settlement as part of its provisional Local Government Finance Settlement. Although the announcement only provided funding figures for 2023-24, it also provided more certainty around some of the funding streams for 2024-25 (up to the end of the current SR period). This report concentrates on the revenue budget for 2023-24 and where information is available more detail is provided for 2024-25. The budget beyond 2024-25 therefore contains a number of assumptions and is less certain.

8. The provisional Local Government Finance Settlement announced on 19 December 2022 also confirmed that the outcome of the Fair Funding Review (FFR) and review of the Business Rates Retention system would be postponed by at least a further two years; resulting in implementation in 2025-26 at the earliest.
 9. The MTFP will be updated for future years once this information is available.
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BUDGET 2023-24 AND MEDIUM-TERM FINANCIAL PLAN 2023-27

BACKGROUND

National Context

1. The Government is currently reviewing the funding mechanisms for Local Government. As part of the provisional Local Government Finance Settlement of 19 December 2017 the Secretary of State launched a “Fair Funding Review (FFR): a review of relative needs and resources” consultation which concluded 12 March 2018. The Secretary of State had said that the results of the review would be introduced in 2020-21. The Government is looking to allocate resources to local authorities based on assessed need. This will be done using a number of key indicators which considers factors such as deprivation and sparsity, amongst others. Once need is assessed, resources will be allocated to individual authorities through the Business Rates Retention mechanism.
2. The Government is also considering the system that will be used to calculate and allocate Business Rates income across the sector. Although it is not yet clear, many of the core grants within the MTFP will disappear and will be replaced with retained locally collected Business Rates income. As part of the provisional Local Government Finance Settlement of 19 December 2017 the Secretary of State announced that there would be a business rates baseline reset in 2020-21; and, from 2020-21, business rates retention would be at 75.00% instead of 50.00%. The reset when it occurs will see National Non-Domestic Rates (NNDR) baselines adjusted to reflect the amounts local authorities are collecting in business rates (currently it is based on the amounts collected in 2010-11 and 2011-12).
3. The Government subsequently published two further consultation papers as part of the provisional Local Government Finance Settlement on 13 December 2018. The consultations concluded on 21 February 2019:
 - “A review of local authorities’ relative needs and resources” - a technical consultation on the assessment of local authorities’ relative needs, relative resources and transitional arrangements; and,
 - “Business Rates Retention Reform - Sharing risk and reward, managing volatility and setting up the reformed system” - a consultation on the proposed 2020-21 Redesign and Reset of the Business Rates Retention (BRR) scheme.
4. SR 2019 announced that the outcome of the FFR and review of Business Rates would be delayed by one year until 2020, with implementation in 2021-22. However, SR 2020 further delayed the outcome of these reviews by at least one year and following this SR 2021 made no reference to when the FFR would be implemented. Subsequently, the provisional Local Government Finance Settlement announced on 19 December 2022 confirmed that the outcome of the FFR and review of the Business Rates would be postponed by at least a further two years; resulting in implementation in 2025-26 at the earliest. In the absence

of the outcome of these reviews it remains difficult to accurately forecast the financial position for the Council beyond 2024-25. However, for the purpose of the MTFP it is assumed that the Council will continue to retain 50.00% of Business Rates income.

5. The position will be monitored closely and the MTFP will be updated once more information is available.

Provisional Local Government Financial Settlement

6. The 2023-24 provisional Local Government Finance Settlement was announced by Government on 19 December 2022. The settlement covers the financial year 2023-24. Although the announcement only provided funding figures for 2023-24 it also provided certainty around some of the funding streams for 2024-25, up to the end of the current SR period. Beyond this, the report identifies that the Government intends to change the funding mechanism for the sector from 2025-26 at the earliest. This report therefore utilises the financial data that was published as part of this announcement. Beyond that period the figures have been forecast as identified in this report. The final Local Government Finance Settlement is due in February 2023. Members are requested to note that the figures from the provisional settlement are included within Appendix 1.
(Recommendation 1)

7. It is recommended that the Council approves the Budget 2023-24 (Appendix 1) including the requirement to implement budget balancing measures totalling £17.045 million. **(Recommendation 2)**

8. Members are requested to note the MTFP at Appendix 1 including the requirement to deliver budget balancing measures totalling £9.564 million in 2024-25, £18.508 million in 2025-26, and £8.954 million in 2026-27.
(Recommendation 3)

Settlement Funding Assessment and Revenue Support Grant

9. The Settlement Funding Assessment is a combination of resources received from Revenue Support Grant and Baseline Funding (including Top up Grant).
10. From 2016-17 the methodology in determining the Settlement Funding Assessment reduction changed. Instead of a flat rate cut across all authorities, as has been done in the past, Government has taken into account the ability of each authority to raise Council Tax locally (including increases in the Tax Base, Council Tax rate and inflationary uplift). Under this methodology, where an authority has greater capacity to raise resources locally through Council Tax, Revenue Support Grant has been reduced.

Revenue Support Grant

11. The Revenue Support Grant (RSG) to be received in 2023-24 is £12.430 million, which includes a CPI inflationary uplift of 10.10%. Three specific grants have also been rolled into the RSG; Local Council Tax Support Administration Subsidy grant (£0.425 million), Family Annexe - Council Tax Discounts grant (£0.059

million), and Food Safety Standards Enforcement (Natasha's Law) grant (£0.010 million). These grants did not receive an inflationary uplift when they were rolled into the RSG. There is no announcement beyond 2023-24. However, for the purposes of the MTFP it is assumed that the grant remains and will increase by estimated CPI inflation; 4.00% for 2024-25, and 2.00% for both 2025-26 and 2026-27. The MTFP at Appendix 1 contains details of the Revenue Support Grant, which Members are asked to note. **(Recommendation 4).**

Baseline Funding

12. This is the Government's assessment of what the Council should generate from Business Rates income to meet assessed need. It comprises two elements: Assessed Retained Business Rates income and a Top up Grant. The grant is provided to top up the Government's assessed retained Business Rates income to the Baseline Funding level applicable for the Council.
13. The Council retains 50.00% of the Business Rates income it collects and is classified as a Top-Up authority. This means that the Council receives a Top-Up grant over and above the 50.00% locally retained Business Rates income, which increases the overall funding the Council expects to receive from Business Rates income to the assessed baseline level. This position continues for 2023-24 and is assumed to remain unchanged over the period of the 2023-27 MTFP, in the absence of the outcome of the FFR and Review of the Business Rate Retention Scheme.
14. As stated above, the Baseline Funding level is the Government's assessment of what the Council should achieve through retained Business Rates income (including Top up Grant) to meet assessed need. However, any variation in the actual level of Business Rates income collected will result in a variation from the assessed Baseline Funding level and a shortfall or excess in Business Rates funding.
15. It should be noted that there are risks to the Council's Business rates income as a result of factors such as the success of appeals. This makes financial planning and forecasting complex. It is forecast that the Council's provision for Business Rates appeals will be £17.070 million by 31 March 2023 (£15.984 million at 31 March 2022).
16. The provisional Local Government Finance Settlement announced on 19 December 2022 confirmed that the business rates multiplier has been frozen for 2023-24 at 49.9p.
17. For the 2023-24 financial year all Business Rates properties have been revalued. The outcome of the exercise increased the Council's rateable value from the 2017 list value of £237.544 million to £257.933 million on the 2023 list. However, the Council will not benefit from the revaluation increase, and adjustments have been made to the National Non-Domestic Rates Baseline (and therefore Top-Up Grant). The intention is that the changes made will offset the impact of

Revaluation 2023 and therefore make it revenue neutral for each local authority. Only true business rate growth will benefit local authorities.

18. Members are requested to note the following table which shows the Council's estimated value of locally retained Business Rates and Top-up grant payments included in the MTFP 2023-27; based on 50.00% retention of Business Rate income. Any variation from these figures will ultimately result in a surplus or deficit which will impact on the Budget and the MTFP. **(Recommendation 5)**

	Estimated Retained Business Rates £m	Top-Up Grant Funding £m	Total £m
2023-24	68.162	26.643	94.805
2024-25	71.249	27.709	98.958
2025-26	74.187	28.263	102.450
2026-27	77.217	28.828	106.045

19. Since 2018-19, the September Consumer Price Index (CPI) inflation figure has been the basis of determining the annual increase to the business rates multiplier; previously Retail Price Increase (RPI) inflation figure was used. In order that this change remained revenue neutral there was a compensatory section 31 grant payment from Government. This compensatory amount is included within the Estimated Retained Business Rates income figure shown in the table above, and also forms part of the Government's Core Spending Power calculation. However, from 2023-24, local authorities will no longer be compensated based on RPI, with funding now based on CPI.
20. In addition to the figures in the table above the Government previously announced that it would allow local authorities to spread any deficit on the Collection Fund which was attributable to Business Rates in 2020-21 over three financial years, to ease the Covid-19 burden. The MTFP includes the final year of the 2020-21 spread deficit, equating to £0.342 million within 2023-24. The funding for this will be transferred from the earmarked Collection Fund Smoothing Reserve in 2023-24 to offset this pressure. The transfer from the Collection Fund Smoothing Reserve is contained within the MTFP, shown in Appendix 1. **(Recommendations 6 and 26)**
21. Also, normal accounting rules require that any forecast deficit on the Business Rates element of the Collection Fund from the prior year, must be charged to the General Fund in the following financial year. Within 2022-23 there is a forecast deficit of £1.944 million (including the £0.342 million spread deficit from 2020-21) on the Business Rates element of the Collection Fund which is charged to 2023-24, as shown in Appendix 1. A large proportion of this deficit relates to the Covid Additional Relief Fund announced by the Government in response to the Covid-19 pandemic along with an estimated reduction in income as a result of the Covid-19 pandemic. Members are asked to note the 2022-23 forecast deficit

charged to the General Fund in 2023-24. The funding for this will be transferred from the earmarked Collection Fund Smoothing Reserve in 2023-24 to offset this pressure. **(Recommendation 6 and 26)**

22. The provisional Local Government Finance Settlement of 19 December 2022 made no announcement regarding any potential non-recurrent funding as a result of a surplus on the national Business Rates Retention Levy/Safety Net account. The position will be monitored and the MTFP updated should this be announced.
23. As mentioned previously the Business Rates projections contained within the MTFP have not been inflated in 2023-24. This is in line with the Government freezing of the Business Rates Multiplier. Beyond 2023-24 the projections have been inflated annually by forecast CPI: 4.00% (2024-25), and 2.00% (2025-26 and 2026-27).
24. Known Business Rates growth and reductions have also been forecast for all years, plus a further reduction of 2.00% of net rates payable in 2023-24 and 1.00% thereafter over the remaining years of the MTFP, to account for the potential impact of the economic downturn.
25. These figures are subject to the risks identified above and any changes to the figures will affect the level of savings required to balance the Council's budget.
26. Through the Business Rates Retention Scheme, the Council not only faces a significant risk of reduced funding if Business Rates income declines, but it also could increase funding by encouraging new business within and to the area. In most cases under the current scheme the Council will be allowed to retain 50.00% of any new Business Rates income within the area; and in the case of renewable energy the Council can retain 100.00% of Business Rates income collected.

Rural Services Delivery Grant

27. The Rural Services Delivery Grant to be received in 2023-24 remains unchanged from 2022-23 at £2.456 million. There is no announcement beyond 2023-24. However, for the purposes of the MTFP it is assumed that the grant remains unchanged, and Members are requested to note the grant. **(Recommendation 7)**

New Homes Bonus

28. The New Homes Bonus was first introduced in 2011-12. For each newly built house or conversion the Council received a reward of the national average Council Tax for the relevant band. Long-term empty properties which had been brought back into use were also included in the reward and there was a premium for affordable homes. The scheme originally paid grant for six years.

29. There were changes made to the scheme with effect from 2017-18 following the outcome of the consultation “New Homes Bonus: Sharpening the Incentives”. These included:
- a. A move to 5-year payments for both existing and future New Homes Bonus allocation in 2017-18; and, then to 4 years from 2018-19;
 - b. The introduction of a national baseline of 0.40% from 2017-18, below which grant would not be paid;
 - c. A statement by the Government that it would retain the option of adjusting the baseline in future years to reflect significant and unexpected housing growth; and,
 - d. A statement by the Government that it would retain the option of adjusting the baseline in future years to reflect significant and unexpected housing growth; and, a statement by Government that it would not introduce the proposals to withhold payments for areas without a local plan in 2017-18. However, it said that the issue would be revisited for 2018-19.
30. The provisional Local Government Finance Settlement of 19 December 2022 announced that there would be a new allocation for 2023-24 only. There are no longer any legacy payments included in the allocation. The rest of the scheme remains unchanged from 2022-23.
31. The Council expects to receive New Homes Bonus Grant funding of approximately £0.961 million for 2023-24. Thereafter the Government announced that the future of the New Homes Bonus scheme would be announced in time for the 2024-25 provisional Local Government Finance Settlement. The MTFP assumes there will be no change in the allocation over the period of the MTFP. The funding supports the overall revenue budget of the Council and Members are requested to note the inclusion of the grant in the Council’s MTFP shown at Appendix 1. **(Recommendation 8)**

Improved Better Care Funding Grant

32. The Government’s December 2022 provisional Local Government Finance Settlement confirmed that the Improved Better Care Funding grant would be rolled forward from 2022-23 with no change in the national allocation amount.
33. The Council’s Improved Better Care Funding grant is expected to remain unchanged for 2023-24 at £12.496 million. This grant allocation is not ring fenced and is intended to help address some of the financial pressures faced by councils, including those in Adult and Children’s social care.
34. It is anticipated that this grant will continue at its current level into 2024-25 to the end of the current SR period. Beyond 2024-25 there is less certainty and there has been no announcement on the future of this grant from Government. However, it has been assumed within the MTFP that this grant will continue at its current level for the duration of the MTFP. The position will be monitored and the

MTFP will be updated if required. Members are requested to note the grant inclusion in the Council's MTFP shown at Appendix 1. **(Recommendation 9)**

Social Care Grant

35. The Government's December 2022 provisional Local Government Finance Settlement confirmed an increase nationally of £1.506 billion to £3.852 billion. £161.000 million of the increase is due to the roll-in of the Independent Living Fund (ILF); previously a separate grant allocation, which equates to £0.867 million per annum for Northumberland. The remaining increase of £1.345 billion is funded from the postponement of adult social care charging reforms (£1.265 billion), and (£80.000 million) from other parts of the settlement. The reform of adult social care charging has been postponed until 2025-26 at the earliest. The grant is not ring fenced.
36. In total the Council will receive Social Care Grant of £22.056 million in 2023-24; an increase of £8.769 million when compared to £13.287 million received in 2022-23. It is anticipated that this grant will continue at its current level into 2024-25 to the end of the current SR period. Beyond 2024-25 there is less certainty; it is unclear if there will be new funding made available for the postponed adult social care charging reform, or if this funding is time-limited, and will be repurposed towards the adult social care charging reform. The MTFP assumes that this grant will continue at its current level beyond 2024-25 for the duration of this MTFP. However, it should be noted that this represents a significant financial risk. The position will be monitored and the MTFP will be updated if required. Members are requested to note the grant inclusion in the Council's MTFP shown at Appendix 1. **(Recommendation 10)**

Adult Social Care Discharge Fund

37. This is a new non-recurrent grant for 2023-24 and 2024-25. Nationally £300.000 million is available in 2023-24 and £500.000 million in 2024-25. The grant is intended to reduce delayed transfers of care. The National Health Service (NHS) will receive the same amount of funding as Local Government, and the funds will be pooled through the Better Care Fund. The grant is expected to be ring-fenced and have reporting requirements.
38. In total the Council will receive Adult Social Care Discharge grant funding of £1.752 million in 2023-24, and it is estimated that this will increase to £2.920 million in 2024-25. Members are requested to note the grant inclusion in the Council's MTFP shown at Appendix 1. **(Recommendation 11)**

Adult Social Care Market Sustainability and Improvement Fund

39. The December 2022 provisional Local Government Finance Settlement announced a new non-recurrent grant allocation of £562.000 million for 2023-24, which is expected to increase to £845.000 million nationally for 2024-25. £162.000 million of this is from the repurposed Market Sustainability and Fair Cost of Care grant which was received in 2022-23, with the remainder being new funding.

40. The funding is intended to make tangible improvements to adult social care, and, in particular to address discharge delays; social care waiting times; low fee rates; workforce pressures; and to promote technological innovation in the sector. The grant is expected to be ring-fenced and have reporting requirements.
41. In total the Council will receive Adult Social Care Market Sustainability and Improvement grant funding of £3.563 million in 2023-24, and it is estimated this will increase to £5.357 million in 2024-25. Members are requested to note the grant inclusion in the Council's MTFP shown at Appendix 1. **(Recommendation 12)**

Services Grant

42. The December 2022 provisional Local Government Finance Settlement announced that this grant would continue for 2023-24. However, the national allocation has been reduced from £822.000 million to £464.000 million for 2023-24. The reduction is due to the cancellation of the increase in National Insurance Contributions, which was previously provided for within the grant, and funding has been transferred to the Supporting Families Programme.
43. This is an un-ringfenced grant with no reporting requirements and is intended to provide funding to all tiers of local government in recognition of the vital services it delivers.
44. The Council will receive £2.677 million in 2023-24. It is currently unclear if this grant will continue beyond 2023-24. However, for the purpose of the MTFP it has been assumed that the grant will continue at this amount for the duration of the MTFP. Members are requested to note the grant inclusion in the Council's MTFP shown at Appendix 1. **(Recommendation 13)**

Council Tax

45. The budget proposals for 2023-24 contained within this report assume that the Council will agree to increase the general Council Tax by 2.99% and Members are requested to approve the increase. **(Recommendation 14)**
46. The December 2022 provisional Local Government Finance Settlement set the referendum limit for general Council Tax increases at 3.00% and confirmed that this limit will remain at 3.00% until the end of SR 2021; up to and including 2024-25. For the purposes of this report the increase used in 2023-24 and 2024-25 is 2.99%. It is then assumed that the limit will reduce to 2.00% from 2025-26 for the remainder of the MTFP period, and a Council Tax increase of 1.99% has been included for 2025-26 and 2026-27. Members are requested to note this assumption. **(Recommendation 15)**
47. There has been no Government decision to implement referendum limits for Town and Parish Councils.
48. An assessment of potential housing development across the County has been undertaken and an estimate of the growth in the tax base has also been included within the MTFP.

49. The increase in the tax base and the general 2.99% inflationary increase in 2023-24 provides additional funding of approximately £8.092 million which helps to retain the levels of service the Council provides; as well as reduce the value of measures required to balance the budget to the levels shown within the MTFP. It is also worth highlighting that the Government's Core Spending Power calculation assumes that the Council will apply an inflationary uplift to Council Tax each year and that there is growth in the Council Tax Base figure.
50. The provision for non-collection of Council Tax remains at 1.00% for 2023-24, following a review of actual collection rates. **(Recommendation 16)**
51. It is forecast that the Council's share of the Council Tax element of the Collection Fund will generate a surplus of approximately £2.737 million by 31 March 2023. This is largely due to an increase in the tax base due to additional properties. **(Recommendation 17)**
52. Accounting rules require any surplus to be transferred to the General Fund within the following financial year. However, SR 2020 announced that the Government would allow authorities to spread any 2020-21 in-year deficit over three financial years to help ease the burden created by Covid-19. The MTFP includes the final year spread of the 2020-21 deficit, equating to £0.554 million within 2023-24. The surplus figure of £2.737 million shown in 2023-24 is net of the £0.554 million deficit from 2020-21. **(Recommendation 17)**
53. The Council agreed at its meeting on 2 November 2022 to continue with the 2022-23 local Council Tax Support Scheme unchanged for 2023-24; that is, the maximum level of support for working age claimants will be 92.00%. This report, and the Budget 2023-24 and MTFP 2023-27 at Appendix 1 includes the estimated cost of the full scheme to the Council of £23.751 million.
54. In addition to this the Council Tax Discount Policy has been updated for 2023-24 to include a government backed Council Tax Support scheme. There are currently 24,893 Council Tax Support claimants who will each receive £25. The total cost of the scheme is estimated at £0.654 million and is shown in Appendix 8. The Council will receive a government grant of £0.654 million to fund this scheme. The Council Tax Discount Policy is included in the report "Approval of Revenues and Benefits Policies for 2023-24" which will be presented to Cabinet and Council along with this report. Members are asked to note the receipt of the grant and its intended use. The grant and associated expenditure is contained within Appendix 1. **(Recommendation 18 and 30)**
55. The Spending Review 2015 introduced the concept of an Adult Social Care Precept.
56. The provisional Local Government Finance Settlement announced by the Government on 19 December 2022 allows local authorities to add an Adult Social Care precept to its budget.
57. The Council's MTFP included at Appendix 1 assumes that a 2.00% increase is applied in 2023-24 and 2024-25, thereafter it is assumed that the Adult Social

Care Precept will cease following the Adult Social Care funding reforms. This will generate additional recurrent funding of approximately £4.530 million for Adult Social Care purposes in 2023-24. For 2023-24 this will result in a Band D property increase of £37.95. It is proposed the precept for Adult Social Care is increased by 2.00% in 2023-24, and Members are asked to note the assumed increase in 2024-25. **(Recommendation 19)**

58. The following table illustrates the Band D council tax calculation for 2023-24 for those elements of the charge levied by the Council only. Bands A to H are proportionate to Band D. Parish Precepts and the charge from the Police and Crime Commissioner for Northumberland are excluded. The 2022-23 charges were approved at County Council in February 2022.

	2022-23 Band D Charge	2023-24 increase	2023-24 Band D Charge	Increase Band D 2022-23 to 2023-24
	£	%	£	£
General Council Tax	1,671.04	2.99	1,721.00	49.96
Adult Social Care Precept	226.35	2.00	264.30	37.95
Total Council Charge	1,897.39	4.63	1,985.30	87.91

59. The general Council Tax increase of £49.96 represents a 2.99% increase on the 2022-23 charge. The Adult Social Care Precept increase of £37.95 represents a 2.00% increase on the 2022-23 general Council Tax and Adult Social Care Precept charges. The total Council increase of £87.91 represents a 4.63% increase when compared to the 2022-23 charge.

RESERVES AND PROVISIONS

60. The Council has several reserves and provisions set aside for specific purposes and to meet potential significant general unforeseen costs.
61. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require local authorities to consider the level of reserves when setting a budget requirement. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer, Section 151 Officer (S151 Officer) to report formally on the adequacy of proposed reserves when setting a budget requirement. The accounting treatment for reserves is set out in the Code of Practice on Local Authority Accounting.
62. CIPFA issued Local Authority Accounting Panel (LAAP) Bulletin No.99 Guidance Note on Local Authority Reserves and Balances in July 2014, which updated previous Bulletins to reflect the new requirements of the International Financial Reporting Standards (IFRS) Code of Practice. In addition, during the period of financial austerity for the public sector, the Local Authority Accounting Panel considered it necessary to update the guidance on local authority reserves and balances. Compliance with the guidance is recommended in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.

63. The Council's reserves policy is attached at Appendix 2. This policy sets out the Council's approach for compliance with the statutory regime and relevant non-statutory guidance. The policy remains unchanged from 2022-23. Members are asked to approve the Reserves Policy for 2023-24 detailed in Appendix 2. **(Recommendation 20)**
64. Reserves are an important part of the Council's financial strategy and are held to create long-term budgetary stability. They enable the Council to manage change without undue impact on the Council Tax and are a key element of its strong financial standing and resilience. The Council's key sources of funding face an uncertain future and the Council therefore holds earmarked reserves and a working balance in order to mitigate future financial risks

Reserves

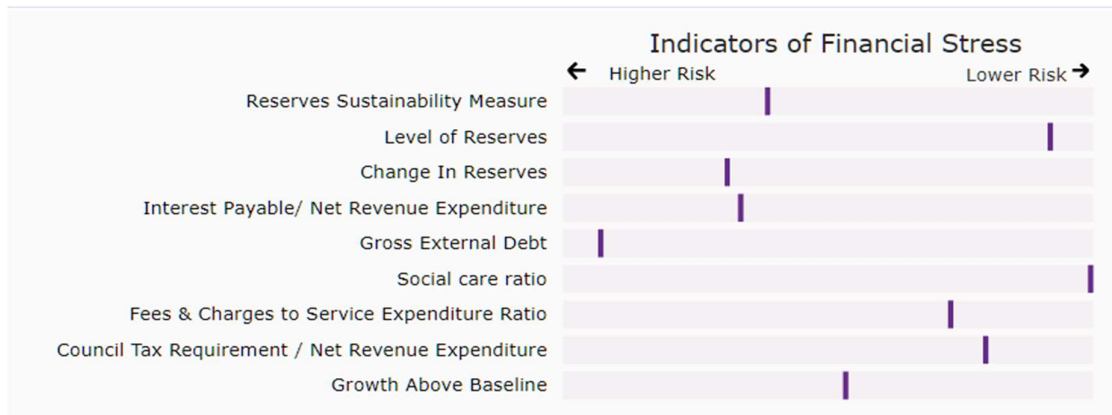
65. There are two categories of reserves: unusable and usable. Unusable reserves arise out of the interaction of legislation and proper accounting practice either to store revaluation gains or as adjustment accounts to reconcile accounting requirements driven by reporting standards to statutory requirements. These reserves cannot be used for any other purpose and are therefore not considered as part of this report. Usable reserves are split between those that are earmarked for known or predicted purposes, such as Section 106 developer contributions, and those of a general nature which are available; to fund unforeseen costs, smooth cash flow and prevent unnecessary temporary borrowing. A schedule of all usable reserves is detailed at Appendix 3.
66. A review of all usable reserves has recently been undertaken to ensure they are still required and are at an appropriate level. Appendix 3 details the outcome of the review which Members are requested to note. **(Recommendation 21)**
67. Given the uncertainty around much of the future funding for Local Government there is a real risk that the Council may be unable to meet significant unforeseen cost pressures. There is also a high level of risk associated with Business Rates income which was covered earlier in this report. It is therefore essential that the Council continues to maintain an adequate level of general reserves to fund such unforeseen events. There are two main general reserves that can be utilised for these purposes: the General Fund Reserve and the Strategic Management Reserve. Regular reviews of the reserves will continue to be undertaken to ensure reserve levels are appropriate to risks in line with legislation and best practice. The Council aims to hold a general reserve of between 5.00% and 7.50% of the gross revenue budget, which equates to £42.827 million to £64.240 million for 2023-24.
68. It is proposed to utilise a net contribution of £34.233 million from the Strategic Management Reserve over the duration of the MTFP 2023-27, comprising of a net contribution from the Strategic Management Reserve of £13.138 million in 2023-24, £15.792 million in 2024-25 and £6.335 million in 2025-26, with a contribution to the Strategic Management Reserve of £1.032 million in 2026-27. Proposed contributions to and from the reserve are as follows:

- a. the non-recurrent pressures detailed in Appendix 8, excluding Adult Social Care Discharge Fund, Adult Social Care Market Sustainability and Improvement Fund and mandatory Council Tax Support Fund; which are all funded from specific grant income, and the Transformation Programme which is proposed to be funded from the Council Transformation Fund Reserve, and Locality Coordinators which are proposed to be funded from Public Health Grant: £5.898 million 2023-24, £4.528 million 2024-25, £0.935 million 2025-26 and £0.159 million 2026-27;
 - b. the Active Northumberland Management Fee of up to £1.000 million in 2023-24;
 - c. delayed investment interest due from the airport as a result of Covid-19, of £0.957 million in 2023-24. Thereafter, it is anticipated the airport will start to repay the delayed interest over a four-year period, and £0.161 million will be received and repaid to the Strategic Management Reserve in 2024-25, followed by £1.191 million in both 2025-26 and 2026-27;
 - d. revenue contribution to capital of £8.171 million in 2024-25 and £6.591 million in 2025-26 for investment in the Schools' Redevelopment Programme; and,
 - e. in order to help smooth the savings requirements it is proposed to utilise £5.283 million in 2023-24 and £3.254 million in 2024-25 from the Strategic Management Reserve.
69. These amounts are shown in the MTFP contained within Appendix 1, and Members are requested to approve the contributions from the Strategic Management Reserve for the items above in the 2023-24 Budget and note the position for 2024-25, 2025-26 and 2026-27. **(Recommendation 22)**
70. It is proposed to utilise £0.199 million of the Public Health Grant in both 2024-25 and 2025-26 to fund five fixed term Locality Coordinator posts. These posts will work with a wide range of partners to help accelerate and deliver the Council's inequalities plans, actions and priorities, and support those residents in need of emergency welfare support and assistance. **(Recommendation 23)**
71. It is proposed to utilise £7.850 million of the General Fund Reserve in 2024-25 to fund a voluntary MRP contribution to enable the Council to repay debt at an appropriate time in the future. This amount is shown in the MTFP contained within Appendix 1, and Members are asked to note the proposed use. **(Recommendation 24)**
72. With regard to the Transformation Reserve, it is proposed to utilise £3.000 million per annum in both 2023-24 and 2024-25 to offset the non-recurrent transformation costs shown within Appendix 8. These amounts are shown in the MTFP contained within Appendix 1, and Members are asked to approve the use of the Transformation Reserve in 2023-24 and note the use in 2024-25. **(Recommendation 25)**

73. It is also proposed to utilise £1.944 million of the Collection Fund Smoothing Reserve in 2023-24 to fund the forecast 2022-23 deficit on the Business Rates element of the Collection Fund, including the final year of the deficits spread from 2020-21 on Business Rates. This amount is shown in the MTFP contained within Appendix 1, and Members are asked to approve the use of the Collection Fund Smoothing Reserve in 2023-24. **(Recommendation 26)**
74. The Schedule of Reserves contained within Appendix 3 demonstrates that the financial standing of the Council is sustainable and therefore the Council can withstand a significant revenue shock.
75. Part Two of the Local Government Act 2003 comprises a set of duties and powers that gives statutory support to important aspects of good financial practice in Local Government.
76. Section 25 requires the Chief Financial Officer (also referred to as the Section 151 Officer) to report to an Authority when it is making the statutory calculations required to determine its Council Tax or Precept. The Authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included within the budget and the adequacy of the reserves for which the budget provides.
77. The Interim Executive Director of Finance (the Council's Section 151 Officer) is satisfied that the Council is setting a viable budget based on the assumptions contained within this report and confirms that the Council has the required financial strength within its reserves position to cope with any anticipated financial challenge.

CIPFA Financial Resilience Index

78. In December 2022 CIPFA published a Financial Resilience Index for all English local authorities. This information has been made publicly available (via CIPFA's website).
79. The index does not produce one overall single 'league table' score. Instead, the index consists of financial ratios across 9 primary indicators and a further 7 secondary indicators. The index also publishes the Council's latest External Audit Value for Money opinion and the OFSTED judgement on Children's Social Care.
80. In addition to a calculated value for each financial ratio, the index also expresses each indicator on a scale of risk-level linked to risk of financial stress. Scores for each indicator are also benchmarked with a 'nearest neighbour' peer group.
81. The following chart shows the indicator of financial stress risk for all 9 primary measures on the Financial Resilience Index for the Council:



82. The Financial Resilience Index for Northumberland shows low levels of risk for 5 of the 9 primary indicators. However, a higher level of risk is indicated for the following 4 primary indicators:
- Reserves Sustainability Measure;
 - Change in Reserves;
 - Interest Payable / Net Revenue Expenditure; and,
 - Gross External Debt.
83. For Northumberland the first two indicators are inextricably linked. Members will be aware that the Council received a significant amount of grant funding to address the challenges posed by the Covid-19 pandemic. A lot of this funding was transferred into reserves. The Council has now utilised a significant amount of this funding to provide support to businesses and the most vulnerable in the community, which has reduced the reserve balances. A schedule of all Council reserves is contained within Appendix 3 of this report which demonstrates that the financial standing of the Council is sustainable.
84. Section 25, Part Two of the Local Government Finance Act 2003 requires the Chief Financial Officer (also referred to as the Section 151 Officer) to report to the Authority the robustness of the estimates included within the budget and the adequacy of reserves for which the budget provides. The Interim Executive Director of Finance (the Council's Section 151 Officer) is satisfied that the Council is setting a viable budget based on the assumptions contained within this report and confirms that the Council has the required financial strength within its reserves position to cope with any anticipated financial challenge.
85. For Northumberland the last two indicators are also inextricably linked. Members will be aware that the Council's debt has historically been at a high level due to the level of lending to other organisations such as Advance Northumberland and Northumbria Healthcare NHS Foundation Trust; as well as being the main source of funding to service the Capital Programme.
86. As a consequence of the high level of debt the Council's interest payments are significant hence the risk is high as shown in the diagram above. Members should note that the indicator does not take into account the fact that the debt is

being repaid and that the Council either has a legal charge over a number of assets to cover the debt or wholly owns Advance Northumberland and by default the assets.

Provisions

87. The Council maintains a number of provisions which are also detailed in Appendix 3. Provisions are set aside for specific purposes and there are prescribed criteria which are set out in International Accounting Standard 37 (IAS 37), which must be satisfied before a provision can be created. Provisions are scrutinised annually by the Council's external auditors as part of the final accounts process to ensure that they comply with the requirements of IAS 37. It is essential that the Council provides for these items when the criteria set out in IAS 37 is met to prevent unbudgeted charges to the General Fund. There is a requirement to review all provisions annually to ensure they are still relevant and satisfy the requirements of IAS 37. A review of all provisions has recently been undertaken to ensure they are still required. Appendix 3 details the outcome of the review and Members are requested to note the provisions. **(Recommendation 21)**

Service Specific Grants

88. In addition to the core funding grants detailed in this report there are a number of service specific grants which are detailed at Appendix 4. These grants are included within the baseline budget figure and total £250.400 million and Members are requested to note the grants. **(Recommendation 27)**
89. The Public Health Grant is ringfenced for the provision of services to improve the health of the local population through a sustainable health and care system by improving access, experience, and outcomes; and reducing health inequalities from deprivation, ethnicity, and vulnerable groups. The 2023-24 allocation has not yet been announced therefore it has been assumed within the MTFP that this grant will continue at its current level of £17.366 million over the duration of the MTFP. The position will be monitored and the MTFP will be updated if required. **(Recommendation 27)**

EXPENDITURE

Inflation

90. The Council, like many others, comes under increasing pressure to provide or enable essential statutory services. There are pressures within Children's and Adult's Social Care services as a result of the move to the Real Living Wage where demand for the provision of care and support for looked after children and the elderly continues to grow. These inflationary increases add significantly to the budgetary pressures faced by the Council and are included within Appendix 5.
91. All inflationary pressures are detailed within Appendix 5 which includes the costs associated with incremental drift, pay inflation and non-pay inflation.
92. Pay inflation for 2023-24 is based on an increase of 4.00%. Where applicable the Local Government pay award will be effective from 1 April 2023. For the purposes of the MTFP it is assumed that the pay awards will be 2.00% from 2024-25.
93. Excluding hyper-inflation (recommended to be funded from the Strategic Management Reserve), total inflation equates to £28.900 million for 2023-24, £17.516 million for 2024-25; £12.910 million for 2025-26, and £12.089 million for 2026-27. It is recommended that the inflationary pressures identified in Appendix 5 for 2023-24 are approved. **(Recommendation 28)**

Demand for Services

94. The pressures facing the Council and the requirement to fund growth in services are shown in Appendices 6 and 7, with further detail in the following paragraphs. Recurrently, £16.694 million has been added to the base budget for 2023-24, £2.422 million in 2024-25; £1.773 million in 2025-26 and £0.392 in 2026-27. Also, the year-on-year increase in the revenue costs attributable to the Capital Programme, (Appendix 13), is included within the MTFP at Appendix 1. These equate to £6.164 million in 2023-24, £14.075 million in 2024-24, £10.098 million in 2025-26, and £6.000 million in 2026-27, comprising of:
 - a. revenue contribution to capital of £8.171 million in 2024-25 and £6.591 million in 2025-26 for Schools Redevelopment; and
 - b. revenue cost of borrowing associated with the Capital Programme of £6.164 million in 2023-24, £5.904 million in 2024-25, £3.507 million in 2025-26, and £6.000 million in 2026-27.
95. It is proposed that Members approve the 2023-24 pressures and revenue costs associated with the Capital Programme and note the 2024-25, 2025-26 and 2026-27 figures. **(Recommendation 29)**
96. In addition to the grants mentioned earlier, the increase of 2.00% Adult Social Care Precept to Council Tax levels for 2023-24 and 2024-25 has provided some additional funding to meet the increasing costs. However, there remains a

significant recurrent on-going pressure which needs to be funded by the Council. The MTFP assumes no increase for the remaining years of the MTFP.

97. The Council has set aside recurrent funding within the Budget 2023-24 and the MTFP to address the demographic pressures in relation to both Adult's and Children's Social Care as well as the ongoing revenue consequences of the Council's ambitious capital investment programme and a number of other identified pressures and growth areas.
98. It is proposed that the Council continues to fund Active Northumberland up to an additional £1.000 million for 2023-24 from the Council's Strategic Management Reserve. **(Recommendation 22)**
99. Through its shares in Newcastle Airport Local Authority Holding Company Limited the Council has a 7.86% share in Newcastle International Airport Limited (NAL). Members of the LA7 entered into a loan agreement with NIAL Group Limited in 2012-13, issuing £67.665 million shareholder loan notes. The loan notes will be repayable in 2032 with interest normally being received up to that date on a six-monthly basis.
100. Due to major curtailments in the airport operation as a result of the Covid-19 pandemic the terms of these loans have been modified. Given the unprecedented circumstances the airport has deferred interest repayments since 2019-20. This will again result in a shortfall of investment income in 2023-24 to the General Fund of £0.957 million. However, repayment of the total delayed investment interest will commence in April 2024 and will be fully repaid within 4 years. Repayment of the delayed interest will replenish the Strategic Management Reserve; £0.161 million in 2024-25 and £1.191 million in both 2025-26 and 2026-27 over the current MTFP period. It is proposed to fund the 2023-24 delayed interest of £0.957 million from the Council's Strategic Management Reserve and then subsequently replenish the reserve following receipt of the delayed interest payments in subsequent years. **(Recommendation 22)**
101. There are also non-recurrent issues which the Council needs to address from time to time. The MTFP identifies that £15.066 million will be required in 2023-24; £16.004 million in 2024-25; £0.935 million in 2025-26 and £0.159 million in 2026-27. Details are contained within Appendix 8. It is proposed that this one-off expenditure is approved and that when it is incurred it is funded from the Strategic Management and Council Transformation Fund Reserves, Public Health Reserve grant, Adult Social Care Discharge Fund grant, Adult Social Care Market Sustainability and Improvement Fund grant, and Council Tax Support Fund grant. **(Recommendations 18, 22, 23, 25 & 30)**
102. The Council also expects to achieve non-recurrent income of £0.157 million in 2023-24, £5.601 million in 2024-25, £0.252 million in 2025-26 and £0.221 million in 2026-27, which is detailed in Appendix 8. It is proposed that Members note the non-recurrent income for 2023-24 and the expected receipts in 2024-25, 2025-26 and 2026-27. **(Recommendation 31)**

Budget Balancing

103. The Council's Budget 2023-24 and MTFP 2023-27, which is contained within Appendix 1, has been updated to reflect the latest forecast position for both income and expenditure. The plan also highlights the value of budget measures required in order to set a balanced budget, equating to £17.045 million in 2023-24 and £37.026 million for the period 2024 to 2027. It is recommended that the identified efficiencies of £17.045 million for 2023-24, which are detailed in Appendix 9 are approved, and Members note that a further £10.295 million of efficiencies have been identified for the period 2024 to 2026. **(Recommendation 32)**

104. The Schedule of Efficiencies contained in Appendix 9 has been agreed by the individual Cabinet Members. Any efficiency proposals that are considered to represent a risk will be subject to a separate comprehensive risk appraisal process. The risk appraisal process is the responsibility of the relevant Executive Director and will continue up to the County Council and beyond as individual budget reduction measures are implemented.

105. In addition, the potential impact of the proposed budget balancing measures on the Council's public sector equality duties has been considered by officers in each Directorate, and where screening identifies a need, detailed equality impact assessments have been carried out on the proposals. In some cases, these are provisional and will be reviewed before final decisions are made to implement these proposals. If this process makes it clear that there are unacceptable equality impacts which cannot be mitigated by adjustments within the proposal itself, the relevant Executive Director will be expected to find alternative compensating savings which they will agree with their relevant Portfolio Holder. The Interim Executive Director of Communities and Business Development has provided an initial assessment of the overall equality impact of the budget proposals, shown at Appendix 10. This will be updated further as the budget process continues. Equality impacts will be considered further and subject to a comprehensive risk appraisal process as appropriate. Members are requested to note the Corporate Equality Impact Assessment shown at Appendix 10. **(Recommendation 33)**

106. A number of the proposals will require active management and each Executive Director will be responsible for their successful delivery.

107. If a proposal cannot be implemented either partially or in full the Executive Team will be expected to recommend alternative compensating savings for consideration.

Budget by Service Area

108. The 2023-24 budget is shown by service area at Appendix 11. This highlights expenditure, income, inflation, grant funding changes, pressures, savings and the proposed final budget 2023-24 by service area. Members are requested to note Appendix 11. **(Recommendation 34)**

Grant Funded Revenue Schemes

109. There may be instances throughout 2023-24 when additional unforeseen external revenue grant funding is received for a specific purpose. In these circumstances where the revenue scheme is fully funded from external grant Cabinet has authority to include these projects and their funding within the Revenue Budget.

Summary

110. The financial position of the Council over the period 2023-27 is detailed within Appendix 1.

111. It is recommended that Members approve Appendices 1, 2, 5, 6, 7, 8 and 9.

SCHOOL FUNDING

112. The Dedicated Schools Grant is a ring-fenced grant from the Department for Education to be spent on the education of pupils both in and out of school. The available grant funding for 2022-23 (after academy recoupment), which Members are requested to note is forecast to decrease by £1.291 million from the 2022-23 original allocation to £150.832 million. This is as a result of three schools converting to academy status on 1 April 2022.

113. The provisional value of the Dedicated Schools Grant for all schools in Northumberland (including Academies) for 2023-24 is £291.544 million. This is an increase of £16.853 million when compared to the 2022-23 original allocation across the Schools Block, High Needs Block and Early Years Block. This is due to an increase in the funding rates per pupil and now incorporates the Supplementary Grant for mainstream schools and the Teachers Pay and Pensions Grant for Early Years which were previously separate grants. There is also an increased number of Special Educational Needs (SEN) children, and this has led to growth within the High Needs Block. Mainstream schools are due to receive additional funding to meet inflationary pressures arising in 2023-24 through a separate grant stream, with detailed allocations due by April 2023. The Council will receive £160.287 million which Members are requested to note.
(Recommendation 35)

114. The Dedicated Schools Grant is divided into four notional blocks:

- Schools Block;
- Central School Services Block;
- High Needs Block; and,
- Early Years Block

115. Virement between the 4 notional blocks of up to 0.50% is possible by the local authority with school forum approval.

116. The Schools Block is in two parts:

- The Individual Schools Budgets (ISB) - Each school's ISB is calculated using the funding formula already approved by the Cabinet; and,
- Central Schools block – This block is used to meet the cost of statutory services provided to all schools including academies.

117. The High Needs Block will include funding for the additional needs of pre and post 16 students in Maintained Schools, FE Colleges and other establishments.

118. The Early Years Block includes funding for 2-year-old provision for the 40.00% most disadvantaged pupils as well as the statutory offer for 3 and 4-year-olds.

119. The implementation of the National Funding Formula (NFF) has been further delayed, but the Department for Education expects all local authorities to have moved to the NFF values by 2027-28 at the latest. Following a gradual transition

in recent years, it is intended that for 2023-24 the current local formula, as approved by Cabinet, will match the NFF values.

120. The Dedicated Schools Grant is currently predicted to overspend by £0.532 million in the financial year 2022-23 predominantly due to increased place funding and top-up costs associated with rising numbers of pupils with an Education, Health and Care Plan (EHCP).

CAPITAL EXPENDITURE

Capital Strategy 2023-24 to 2026-27

121. The Chartered Institute of Public Finance and Accountancy (CIPFA)'s Treasury Management revised Code of Practice and the Prudential Code requires authorities to have in place a Capital Strategy that sets out the long-term context in which capital expenditure and investment decisions are made. The Capital Strategy should form a part of the authority's integrated revenue, capital and balance sheet planning.
122. Appendix 12 sets out a proposed Capital Strategy for the Council.
123. Members are recommended to approve the attached Capital Strategy at Appendix 12. **(Recommendation 36)**

Capital Programme 2023-24 to 2026-27

124. There is a revised Capital Programme covering the period 2023-27 within Appendix 13. The inclusion of a scheme in the programme signifies approval in principle; but each individual scheme will be subject to business case approval in line with the Council's Constitution.
125. The programme is largely based on that agreed in February 2022 but adjusted to reflect:
- a) re-profiling estimates from 2022-23 of £137.253 million.
 - b) A net reduction in capital expenditure over the period 2022-26 of £37.599 million, details of which are detailed in Appendix 14; comprising of new projects agreed during the year by Cabinet; other newly identified commitments and a number of scheme either reducing or being removed from the programme as part of the budget setting process. The overall reduction of £37.599 million equates to a net increase in Council resource requirements over the period 2023 to 2027 of £9.484 million (£26.862 million decrease for existing projects and £36.346 million increase for new projects), and a net decrease in external grant contributions of £47.083 million. Members are requested to note the changes contained within Appendix 14. **(Recommendation 37)**
126. Members are recommended to approve the revised Capital Programme as detailed within Appendix 13. **(Recommendation 37)**
127. Within the revised Capital Programme there is an indicative grant allocation from the Department for Transport for the Local Transport Programme (LTP). County Council Members and Town and Parish councils will be consulted in the development of the proposed LTP Programme as part of the prioritisation process. Members are recommended to approve the delegation of the detail of the final Local Transport Programme, and any subsequent in-year amendments to the Executive Director responsible for Local Services and the Cabinet Member for Local Services. **(Recommendation 38)**

128. Within the Capital Programme there is also an allocation of £4.450 million in 2024-25 for highway maintenance investment in U and C roads and footways. Members are recommended to approve the delegation of the detail of the capital allocation for highways maintenance investment in U and C roads and footways to the Executive Director responsible for Local Services and the Cabinet Member for Local Services. **(Recommendation 39)**

HRA Capital Programme

129. The business case demonstrates potential capital expenditure over the MTFP of up to £85.703 million which is included in Appendix 13.

Flexible Use of Capital Receipts

130. Councils are generally only allowed to spend capital receipts - the money received when an asset is sold - on further capital projects or set aside the money for the repayment of debt. However, as part of the Local Government Settlement for 2016-17, Government announced greater flexibility for councils in how they make use of capital receipts by allowing them to use the receipts (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings.

131. In December 2017, and again in February 2021, the Secretary of State announced further continuation of the capital receipts flexibility programme. The latest announcement provides a 3-year extension for receipts received from 2022-23 onwards.

132. The flexibilities enable councils to use income from the sale of certain assets to fund the short-term revenue costs that support qualifying invest-to-save and efficiency projects in order to provide revenue savings in the future.

133. Qualifying expenditure under the guidance is defined as: "Expenditure on any project that is designed to generate on-going revenue savings in the delivery of services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demands for services in future years for any of the public sector delivery partners.

134. It is proposed that the Council utilises this flexibility for up to £0.500 million of capital receipts in 2023-24 on qualifying projects.

135. The proposal is not anticipated to have any revenue impact, as many of the qualifying projects will themselves provide on-going revenue benefits/efficiencies, which would in turn offset the additional cost of borrowing.

Grant Funded Capital Projects

136. There may be instances throughout 2023-24 when additional unforeseen external capital grant funding is received for a specific purpose. In instances where capital projects are fully funded from external grant sources Cabinet has authority to include these projects and their funding within the Capital Programme.

Prudential Borrowing Indicators

137. As a result of the revisions to the Capital Programme the Prudential Borrowing Indicators have been updated for the next four years. Prudential Indicators for approval are detailed within Appendix 15. **(Recommendation 40)**

Annual Minimum Revenue Provision Policy Statement

138. The proposed policy is enclosed at Appendix 16. The policy is unchanged from 2022-23.

139. Members are requested to approve the Annual Minimum Revenue Provision Policy for 2023-24. **(Recommendation 41)**

TREASURY MANAGEMENT

140. The proposed Treasury Management Strategy for 2023-24 is attached at Appendix 17. The report was also considered by the Audit Committee on 25 January 2023. Any subsequent amendments following Audit Committee will be included in the final report to the County Council in February.
141. Member are requested to approve the Treasury Management Strategy Statement included at Appendix 17. **(Recommendation 42)**

FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT

142. The provisional Local Government Finance Settlement 2023-24 was announced on 19 December 2022 and the figures contained within this report are based on this announcement. However, there is currently a consultation period which could alter these figures. The outcome of the consultation will be announced in February 2023 as part of the final Local Government Finance Settlement. It is not expected that the figures will change significantly. However, in the event that they do change it is proposed that delegated authority is approved for the Council's Section 151 Officer in consultation with the Portfolio Holder for Corporate Services to amend the 2023-24 budget if necessary.
(Recommendation 43)
143. If the final Settlement is received in advance of the County Council meeting a report showing any changes will be provided to members.

IMPLICATIONS ARISING OUT OF THE REPORT

Policy:	This is the first year of the MTFP 2023-27. The plan supports the priorities outlined in the Corporate Plan.
Finance and value for money:	The financial implications of the 2023-24 budget and the MTFP are detailed within this report. Financial year 2024-25 and beyond will continue to be challenging.
Legal:	It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, revised under Section 31 of the Localism Bill 2011, for the Council to produce a balanced budget. The Council also has a fiduciary duty not to waste public resources.
Human Resources:	The size of the financial challenge will have an impact on staffing levels across the Council. The Council will continue to try and mitigate this impact by the management of vacancies and voluntary redundancy wherever possible.
Property:	A significant proportion of the Capital Programme refers to property and assets. The estates rationalisation plan has now been implemented and is on-going.
Equalities: (Impact Assessment attached) Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	The interim Executive Director of Communities and Business Development has provided an overarching equality review, which identifies the main issues that need to be considered in setting the budget. Cabinet will be asked to consider changing the budget proposals should it at a later stage prove not to be possible to mitigate an unacceptable equality impact.
Risk Assessment:	The risks associated with the budget proposals are regarded as acceptable, but these risks will continue to be reviewed up to and including implementation of the detailed proposals.
Carbon Reduction:	The Council continues to develop proposals concerning the management of energy which are supported by the budget.

Crime & Disorder:	There are no specific crime and disorder implications within this report.
Customer Consideration:	The individual proposals will carefully consider the impact upon both customers and residents of Northumberland.
Consultation:	During January 2023 consultation on the 2023-24 budget and MTFP has taken place at the five Local Area Councils in Northumberland. The report has also been subject to a review by an all-member Corporate Services and Economic Growth Overview & Scrutiny Committee. This meeting will consider the views of Scrutiny before making final recommendations to the County Council
Health & Wellbeing:	The Council's budget is founded on the principle of promoting inclusivity
Wards	All wards in Northumberland

BACKGROUND PAPERS

Date	Report to	Report
23 February 2022	Full Council	Budget 2022-23 and Medium-Term Financial Plan 2022-26
2 November 2022	Full Council	Approval of the Council Tax Support Scheme for 2023-24
17 November 2022	Cabinet	Budget 2023-24 and Medium-Term Financial Plan 2023-2027
13 December 2022	Cabinet	Approval of the Council Tax Base 2023-24
17 January 2023	Cabinet	Notification of the Estimated Collection Fund Balances 2022-23 – Council Tax and Business Rates
25 January 2023	Audit Committee	Treasury Management Strategy Statement for the Financial Year 2023-24

Report sign off

Authors must ensure that officers and members have agreed the content of the report:

	Name
Interim Monitoring Officer	Suki Binjal
Interim Executive Director of Finance & Section 151 Officer	Jan Willis
Relevant Executive Director	Jan Willis
Interim Chief Executive	Rick O'Farrell
Portfolio Holder	Richard Wearmouth

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List of Appendices

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Appendix 2	Reserves Policy 2023-24
Appendix 3	Schedule of Reserves and Provisions 2023-24 to 2026-27
Appendix 4	Service Specific Grants 2023-24
Appendix 5	Inflation Schedule 2023-24
Appendix 6	Recurrent Pressures Schedule 2023-24 to 2026-27
Appendix 7	Growth Schedule 2023-24 to 2026-27
Appendix 8	Non-Recurrent Pressures and Income Schedule 2023-24 to 2026-27
Appendix 9	Schedule of Efficiencies 2023-24 to 2026-27
Appendix 10	Corporate Equality Impact Assessment
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Appendix 12	Capital Strategy 2023-24 to 2026-27
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Appendix 14	Net Movement in the Capital Programme 2023-24 to 2026-27 (exc. slippage)
Appendix 15	Capital Prudential Indicators 2023-24 to 2026-27
Appendix 16	Annual Minimum Revenue Provision Policy Statement 2023-24
Appendix 17	Treasury Management Strategy Statement 2023-24