



# Northumberland County Council

Cabinet

Tuesday, 16 January 2024

## **Budget 2024-25 and Medium-Term Financial Plan 2024-28 Update**

**Report of Councillor(s)** Richard Wearmouth, Deputy Leader and Cabinet Member for Corporate Resources

**Responsible Officer(s):** Jan Willis, Executive Director for Transformation & Resources (S151)

### **1. Link to Key Priorities of the Corporate Plan**

The Council's budget and Medium-Term Financial Plan (MTFP) are aligned to the three priorities outlined in the Corporate Plan 2023-26: Achieving Value for Money; Tackling Inequalities and Driving Economic Growth.

### **2. Purpose of report**

This report provides an update on the development of the 2024-25 Budget and the MTFP covering the period 2024 to 2028 following the publication of the provisional Local Government Finance Settlement on 18 December 2023.

### **3. Recommendations**

3.1 Members are requested to note the update.

### **4. Forward plan date and reason for urgency if applicable**

The report first appeared in the forward plan on 19 December 2023. The report is presented to inform and update Members of progress with the Budget 2024-25 and MTFP 2024-2028. It has not been possible to provide this update earlier as there were too many unknowns, and the Local Government Finance Settlement was not received until 18 December 2023. At this point in time no decision is required.

### **5. Background**

5.1 This report updates the MTFP position; and the budget for 2024-25, following the announcement of the Autumn Statement on 22 November 2023 and the provisional

Local Government Finance Settlement on 18 December 2023. The final Settlement is not due until February 2024, and may alter the financial position.

- 5.2 The 2024-25 provisional Local Government Finance Settlement (the Settlement) was announced by Government on 18 December 2023. The announcement only provided funding figures for 2024-25 which is up to the end of the current Spending Review period. It is well known that the Government intends to change the funding mechanism for the sector but has stated that this will be with effect from 2025-26 at the earliest. The Council's 2024-25 Budget has been updated utilising the financial data that was published as part of the Settlement, but assumptions have been made with regard to future years.
- 5.3 Further announcements in relation to specific grants will be made by Government departments over the next few weeks and the implications of these announcements will be incorporated into the final budget report to County Council on 21 February 2024.
- 5.4 The table below provides a summary of the grant funding allocations for Northumberland announced in the Settlement, alongside the previous assumptions included in the report to Cabinet on 12 December 2023.

<b>Grants</b>	<b>Provisional Settlement Allocation 2024-25</b>	<b>12 December Cabinet Report</b>	<b>Change - Increase / (Decrease)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Revenue Support Grant (RSG) *	14.020	13.263	0.757
Social Care Grant (Adults and Children's services)	25.821	25.560	0.261
Improved Better Care Fund	12.496	12.496	-
Market Sustainability and Improvement Fund **	6.656	5.357	1.299
Adult Social Care Discharge Fund **	2.920	2.920	-
Services Grant	0.439	2.787	(2.348)
New Homes Bonus	1.710	0.961	0.749
Rural Service Delivery Grant	2.745	2.456	0.289
<b>Total Grant Funding</b>	<b>66.807</b>	<b>65.800</b>	<b>1.007</b>
Home Office Fire and Pensions grant shortfall *	(0.766)	-	(0.766)
Expenditure matched against Adult Social Care Market Sustainability & Improvement Fund and Adult Social Care Discharge Fund grants **	(9.576)	(8.277)	(1.299)
<b>Net Reduction in Grant Funding</b>	<b>56.465</b>	<b>57.523</b>	<b>(1.058)</b>

\* *The Home Office Fire and Pensions Grant has been rolled into the RSG leaving a budgetary pressure within the service which is shown in the table above. The increase in RSG almost compensates for this pressure.*

\*\* *ASC Market Sustainability & Improvement Fund and Discharge grants have specific reporting requirements and are ringfenced/pooled. They have been matched in the MTFP with corresponding expenditure.*

Further information regarding each grant and the national funding total is as follows:

#### 5.5 Revenue Support Grant (RSG)

The 2024-25 RSG amount has been determined using the figures for 2023-24 plus CPI inflation at 6.7%. The Council will receive £14.020 million in 2024-25.

The Home Office Fire and Pensions grant has however been rolled into the RSG, the national grant total for this element is £115 million, and Northumberland's share is £0.766 million.

The Home Office Fire and Pensions grant was previously included as a specific grant within the Northumberland Fire and Rescue service budget. This grant covered the last increase in the employers' pension contribution rate (currently 28.8%). The removal of the specific grant funding creates a budget pressure within the service which will be removed, albeit the funding will now be shown as part of the RSG grant.

The Council will still receive Firefighters Pension Fund Top-up Grant where pensions paid out exceed the contributions made to the fund.

#### 5.7 Specific Grants

##### a) Social Care Grant (Adults and Children's Services)

The national total for the Social Care Grant has increased from the 2023-24 allocation by £692 million, to £4,544 million. The Budget 2024-25 and MTFP 2024-28 Cabinet report of 12 December 2023 previously forecast an increase in grant of £612 million, which is £80 million lower than the final provisional allocation, therefore the Council's allocation has increased by £0.261 million.

##### b) Improved Better Care Fund

The national funding total remains at £2,140 million, and the Council's allocation has remained at £12.496 million.

##### c) Adult Social Care Market Sustainability and Improvement Fund

The national total is £1,050 million; and £162 million of this is from the repurposed Market Sustainability and Fair Cost of Care Fund, plus £683 million new funding which was allocated as part of the 2023-24 Local Government Finance Settlement. Following an announcement by the Government in July 2023 this was increased by £0.365 million in 2023-24 and £0.205 million in 2024-25 for workforce fund funding. The Council's allocation has therefore increased to £6.656 million.

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.

This grant is ring-fenced, conditional and has reporting requirements.

##### d) Adult Social Care Discharge Fund

The national total is £500 million; and it is intended that this grant forms part of Better Care Fund plans and is aimed at reducing delayed transfers of care. The Council will receive £2.920 million.

The NHS is receiving an equivalent amount which is also to be utilised in relation to Better Care Fund plans. (A total of £1,000 million across both sectors for 2024-25).

This grant has reporting requirements, and it will be pooled through the Better Care Fund process.

e) Services Grant

The national grant total has reduced from £483 million in 2023-24 to just £77 million for 2024-25. The funding has been reduced as some of the Services Grant has been used to fund increases to other settlement grants and equalisation of the adult social care precept. A small proportion has also been held back by Government as a contingency. The Council will receive £0.439 million, which represents a reduction of £2.348 million.

f) New Homes Bonus

The 2024-25 national allocation remains at £291 million. There have been no changes to the design of the scheme for 2024-25, with a single year's new allocation, and again there are no legacy payments. Whilst the national funding allocation remained the same the Council significantly increased its number of eligible properties which attracts the bonus. The Council's allocation therefore increased from £0.961 million in 2023-24 to £1.710 million in 2024-25.

The Government's 2023 policy statement said that the future of the New Homes Bonus scheme would be announced in time for the 2024-25 provisional Local Government Finance Settlement. This did not happen and there has been no further mention of the future of this scheme within the Settlement.

g) Rural Services Delivery Grant

The 2024-25 national allocation remains at £95 million. The Budget 2024-25 and MTFP 2024-28 Cabinet report of 12 December 2023 previously forecast a national allocation of £85 million, which is £10 million lower than the final provisional allocation, therefore the Council's allocation has increased by £0.289 million.

## 5.8 Beyond 2024-25

The settlement provided no certainty beyond 2024-25 which makes budget planning difficult. The following risks should be noted:

a) Social Care Grant (Adults and Children's Services)

It is unclear if there will be any new funding when reform is reintroduced, or whether this funding is effectively time-limited and will be repurposed in relation to the reform from 2025-26. The MTFP assumes that this funding will continue at its current level over the duration of the MTFP.

b) Adult Social Care Market Sustainability & Improvement Fund

It is unclear if this will continue beyond 2024-25. This represents a risk as many of the initiatives implemented are recurrent and require funding. The MTFP assumes that this funding and associated expenditure will continue for the duration of the current MTFP.

c) Services Grant

It is unclear if this grant will continue beyond 2024-25 therefore it has been assumed that this grant will not continue beyond 2024-25. The previous two financial years have seen this grant reduce significantly as funding has been diverted to fund other initiatives. There is therefore a risk that this grant could reduce again.

## d) New Homes Bonus

It is difficult to forecast the future for this grant. Government has continued to extend the scheme and has once again provided a 1-year allocation in 2024-25 with no legacy payments. As highlighted earlier, an announcement on the future of the scheme from Government was expected prior to the 2024-25 provisional Local Government Finance Settlement. This did not happen and there has been no further mention of the future of this scheme within the Settlement. The MTFP assumes that the grant will continue at its current level into 2025-26 but will cease thereafter.

## 5.9 Budget and MTFP Update

Work has continued to refine the Budget and MTFP and will continue into the New Year. The assumptions will be detailed in full in the report to County Council on 21 February 2024.

The current draft MTFP which incorporates the financial implications of the Settlement that have been received to date can currently be summarised as follows:

	2024-25	2025-26	2026-27	2027-28
	£m	£m	£m	£m
<b>FUNDING:</b>				
Government Grants	(170.475)	(170.073)	(170.284)	(172.546)
Council Tax	(242.823)	(262.547)	(268.572)	(274.559)
Collection Fund Surplus	(7.620)	-	-	-
Use of Reserves	(24.761)	(11.982)	(0.065)	1.060
<b>TOTAL FUNDING</b>	<b>(445.679)</b>	<b>(444.602)</b>	<b>(438.921)</b>	<b>(446.045)</b>
<b>EXPENDITURE:</b>				
Baseline Budget	385.576	424.488	436.060	439.077
Inflation	28.571	17.678	15.119	14.525
Proposed Growth & Pressures	22.642	4.215	2.974	0.634
Revenue Cost of Capital	19.736	13.171	6.000	6.000
Budget Gap	(10.846)	(14.950)	(21.232)	(14.191)
<b>TOTAL EXPENDITURE</b>	<b>445.679</b>	<b>444.602</b>	<b>438.921</b>	<b>446.045</b>

## 5.10 Efficiencies

Executive Directors have proposed a number of efficiencies in order to balance the budget for 2024-25 and 2025-26.

The estimated savings requirement for each year of the MTFP is shown in the table at 5.9. Draft proposals to close this gap are detailed in Appendix 1 to this report.

The assumptions will continue to be reviewed as the MTFP is updated, and early identification and planning for savings required in the later years of the MTFP will be critical.

To date efficiencies have been identified as follows:

	2024-25	2025-26	2026-27	2027-28	Total
	£m	£m	£m	£m	£m
BEST savings	3.631	7.584	4.905	0.640	16.760
Contract saving	0.465	0.305	-	-	0.770
Efficiency	1.331	0.417	0.250	0.050	2.048
Income generation	0.517	0.762	0.172	-	1.451
Manage demand	3.606	5.410	-	-	9.016
Management of vacancies	0.163	-	-	-	0.163
Service review	0.156	-	-	-	0.156
Use of grant	0.977	0.472	-	-	1.449
<b>Total Efficiencies</b>	<b>10.846</b>	<b>14.950</b>	<b>5.327</b>	<b>0.690</b>	<b>31.813</b>
Budget Gap	10.846	14.950	21.232	14.191	61.219
<b>Balance to identify</b>	<b>-</b>	<b>-</b>	<b>15.905</b>	<b>13.501</b>	<b>29.406</b>

#### 5.11 Capital Programme Update

Work has continued in earnest with regard to the Capital Programme and it is currently as follows:

	2024-25	2025-26	2026-27	2027-28	Total
	£m	£m	£m	£m	£m
Adults, Ageing & Wellbeing	5.432	2.000	2.000	-	9.432
Children, Young People & Education	61.461	39.811	42.287	19.569	163.128
Climate Change	1.161	2.639	-	-	3.800
Digital and IT	9.212	2.828	2.269	1.785	16.094
Economic Development & Growth	89.165	77.866	17.022	1.500	185.553
Finance and Procurement	32.003	20.000	6.000	6.000	64.003
Fire and Rescue	2.172	2.129	1.330	1.243	6.874
Highways and Transport	87.492	87.329	25.849	1.137	201.807
Housing – GF	0.720	-	-	-	0.720
Housing – HRA	31.719	25.692	14.701	14.076	86.188
Leisure Services	3.755	1.904	-	-	5.659
Neighbourhood Services	6.281	7.907	8.488	1.000	23.676
Property Services	7.082	5.342	1.342	2.220	15.986
<b>Total Capital Programme</b>	<b>337.655</b>	<b>275.447</b>	<b>121.288</b>	<b>48.530</b>	<b>782.920</b>

The detailed Draft Capital Programme is shown at Appendix 2. The revenue consequences of the proposed Capital Programme are shown in the table at 5.9. The revenue cost of capital figures for 2026-27 and 2027-28 are estimated as the Capital Programme has not yet been fully developed for those years.

**6. Options open to the Council and reasons for the recommendations**

- 6.1 This report provides an update for Members and outlines the assumptions included in the draft budget to date. The detail of the budget has yet to be finalised and there is further work to be concluded in relation to the Council's Capital Programme.
- 6.2 The report is therefore for Member's information and to note.

## 7. Implications

<b>Policy</b>	The budget and medium-term financial plan support the priorities outlined in the Corporate Plan 2023-26: Achieving Value for Money; Tackling Inequalities and Driving Economic Growth.
<b>Finance and value for money</b>	The updated financial implications of the 2024-25 budget and the MTFP are detailed within this report. The Section 151 Officer is confident that the budget will achieve balance, but it is evident that the position for financial year 2025-26 and beyond will continue to be challenging.
<b>Legal</b>	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. The provisions of the Local Government Finance Act 1992 set out what the Council has to base its budget calculations upon and require the Council to set a balanced budget with regard to the advice of its Chief Finance Officer. The Act also states that the Council has got to set its budget before 11 March in the financial year preceding the one in respect of which the budget is set. The responsibilities of Cabinet, as set out in the Constitution, include taking all necessary steps to prepare the authority's budget, and those plans and strategies which constitute the authority's policy framework. Cabinet undertakes this work in accordance with the Budget and Policy Framework Procedure Rules.
<b>Procurement</b>	There are no specific Procurement implications within this report.
<b>Human resources</b>	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.
<b>Property</b>	The individual proposals will carefully consider the impact with regard to property requirements.
<b>The Equalities Act: is a full impact assessment required and attached?</b>	<p>No - not required at this point.</p> <p>All individual budget savings proposals for 2024-25 and 2025-26 are being screened for potential equality implications, and where potential equality impacts are identified, specific impact assessments are being, or will be, carried out unless the final decision on whether to proceed with the saving will be taken after the budget round. In those cases, impact assessments will be carried out by the relevant Executive Director before final decisions are taken and could potentially lead to decisions that some savings should not be made in their currently proposed form but should be achieved in other ways. An overall assessment of the equality impacts of the budget proposals is in preparation; this will be updated as work on the budget proceeds, including taking account of the outcome of consultations on elements of the savings proposals. A final version will be presented to the Council alongside the final budget proposals on 21 February 2024.</p> <p>At this stage, the amounts indicated for financial years 2026-27 and 2027-28 are simply initial savings targets that are expected to be required, based on current information and assumptions. As proposals are developed to achieve</p>



	the overall savings for these years, they will be screened for potential equality considerations and, where potential impacts are identified, specific impact assessments will be carried out before final decisions are taken.
<b>Risk assessment</b>	<p>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.</p> <p>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.</p>
<b>Crime and disorder</b>	There are no specific crime and disorder implications within this report.
<b>Customer considerations</b>	The individual budget proposals will carefully consider the impact upon both customers and residents of Northumberland.
<b>Carbon reduction</b>	<p>The Council continues to develop proposals concerning the management of energy which are supported by the budget.</p> <p>Executive Directors will advise members of the carbon reduction implications in relation to their own areas of the budget and their budget proposals.</p>
<b>Health and wellbeing</b>	The Council's budget is founded on the principle of promoting inclusivity.
<b>Wards</b>	All wards in Northumberland.

**8. Background papers**

[Budget 2024-25 and Medium-Term Financial Plan 2024-2028](#)

**9. Links to other key reports already published**

[Budget 2024-25 and Medium-Term Financial Plan 2024-2028](#)

**10. Author and Contact Details**

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