



Northumberland

County Council

Cabinet

Tuesday, 13 February 2024

Budget 2024-25 and Medium-Term Financial Plan 2024-2028

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

Responsible Officer(s): Jan Willis, Executive Director for Transformation and Resources (Section 151 Officer)

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

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 2024-25 and Revenue MTFP 2024-28 and the Capital Budget for 2024-25 and Capital MTFP 2024-28, following the Government's Autumn Statement on 22 November 2023, and the publication of the provisional Local Government Finance Settlement on 18 December 2023.

It is important to note that there may need to be some revisions to the figures following receipt of the Government's final Local Government Finance Settlement figures in February 2024. It is proposed that any changes to the figures as a result of this announcement, which impact on the Budget 2024-25 and MTFP 2024-28 are delegated to the Executive Director for Transformation and Resources in consultation with the Cabinet Member for Corporate Services. If the final Local Government Settlement is received prior to the Cabinet or 21 February 2024 Council meeting, then a supplementary report will be provided to Members advising of any changes.

3. Recommendations

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

1. Note that the figures contained within the Budget 2024-25 within Appendix 1 are based on the provisional Local Government Finance Settlement of 18 December 2023.
2. Approve:
 - a) the Revenue Budget for 2024-25 including the efficiencies totalling £10.846 million for 2024-25 contained within Appendix 1 (detailed in Appendix 10); and,
 - b) the Schedule of Efficiencies totalling £14.950 million for 2025-26 contained within Appendix 1 (detailed in Appendix 10) noting that the efficiencies identified may be progressed during 2024-25 in order to realise the efficiencies early.
3. Note the Revenue MTFP covering the period 2024-28 detailed within Appendix 1 and the requirement to deliver budget balancing measures of £20.248 million in 2026-27 and £14.238 million in 2027-28.
4. Note the estimated receipt of Revenue Support Grant of £14.020 million for 2024-25 contained within Appendix 1.
5. Note the estimated retained Business Rates and the Top-Up Grant funding to be received by the Council for 2024-25 of £103.696 million and £324.303 million over the remaining period of the MTFP contained within Appendix 1.
6. Note the estimated surplus from prior years on Collection Fund Business Rates balance of £3.471 million in 2024-25 contained within Appendix 1.
7. Note the estimated receipt of Rural Services Delivery Grant of £2.745 million for 2024-25 contained within Appendix 1.
8. Note the estimated receipt of the New Homes Bonus of £1.682 million (excluding service element of £0.028 million) for 2024-25 contained within Appendix 1.
9. Note the estimated receipt of Improved Better Care Funding Grant of £12.496 million for 2024-25 contained within Appendix 1.
10. Note the estimated receipt of Social Care Grant funding of £25.821 million for 2024-25 contained within Appendix 1.
11. Note the estimated receipt of Adult Social Care Discharge Grant funding of £2.920 million in 2024-25 contained within Appendix 1.
12. Note the estimated receipt of Adult Social Care Market Sustainability and Improvement Fund Grant of £6.656 million in 2024-25 contained within Appendix 1.
13. Note the estimated receipt of the Services Grant of £0.439 million in 2024-25 contained within Appendix 1.
14. Approve a 2.99% increase in Council Tax for 2024-25, 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 2024-28 includes a 2.99% annual increase in Council Tax for 2025-26 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 2024-25 (1.00% in 2023-24).
17. Note the estimated surplus of £4.149 million from prior years on the Collection Fund Council Tax balance for 2024-25 contained within Appendix 1.
18. Approve the Council Tax Support Hardship Scheme 2024-25; a reduction of up to £100.00 to council tax bills for all working age Council Tax Support claimants; and those pensionable age Council Tax Support claimants that do not receive 100.00% Council Tax Support, once all other discounts have been applied.
19. Approve a 2.00% increase in Council Tax for 2024-25 for use on Adult Social Care services; raising an additional £4.993 million to support the Budget 2024-25 and note that the assumed increase included in the MTFP is 2.00% for 2025-26 and zero thereafter.
20. Approve the Reserves Policy 2024-25 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 £20.885 million in 2024-25 and note the proposed net contributions from reserves of £10.831 million in 2025-26 and £0.027 million in 2026-27, and the proposed net contribution to the reserves of £0.997 million in 2027-28, contained within Appendix 1, comprising:

- a) non-recurrent pressures of £7.147 million for 2024-25, and note the non-recurrent pressures totalling £2.084 million in 2025-26, £0.027 million in 2026-27, and £0.028 million in 2027-28, (as detailed within Appendix 9; excluding the Adult Social Care Discharge Fund, Locality Coordinators, Hirst Welfare Centre – transitional support, Council Tax Support Hardship Scheme, and BEST Initiative);
- b) delayed investment interest due from the airport as a result of Covid-19 will be repaid to the Strategic Management Reserve. It is anticipated that the airport will start to repay the delayed interest over a three-year period, commencing in April 2027 at £1.025 million per annum;
- c) revenue contribution to capital (RCCO) of £13.171 million in 2024-25; comprising of £8.171 million for investment in the Schools' Development Programme, and £5.000 million for investment in the enabling works at strategic employment sites within Northumberland; and £6.591 million in 2025-26 for investment in the Schools' Development Programme; and,
- d) contribution from the reserve of £0.567 million in 2024-25 and note the subsequent proposed use of up to £2.156 million in 2025-26 in order to balance the Budget.

23. Approve the use of the Public Health Revenue Grant Reserve of £0.428 million in 2024-25, and note the proposed contribution from this reserve of £0.180 million in 2025-26 and £0.100 million in 2026-27 contained within Appendix 1, comprising:
 - a) four fixed term Locality Coordinators totalling £0.178 million in 2024-25; and,
 - b) Hirst Welfare Centre – transitional support at £0.250 million in 2024-25, £0.180 million in 2025-26, and £0.100 million in 2026-27.
24. Approve the use of the Council Transformation Fund Reserve of £3.000 million to fund BEST programme delivery costs in 2024-25 contained within Appendix 1.
25. Approve the use of the Council Tax Hardship and Discount Scheme Fund Reserve of £1.726 million in 2024-25 contained within Appendix 1 to fund the Council Tax Support Hardship Scheme for 2024-25.
26. Note the Schedule of Service Specific Grants of £263.663 million contained within Appendix 4, and that some are still indicative pending final confirmation.
27. Note the Schedule of Fees and Charges 2024-25 contained within Appendix 5.
28. Approve the Inflation Schedule for 2024-25 totalling £28.559 million detailed in Appendix 6.
29. Approve the Recurrent Growth and Pressures Schedules of £14.823 million and the additional revenue costs associated with the Capital Programme of £19.100 million for 2024-25; and note the Growth and Pressures of £2.265 million in 2025-26; £3.130 million in 2026-27; and, £0.875 million in 2027-28 and the additional revenue costs associated with the Capital Programme of £12.609 million in 2025-26; £6.000 million in 2026-27; and £6.000 million in 2027-28 included within Appendices 1, 7 and 8.
30. Approve the Non-Recurrent Pressures of £15.221 million for 2024-25 and note the Non-Recurrent Pressures of £2.264 million for 2025-26, £0.127 million for 2026-27, and £0.028 million in 2027-28 included within Appendix 9.
31. Approve the Non-Recurrent Income of £5.475 million for 2024-25 and note the Non-Recurrent Income of £0.314 million for 2025-26; £0.283 million for 2026-27, and £0.269 million for 2027-28 included within Appendix 9.
32. Approve the identified budget balancing measures contained within Appendix 10 of £10.846 million for 2024-25 and £14.950 million for 2025-26; and note those budget balancing measures totalling £6.017 million already identified for 2026-27 to 2027-28.
33. Note the Corporate Equality Impact Assessment at Appendix 11.
34. Note the Budget by Service Area 2024-25 detailed in Appendix 12.
35. Note the receipt of Dedicated Schools Grant of £175.086 million in 2024-25; and note the revised allocation of £158.046 million for 2023-24. This is following the conversion of four schools to academy status during 2023-24.
36. Approve the Capital Strategy 2024-25 to 2027-28 contained within Appendix 13.

37. Approve the revised Capital Programme as detailed within Appendix 14 and note the increase in the Capital Programme 2024-28 of £277.560 million detailed in Appendix 15.
38. Approve the delegation of the detail of the final Local Transport Programme and any subsequent in-year amendments to the Executive Director Place and Regeneration in consultation with the Cabinet Member responsible for improving our roads and highways.
39. Approve the delegation of the detail of the capital allocation for Highways Maintenance Investment in U and C Roads and Footpaths, and the Highway Maintenance and Pothole Repair Fund to the Executive Director Place and Regeneration in consultation with the Cabinet Member responsible for improving our roads and highways.
40. Approve the Capital Prudential Indicators 2024-25 to 2027-28 based on the proposed Capital Programme detailed within Appendix 16.
41. Approve the Annual Minimum Revenue Provision (MRP) Policy detailed in Appendix 17.
42. Approve the Treasury Management Strategy Statement 2024-25 detailed in Appendix 18.
43. Approve a delegation to the Executive Director for Transformation and Resources (the Council's Section 151 Officer) to draw down a total of £2.000 million from the Council's Transformation Fund Reserve and £0.800 million from the Estates Rationalisation Reserve in order to expedite work required with regard to the BEST initiative. Also, to note that Cabinet will receive updates of any drawdowns in the quarterly financial monitoring reports.
44. Approve a delegation to amend the Budget 2024-25 and MTFP in light of any changes as a result of the final Local Government Finance Settlement to the Executive Director for Transformation and Resources (the Council's Section 151 Officer) in consultation with the Cabinet Member for Corporate Services if the final Settlement is received after the 21 February 2024 Council meeting. If the final Local Government Settlement is received prior to the Cabinet or 21 February 2024 Council meeting, then a supplementary report will be provided to Members advising of any changes necessary.

4. Forward plan date and reason for urgency if applicable

The report first appeared in the forward plan on 21 December 2023.

5. Key Issues

1. In February 2023, the Council approved the Budget for 2023-24 and the MTFP covering the period 2023-27.
2. 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, 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 2024-25 Budget and the 2024-28 MTFP are delegated to the Council's Section 151 Officer in consultation with the Cabinet Member for Corporate Resources, if the settlement is received after 21 February 2024 Council meeting.
3. The report sets out in detail the budget balancing proposals for 2024-25 and illustrates that there is a requirement to deliver efficiencies equating to £10.846 million in 2024-25; £14.950 million in 2025-26 and £34.486 million over the remaining two years of the MTFP.
4. The report also sets out the forecast budget position for the financial year 2024-25. The position represents the best estimate at the current time.
5. The Government consultation "Fair Funding Review (FFR): 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 provisional Local Government Finance Settlement announced on 1 December 2022 confirmed that the outcome of the 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. The 18 December 2023 provisional Local Government Finance Settlement made no further announcements regarding these issues.
7. On 19 December 2022 the Government announced a 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 Spending Review (SR) period).
8. On 18 December 2023 the Government announced a further one-year settlement for 2024-25. This settlement was largely based on the indicative figures for 2024-25 which were announced as part of the 19 December 2022 settlement. However, this report has been updated to reflect any changes following the 18 December 2023 provisional Local Government Finance Settlement. The Budget beyond 2024-25 is less certain and therefore contains a number of assumptions.
9. The MTFP will be updated for future years once this information is available.

6. Background

National Context

1. The Government is currently reviewing the funding mechanism 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 no firm proposals have yet been put forward, it is likely that in due course 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 (NDR) 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. Implementation of the FFR and review of Business Rates have both been delayed and 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.
4. The position will be monitored closely and the MTFP will be updated once more information is available.

Provisional Local Government Financial Settlement

5. The 2024-25 provisional Local Government Finance Settlement was announced by Government on 18 December 2023. The announcement only provided funding figures for 2024-25, up to the end of the current spending review. Beyond this, the Council is aware 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 2024. Members are requested to note that the figures

from the provisional settlement are included within Appendix 1. **(Recommendation 1)**

6. It is recommended that the Council approves the Budget 2024-25 (Appendix 1) including the requirement to implement budget balancing measures totalling £10.846 million in 2024-25. Council is also asked to approve the efficiencies identified for 2025-26 totalling £14.950 million in order that they can be progressed and realised as soon as practicable. **(Recommendation 2)**
7. Members are requested to note the MTFP at Appendix 1 including the requirement to deliver budget balancing measures totalling £20.248 million in 2026-27, and £14.238 million in 2027-28. **(Recommendation 3)**

Settlement Funding Assessment and Revenue Support Grant

8. The Settlement Funding Assessment is a combination of resources received from Revenue Support Grant (RSG) and Baseline Funding (including Top-Up Grant).
9. From 2016-17 the methodology in determining the Settlement Funding Assessment changed. 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, RSG has been reduced.

Revenue Support Grant

10. The RSG to be received in 2024-25 is £14.020 million, which includes a Consumer Prices Index (CPI) inflationary uplift of 6.70%. One specific grant has also been rolled into the RSG: Home Office Fire and Pensions Grant (£0.766 million). This grant did not receive an inflationary uplift when it was rolled into the RSG. There is no announcement beyond 2024-25. However, for the purposes of the MTFP it is assumed that the grant remains and will increase by estimated CPI inflation; 2.00% for 2025-26, 2026-27 and 2027-28. The MTFP at Appendix 1 contains details of the RSG, which Members are asked to note. **(Recommendation 4)**

Baseline Funding

11. 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.
12. 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 2024-25 and is assumed to remain unchanged over the period of the 2024-28 MTFP, in the absence of the outcome of the FFR and Review of the Business Rates Retention Scheme.

13. As stated previously, 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.
14. 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 £14.607 million by 31 March 2024 (£10.426 million on 31 March 2023).
15. The provisional Local Government Finance Settlement announced on 18 December 2023 confirmed that the Small Business Rates Multiplier has been frozen for 2024-25 at 49.9p. The Standard Business Rates Multiplier was increased by CPI inflation of 6.70% to 54.6p.
16. 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 2024-28; 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 in future years. **(Recommendation 5)**

	Estimated Retained Business Rates £m	Top-Up Grant Funding £m	Total £m
2024-25	75.160	28.536	103.696
2025-26	77.266	29.107	106.373
2026-27	78.291	29.689	107.980
2027-28	79.667	30.283	109.950

17. Normal accounting rules require that any forecast surplus or deficit on the Business Rates element of the Collection Fund from the prior year, must be credited or charged to the General Fund in the following financial year. Within 2023-24 there is a forecast surplus of £3.471 million on the Business Rates element of the Collection Fund which is utilised in 2024-25, as shown in Appendix 1. Members are asked to note the 2023-24 forecast surplus which is to be utilised in 2024-25. **(Recommendation 6)**
18. The provisional Local Government Finance Settlement of 18 December 2023 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.
19. Business Rates income projections contained within the 2024-28 MTFP from those businesses classified as small have not been inflated in 2024-25. This is in line with the Government freezing of the Small Business Rates Multiplier. Business Rates income projections from those businesses classified as standard have been increased by CPI inflation at 6.70% in line with the Government's increase to the Standard Business Rates Multiplier. Beyond 2024-25 Business Rates income from

those businesses classified as small and standard have been inflated annually by forecast CPI at 2.00% per annum for years 2025-26 through to 2027-28.

20. Known Business Rates growth and reductions have also been forecast for all years, plus a further reduction of 1.00% of net rates payable in each of the years of the 2024-28 MTFP to account for the potential impact of an economic downturn.
21. 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

22. The Rural Services Delivery Grant to be received in 2024-25 remains unchanged from 2023-24 at £2.745 million. There is no announcement beyond 2024-25. 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

23. The New Homes Bonus scheme 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. However, the scheme has been substantially changed over the years.
24. The provisional Local Government Finance Settlement of 18 December 2023 announced that there would be a new allocation for 2024-25 only. There are no longer any legacy payments included in the allocation. The rest of the scheme remains unchanged from 2023-24.
25. The Council expects to receive New Homes Bonus Grant funding of approximately £1.682 million (excluding the service allocation of £0.028 million) for 2024-25.
26. 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 18 December 2023 provisional Local Government Finance Settlement.
27. The 2024-28 MTFP assumes there will be no change in the allocation received in 2025-26 but that the grant will cease beyond 2025-26 once the FFR is implemented. 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

28. The Council's Improved Better Care Funding Grant is expected to remain unchanged for 2024-25 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.
29. 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 2024-28 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 2024-28 MTFP shown at Appendix 1. **(Recommendation 9)**

Social Care Grant

30. The Government's 18 December 2023 provisional Local Government Finance Settlement confirmed an overall grant allocation of £4.544 billion in 2024-25, which is £80.000 million higher than previously forecast within the MTFP. The grant is not ring fenced.
31. In total the Council will receive Social Care Grant of £25.821 million in 2024-25; an increase of £3.765 million when compared to £22.056 million received in 2023-24. 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 2024-28 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 2024-28 MTFP shown at Appendix 1. **(Recommendation 10)**

Adult Social Care Discharge Fund

32. This was a new non-recurrent grant for 2023-24 and 2024-25. Nationally £300.000 million was available in 2023-24 and £500.000 million is available for 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 has reporting requirements.
33. In total the Council will receive Adult Social Care Discharge Grant funding of £2.920 million in 2024-25. Members are requested to note the grant inclusion in the Council's 2024-28 MTFP shown at Appendix 1. **(Recommendation 11)**

Adult Social Care Market Sustainability and Improvement Fund

34. The December 2022 provisional Local Government Finance Settlement announced a non-recurrent grant allocation of £845.000 million for 2024-25; the 18 December 2023 provisional Local Government Finance Settlement confirmed that this amount would increase to £1.050.000 billion nationally for 2024-25. Of the 2024-25 allocation £162.000 million of this is from the repurposed Market Sustainability and Fair Cost of

Care Grant which was received in 2022-23, £0.683 million of new funding was allocated for 2024-25 at the December 2022 provisional Local Government Finance Settlement, and this has been increased following an announcement by the Government in July 2023 to provide additional funding of £0.365 million in 2023-24 and £0.205 million in 2024-25 for workforce funding.

35. 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 ring-fenced and has reporting requirements.
36. In total the Council will receive Adult Social Care Market Sustainability and Improvement Grant funding of £6.656 million in 2024-25. The 2024-28 MTFP assumes that this grant will continue at its current level beyond 2024-25 for the duration of this MTFP. Members are requested to note the grant inclusion in the Council's 2024-28 MTFP shown at Appendix 1. **(Recommendation 12)**

Services Grant

37. The 18 December 2023 provisional Local Government Finance Settlement announced that this grant would continue for 2024-25. However, the national allocation has been significantly reduced from £433.000 million to £77.000 million for 2024-25. The funding has been reduced after repurposing some of the grant to fund increases in other settlement grants including the Social Care Grant, RSG, and Funding Guarantee Grant; the Council does not receive an allocation for the latter. A proportion has also been held back by Government as a contingency.
38. 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.
39. The Council will receive £0.439 million in 2024-25. It is currently unclear if this grant will continue beyond 2024-25. However, given the previous reduction made to this grant over the previous two years, for the purpose of the MTFP it has been assumed that the grant will not continue beyond 2024-25. Members are requested to note the grant inclusion in the Council's 2024-28 MTFP shown at Appendix 1. **(Recommendation 13)**

Council Tax

40. The budget proposals for 2024-25 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 recommended increase. **(Recommendation 14)**
41. The 18 December 2023 provisional Local Government Finance Settlement set the referendum limit for general Council Tax increases at 3.00% for 2024-25. There was no announcement beyond 2024-25. For the purposes of this report the increase used in 2024-25 and 2025-26 is 2.99%. It is then assumed that the limit will reduce to 2.00% from 2026-27 for the remainder of the MTFP period, and a Council Tax increase of 1.99% has been included for 2026-27 and 2027-28. Members are requested to note this assumption. **(Recommendation 15)**

42. There has been no Government decision to implement referendum limits for Town and Parish Councils.
43. 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.
44. The Council proposes to introduce a new empty homes Council Tax premium which will come into effect on 1 April 2024. Vacant properties will be charged full Council Tax after 12 months. It is forecast that this will affect 771 properties and contribute additional Council Tax income of approximately £1.600 million in 2024-25.
45. The increase in the Council Tax Base, the income generated from the new empty homes premium, and the general 2.99% inflationary increase in 2024-25 provides additional funding of approximately £9.273 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.
46. The provision for non-collection of Council Tax remains at 1.00% for 2024-25, following a review of actual collection rates. **(Recommendation 16)**
47. It is forecast that the Council's share of the Council Tax element of the Collection Fund will generate a surplus of approximately £4.149 million by 31 March 2024. This is largely due to an increase in the tax base as a result of additional properties being built. **(Recommendation 17)**
48. The Council agreed at its meeting on 17 January 2024 to continue with the 2023-24 local Council Tax Support Scheme unchanged for 2024-25; that is, the maximum level of support for working age claimants will be 92.00%. This report, and the Budget 2024-25 and MTFP 2024-28 at Appendix 1 includes the estimated cost of the full scheme to the Council of £24.524 million.
49. In addition to this the Council Tax Support Hardship Scheme has been extended into 2024-25, and the Council Tax Discount Policy which is included in the report "Revenues and Benefits Policies for 2024-25", which will be presented to Cabinet and Council along with this report has been updated to reflect this. A reduction of up to £100.00 will be made to Council Tax bills for all working age Council Tax Support claimants; and those pensionable age Council Tax Support claimants that do not receive 100.00% Council Tax Support, once all other discounts have been applied. Members are asked to approve the 2024-25 Council Tax Support Hardship Scheme, and the funding, from the Council Tax Hardship and Discount Scheme Fund Reserve. The cost of the scheme is estimated to be £1.726 million and is included at Appendix 1 and Appendix 9, and the funding for the scheme is shown at Appendix 1. **(Recommendation 18, 25 and 30)**
50. The Spending Review 2015 introduced the concept of an Adult Social Care Precept.

51. The provisional Local Government Finance Settlement announced by the Government on 18 December 2023 allows local authorities to add an Adult Social Care precept to its budget of up to 2.00% in 2024-25. Beyond this there was no announcement.
52. However, the Council's MTFP included at Appendix 1 assumes that a 2.00% increase is applied in 2024-25 and 2025-26. Thereafter it is assumed that the Adult Social Care Precept will cease following the Adult Social Care funding reforms. The 2.00% increase in 2024-25 will generate additional recurrent funding of approximately £4.993 million for Adult Social Care purposes in 2024-25. For 2024-25 this will result in a Band D property increase of £39.71. It is proposed that the precept for Adult Social Care is increased by 2.00% in 2024-25 and that Members note the proposed increase of 2.00% in 2025-26 and zero thereafter contained within the MTFP 2024-28. **(Recommendation 19)**
53. The following table illustrates the Band D Council Tax calculation for 2024-25 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.

	2023-24 Band D Charge	2024-25 Increase	2024-25 Band D Charge	Increase Band D 2023-24 to 2024-25
	£	%	£	£
General Council Tax	1,721.00	2.99	1,772.46	51.46
Adult Social Care Precept	264.30	2.00	304.01	39.71
Total Council Charge	1,985.30	4.59	2,076.47	91.17

54. The general Council Tax increase of £51.46 represents a 2.99% increase on the 2023-24 charge. The Adult Social Care Precept increase of £39.71 represents a 2.00% increase on the 2023-24 general Council Tax and Adult Social Care Precept charges. The total Council increase of £91.17 represents a 4.59% increase overall when compared to the 2023-24 charge.

Reserves and Provisions

55. The Council has several reserves and provisions set aside for specific purposes and to meet potential significant general unforeseen costs.
56. 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. There is a separate report accompanying the budget report covering Section 25 of the Local Government Act 2003 from the Council's S151 Officer.
57. The Chartered Institute of Public Finance and Accountancy (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.

58. 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 for 2024-25 has been updated to reflect:

- an overview of the Housing Revenue Account (HRA) reserve.
- Arrangements for authorisation of drawdown from Earmarked Reserves and capital grants unapplied outside of the approved budget and policy framework, as set out in the Council's Constitution. A completed Supplementary Estimate form is required for each drawdown. The financial limits for authorisation of drawdown from reserves in this instance are as follows:

	Section 151 Officer	Cabinet	Council
Revenue	£250,000	£250,001 - £500,000	Over £500,000
Capital	£500,000	£500,001 - £2,000,000	Over £2,000,000

59. Members are asked to approve the Reserves Policy for 2024-25 detailed in Appendix 2. **(Recommendation 20)**

60. For 2024-25 only it is recommended that the Executive Director for Transformation and Resources (the Council's Section 151 Officer) has authority to draw down a total of £2.000 million from the Council's Transformation Fund Reserve and £0.800 million from the Estates Rationalisation Reserve in order to expedite work required with regard to the BEST initiative. Cabinet will receive updates of any drawdowns in the quarterly financial monitoring reports. **(Recommendation 43)**

61. 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

62. 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.

63. 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)**
64. 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 general reserves of between 5.00% and 7.50% of the gross Revenue Budget, which equates to between £46.421 million and £69.631 million for 2024-25. Whilst the level of general reserves at 31 March 2024 will exceed £69.631 million the planned use of the Strategic Management Reserve in 2025-26 should bring the general reserve total within the 5.00 to 7.50% range.
65. It is proposed to utilise a net contribution of £30.746 million from the Strategic Management Reserve over the duration of the MTFP 2024-28, comprising net contributions from the Strategic Management Reserve of £20.885 million in 2024-25, £10.831 million in 2025-26, and £0.027 million in 2026-27, and a net contribution to the Strategic Management Reserve of £0.997 million in 2027-28. Proposed contributions to and from the reserve are as follows:
 - a) the non-recurrent pressures detailed in Appendix 9, excluding Adult Social Care Discharge Fund, which is funded from specific grant income, and the BEST Transformation Programme which is proposed to be funded from the Council Transformation Fund Reserve, and Locality Coordinators and Hirst Welfare Centre – transformation support which are proposed to be funded from Public Health Grant, and Council Tax Support Hardship Scheme which is proposed to be funded from the Council Tax Hardship and Discount Scheme Fund Reserve: £7.147 million 2024-25, £2.084 million 2025-26, £0.027 million 2026-27, and £0.028 million in 2027-28;
 - b) delayed investment interest due from the airport as a result of Covid-19 will be repaid to the Strategic Management Reserve. It is anticipated the airport will start to repay the delayed interest over a three-year period, commencing in April 2027, at £1.025 million per annum;
 - c) revenue contributions to capital (RCCO) of £13.171 million in 2024-25; comprising of £8.171 million for investment in the Schools' Development Programme, and £5.000 million for investment in the enabling works at strategic

employment sites within Northumberland; and £6.591 million in 2025-26 for investment in the Schools' Development Programme; and,

- d) in order to help balance the Budget it is proposed to utilise £0.567 million in 2024-25 and up to £2.156 million in 2025-26 from the Strategic Management Reserve.

- 66. 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 2024-25 Budget and note the position for 2025-26, 2026-27 and 2027-28. **(Recommendation 22)**
- 67. It is proposed to utilise £0.708 million of the Public Health Grant over the duration of the MTFP 2024-28, comprising of £0.428 million in 2024-25, £0.180 million in 2025-26 and £0.100 million in 2026-27. Proposed contributions from the reserve are as follows:
 - a) four fixed term Locality Coordinators totalling £0.178 million in 2024-25; and,
 - b) Hirst Welfare Centre – transitional support, at £0.250 million in 2024-25, £0.180 million in 2025-26, and £0.100 million in 2026-27.
- 68. These non-recurrent costs are contained within Appendix 9, and the use of the Public Health Grant is shown in the MTFP contained within Appendix 1. Members are requested to approve the contribution from the Public Health Grant for the items above in the 2024-25 Budget and note the position for 2025-26, 2026-27 and 2027-28. **(Recommendation 23)**
- 69. With regard to the Council Transformation Fund Reserve, it is proposed to utilise £3.000 million in 2024-25 to fund non-recurrent BEST programme delivery costs shown within Appendix 9. These amounts are shown in the MTFP contained within Appendix 1, and Members are asked to approve the use of the Council Transformation Fund Reserve in 2024-25. **(Recommendation 24)**
- 70. With regard to the Council Tax Hardship and Discount Scheme Fund Reserve, it is proposed to utilise £1.726 million in 2024-25 to offset the non-recurrent cost of the Council Tax Support Hardship Scheme shown within Appendix 9. These amounts are shown in the MTFP contained within Appendix 1, and Members are asked to approve the use of the Council Tax Hardship and Discount Scheme Fund Reserve in 2024-25. **(Recommendation 25)**
- 71. 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.
- 72. 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.

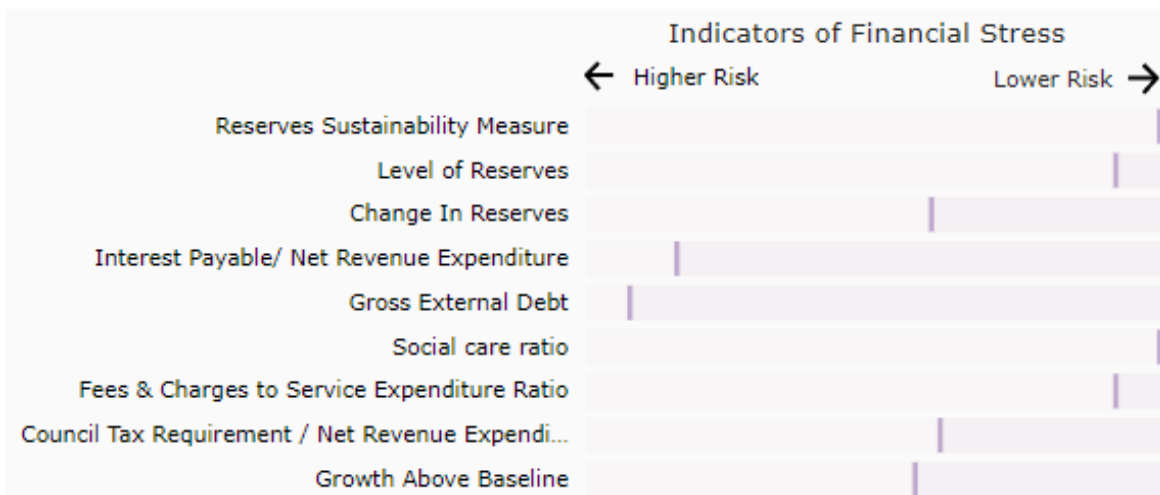
73. The Executive Director of Transformation and Resources (the Council's Section 151 Officer) is satisfied that the Council is setting a viable budget based on the assumptions contained within this report and confirms that the Council has the required financial strength within its reserves position to cope with any anticipated financial challenge, and there is a separate report accompanying the Budget explaining the Section 151 Officer's rationale.

Provisions

74. 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.
75. The criteria are as follows:
- there is a present obligation (legal or constructive) as a result of a past event;
 - it is probable that resource will be required to settle the obligation;
 - a reliable estimate can be made regarding the obligation.
76. A provision is created to provide for the probable financial impact of such an event when the above criteria are satisfied. This differs from a reserve which is not subject to prescribed criteria and is held to create long-term budgetary stability. Reserves 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.
77. 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)**

CIPFA Financial Resilience Index

78. In January 2024 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 nine primary indicators and a further seven secondary indicators.
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 nine primary measures on the Financial Resilience Index for the Council:



Source: initial Chief Finance Officer release of the Resilience Index

82. The Financial Resilience Index for Northumberland shows low levels of risk for four of the nine primary indicators including the Reserves Sustainability Measure which indicates that there is a low risk that the Council will utilise all its reserves if it continues to use them at the current rate in the next 4 years.
83. There are three indicators which show as a medium risk. However, a higher level of risk is indicated for the following two primary indicators:
- Interest Payable / Net Revenue Expenditure; and,
 - Gross External Debt.
84. For Northumberland the two indicators are 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 Arch and its successor Advance Northumberland and Northumbria Healthcare NHS Foundation Trust (at 31 March 2023 the Council lending to third parties was £402.460 million); as well as being the main source of funding to service the Capital Programme.
85. 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.

Service Specific Grants

86. 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. Some of these grants are still indicative pending final confirmation. These grants are included within the Baseline Budget figure and total £263.663 million and Members are requested to note the grants. **(Recommendation 26)**
87. 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 2024-25 grant allocation has not

yet been announced, but it is expected that the grant will receive an inflationary uplift of 1.30% on the 2023-24 allocation, therefore it has been assumed within the MTFP that this grant will increase to £18.165 million. The position will be monitored and the MTFP will be updated if required once the final grant allocation is announced.

(Recommendation 26)

Fees and Charges

88. The Council derives income from Fees and Charges. The income generated from these Fees and Charges is included within the Baseline Budget row of the 2024-28 MTFP shown at Appendix 1.
89. It is Council policy to review all Fees and Charges annually to ensure that they are set at an appropriate level where applicable. A review has recently been undertaken and a full Schedule of Fees and Charges for 2024-25 is shown at Appendix 5. Members are asked to note the list of Fees and Charges 2024-25 contained at Appendix 5. **(Recommendation 27)**

EXPENDITURE

Inflation

90. The Council, in common with all other local authorities, is not immune from the very high levels of inflation that have been seen over the past 2 years and these cost pressures are particularly acute in a number of 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. Although energy costs are reducing, they are still above "normal" levels. These inflationary increases add significantly to the budgetary pressures faced by the Council and are included within Appendix 6.
91. All inflationary pressures are detailed within Appendix 6 which includes the costs associated with incremental pay drift, pay inflation and non-pay inflation.
92. Pay inflation for 2024-25 is based on an increase of 4.00%. For the purposes of the MTFP it is assumed that the pay awards will be 4.00% across the term of the MTFP.
93. The budget includes non-recurrent hyper-inflation for gas and electricity of £2.317 million. As these are inflationary pressures over and above what is considered to be a normal and recurrent level of inflation it is recommended that this is funded from the Strategic Management Reserve.
94. Total inflation equates to £28.559 million for 2024-25, £17.717 million for 2025-26; £15.167 million for 2026-27, and £14.573 million for 2027-28. It is recommended that the inflationary pressures identified in Appendix 6 for 2024-25 are approved.
(Recommendation 28)

Demand for Services

95. The pressures facing the Council and the requirement to fund growth in services are shown in Appendices 7 and 8, with further detail in the following paragraphs. Recurrently, £14.823 million has been added to the base Budget for 2024-25, £2.265 million in 2025-26; £3.130 million in 2026-27 and £0.875 million in 2027-28. Also, the year-on-year increase in the revenue costs attributable to the Capital Programme (Appendix 14) is included within the MTFP at Appendix 1. This equates to £19.100 million in 2024-25, £12.609 million in 2025-26, £6.000 million in 2026-27, and £6.000 million in 2027-28, comprising:
 - a) revenue contributions to capital (RCCO) of £13.171 million in 2024-25; £8.171 million for investment in the Schools' Development Programme, and £5.000 million for investment in the enabling works at strategic employment sites within Northumberland; and £6.591 million in 2025-26 for investment in the Schools' Development Programme. These costs are all non-recurrent and it is proposed that they are funded from the Strategic Management Reserve; and,
 - b) revenue cost of borrowing associated with the Capital Programme of £5.929 million in 2024-25, £6.018 million in 2025-26, and £6.000 million for both 2026-27 and 2027-28. The assumed interest rates which are included in these figures are as follows:

Financial Year	Average estimated percentage (*)
2024-25	4.87%
2025-26	3.79%
2026-27	3.68%
2027-28	3.63%

* This excludes Minimum Revenue Provision

96. It is proposed that Members approve the 2024-25 pressures, growth and revenue costs associated with the Capital Programme and note the 2025-26, 2026-27 and 2027-28 figures. **(Recommendation 29)**
97. In addition to the grants mentioned earlier, the increase of 2.00% Adult Social Care Precept to Council Tax levels for 2024-25, and 2025-26 has provided some additional funding to meet the increasing costs of Adult Social Care. However, there remains a significant recurrent on-going pressure which needs to be funded by the Council. The MTFP assumes no increase in the Adult Social Care Precept for the remaining years of the MTFP.
98. The Council has set aside recurrent funding within the Budget 2024-25 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.
99. There are also non-recurrent issues which the Council needs to address from time to time. The MTFP identifies that £15.221 million will be required in 2024-25; £2.264 million in 2025-26 and £0.127 million in 2026-27, and £0.028 million in 2027-28. Details are contained within Appendix 9. It is proposed that this one-off expenditure is approved and that when it is incurred it is funded from the Strategic Management Reserve. It is proposed that the following reserves are also utilised to fund non-recurrent items of expenditure **(Recommendations 22, 23, 24, 25 & 30)**:

	2024-25	2025-26	2026-27	2027-28
	£m	£m	£m	£m
Strategic Management Reserve	20.885	10.831	0.027	(0.997)
Council Transformation Fund Reserve	3.000	-	-	-
Public Health Grant Reserve	0.428	0.180	0.100	-
Council Tax Hardship and Discount Scheme Fund Reserve	1.726	-	-	-
Total reserves to be utilised	26.039	11.011	0.127	(0.997)
Adult Social Care Discharge Fund Grant	2.920	-	-	-
Total use of reserves for non-recurrent items	28.959	11.011	0.128	(0.997)

100. The Council also expects to achieve non-recurrent income of £5.475 million in 2024-25, £0.314 million in 2025-26 and £0.283 million in 2026-27 and £0.269 million in 2027-28, which is detailed in Appendix 9. It is proposed that Members approve the non-recurrent income for 2024-25 and note the expected receipts in the following three years of the MTFP. **(Recommendation 31)**

Budget Balancing

101. The Council's Budget 2024-25 and MTFP 2024-28, 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 £10.846 million in 2024-25, £14.950 million for 2025-26 and £34.486 million for the period 2026 to 2028. It is recommended that the identified efficiencies of £10.846 million for 2024-25 and £14.950 million for 2025-26, which are detailed in Appendix 10 are approved, and Members note that a further £6.017 million of efficiencies have been identified for the period 2026 to 2028. **(Recommendation 32)**
102. The Schedule of Efficiencies contained in Appendix 10 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 Council meeting and beyond as individual budget reduction measures are implemented.
103. 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 Cabinet Member. The Executive Director - Public Health, Inequalities & Stronger Communities has provided an initial assessment of the overall equality impact of the budget proposals, shown at Appendix 11. This will be updated further as the budget process continues if required. 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 11. **(Recommendation 33)**
104. As part of the Council's local commitment to reduce inequalities, work is progressing to develop an Integrated Impact Assessment (IIA) process. Decisions will not only be screened regarding the need for an equality impact assessment, but also for the impact on a broader range of groups experiencing socio-economic and health inequalities, as well as impacts on the environment. To implement this new approach, work is ongoing to develop an IIA tool. Once developed, the approach and the tool will be tested, and training and support will be available to ensure officers making decisions and taking decisions through the budget and committee process are fully

prepared for this change. The IIA approach will be completed during 2024 and will be implemented for the 2025-26 budget setting process.

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

107. The 2024-25 Budget is shown by service area at Appendix 12. This highlights expenditure, income, inflation, grant funding changes, growth, pressures, efficiencies and the proposed final Budget 2024-25 by service area. Members are requested to note Appendix 12. **(Recommendation 34)**

Summary

108. The financial position of the Council over the period 2024-28 is detailed within Appendix 1.
109. It is recommended that Members approve Appendices 1, 2, 6, 7, 8, 9 and 10.

SCHOOL FUNDING

110. The Dedicated Schools Grant (DSG) 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 2023-24 (after academy recoupment), which Members are requested to note is forecast to decrease by £2.241 million from the 2023-24 original allocation to £158.046 million. This is as a result of four schools converting to academy status between April and November 2023. There has been a fifth academy conversion in December 2023 which will further reduce the grant for 2023-24.
111. The provisional value of the DSG for all schools in Northumberland (including Academies) for 2024-25 is £315.992 million. This is an increase of £24.448 million when compared to the 2023-24 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 includes the Mainstream Schools Additional Grant (MSAG) which was previously a separate grant. There is an increased number of Special Educational Needs (SEN) children which has led to growth within the High Needs Block and the expansion of the early years entitlement for working parents has resulted in a significant increase in the Early Years Block. The Council will receive £175.086 million which Members are requested to note. **(Recommendation 35)**
112. The DSG is divided into four notional blocks:
- Schools Block;
 - Central School Services Block;
 - High Needs Block; and,
 - Early Years Block.
113. Virement between the four notional blocks of up to 0.50% is possible. Schools Forum have approved the full 0.50% transfer from the schools block to the high needs block for 2024-25 which is an additional £1.125 million to support budget pressures for children with additional needs.
114. The Schools Block includes funding for the individual school budget shares, calculated using the National Funding Formula (NFF).
115. The Central Schools Block is used to meet the cost of statutory services provided to all schools.
116. The High Needs Block will include funding for the additional needs of pre and post 16 students in Maintained Schools, Further Education Colleges and other establishments.
117. The Early Years Block includes funding for new early years entitlement for working parents of children aged nine months and above; two-year-old provision for the most disadvantaged children as well as the statutory offer for three and four-year-olds.

118. The implementation of the NFF has been further delayed, but the Department for Education expects all local authorities to continue to move closer to NFF values in 2024-25. Following a gradual transition in recent years, it is intended that for 2024-25 the current local formula, as approved by Cabinet, will match the NFF values.
119. The overall DSG reserve is forecast to show a surplus of £0.639 million at the end of the 2023-24 financial year, but this includes an overspend on the High Needs Block of £1.590 million. This is predominantly due to increased place funding and top-up costs associated with rising numbers of pupils with an Education, Health and Care Plan (EHCP). In 2024-25 the overall DSG reserve is expected to move to a deficit of £2.361 million if growth continues at the current rate. The service has undertaken a consultation with schools and is considering a range of measures that could be utilised to balance the funding pressures and bring the reserve back to a balanced position.

CAPITAL EXPENDITURE

Capital Strategy 2024-25 to 2027-28

120. 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.
121. Appendix 13 sets out the proposed Capital Strategy for the Council.
122. Members are recommended to approve the attached Capital Strategy at Appendix 13. **(Recommendation 36)**

Capital Programme 2024-25 to 2027-28

123. There is a revised Capital Programme covering the period 2024-28 within Appendix 14. 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.
124. The programme is based on that agreed in February 2023 but adjusted to reflect:
 - a) re-profiling of estimates from 2023-24 totalling £75.724 million; and,
 - b) a net increase in capital expenditure over the period 2024-28 of £277.560 million, details of which are shown in Appendix 15; comprising of new projects agreed during the year by Cabinet; other newly identified commitments and a number of schemes either reducing or being removed from the programme as part of the budget setting process. The overall increase of £277.560 million equates to a net increase in Council resource requirements over the period 2024 to 2028 of £118.540 million (£85.121 million increase for existing projects and £33.419 million increase for new projects), and a net increase in external grant contributions of £159.020 million. Members are requested to note the changes contained within Appendix 15. **(Recommendation 37)**
125. Members are recommended to approve the revised Capital Programme as detailed within Appendix 14. **(Recommendation 37)**
126. Within the revised Capital Programme there is an indicative grant allocation from the Department for Transport for the Local Transport Plan (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 LTP Programme, and any subsequent in-year amendments to the Executive Director - Place and Regeneration in consultation with the Cabinet Member responsible for improving our roads and highways. **(Recommendation 38)**
127. Within the Capital Programme there is an allocation of £4.450 million in 2024-25 for Highway Maintenance Investment in U and C Roads and Footways and £2.500 million in 2024-25 and 2025-26 for Highway Maintenance and Pothole Repair Fund. 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; and the Highway Maintenance and Pothole Repair Fund to the Executive Director - Place and Regeneration in consultation with the Cabinet Member responsible for improving our roads and highways. **(Recommendation 39)**

Housing Revenue Account Capital Programme

128. The business case demonstrates potential capital expenditure over the MTFP of up to £86.189 million which is included in Appendix 14. Of this amount £47.754 million has been allocated through the Major Repairs Reserve to fund replacement roofs, kitchens, bathrooms, rewires and heating systems, along with other improvement schemes. In addition, £41.435 million has been allocated to increase the provision of affordable homes, in partnership with other registered providers across the county, and to increase the Council housing stock through new build schemes and open market acquisitions.

Flexible Use of Capital Receipts

129. 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.
130. 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 three-year extension for receipts received from 2022-23 onwards.
131. 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.
132. 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".
133. It is proposed that the Council utilises this flexibility for up to £0.500 million of capital receipts in 2024-25 on qualifying projects.
134. 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.

Prudential Borrowing Indicators

135. 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 16. **(Recommendation 40)**

Annual Minimum Revenue Provision Policy Statement

136. The proposed policy is enclosed at Appendix 17. The policy for 2024-25 has been updated pending the outcome of an ongoing Government consultation which is expected to be implemented from April 2024, as follows:

- a) for equity investments in the Council's subsidiary companies the MRP policy will be on an asset life basis over a period of 20 years; and,
- b) for capital expenditure in respect of Long-Term Capital Debtors, where principal is repaid over the term of the loan (such as the loans to Northumbria Healthcare NHS Foundation Trust), the MRP is as follows:
 - For commercial loans – where loan repayments are received in year then the loan repayments will be used in lieu of MRP and applied to write down the Capital Financing Requirement (CFR). In years where no principal loan repayment is received but anticipated then MRP will be provided over a prudent period.
 - For service loans – where loan repayments are received in year then the loan repayments will be used in lieu of MRP and applied to write down the CFR. In years where no principal loan repayment is received, then MRP will not be provided until the loan repayment is received, at which point the repayment will be applied to write down the CFR. The Council can however choose to provide MRP if it considers this to be a more prudent approach.
 - For commercial and service loans – where an actual or expected credit loss has been recognised then the MRP amount in the year will be equal to the amount of the credit loss. This amount can be reduced by any historic MRP made with respect to that loan.

137. Members are requested to approve the Annual Minimum Revenue Provision Policy for 2024-25 included at Appendix 17. **(Recommendation 41)**

TREASURY MANAGEMENT

138. The proposed Treasury Management Strategy for 2024-25 is attached at Appendix 18. The report was also considered by the Audit Committee on 31 January 2024. Any subsequent amendments following Audit Committee will be included in the final report to the full Council meeting in February.
139. The Treasury Management Practices (Appendix 18, Annex 3), which form part of the Treasury Management Strategy at Appendix 18, have been updated to incorporate the role of the Head of Corporate Finance.
140. Members are requested to approve the Treasury Management Strategy Statement included at Appendix 18. **(Recommendation 42)**

FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT

141. The provisional Local Government Finance Settlement 2024-25 was announced on 18 December 2023 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 2024 as part of the final Local Government Finance Settlement.
142. Further to the provisional Local Government Finance Settlement 2024-25, a written ministerial statement released by Government on 24 January 2024 announced additional funding for 2024-25 for Social Care of £500.000 million, and £15.000 million for rural authorities. The final Local Government Finance Settlement will determine individual local authority allocations.
143. If the final Settlement is received in advance of the County Council meeting a report showing the changes will be provided to Members.
144. However, in the event that the final Settlement is received after the full Council meeting, it is proposed that delegated authority is approved for the Council's Section 151 Officer in consultation with the Cabinet Member for Corporate Services to amend the 2024-25 Budget if necessary. **(Recommendation 44)**

7. Implications

Policy	The Budget and MTFP support the three priorities outlined in the Corporate Plan 2023-26: Achieving Value for Money; Tackling Inequalities and Driving Economic Growth.
Finance and value for money	The 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.
Legal	<p>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.</p> <p>The Council also has a fiduciary duty not to waste public resources.</p> <p>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.</p> <p>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.</p>
Procurement	There are no specific procurement implications contained within this report.
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. A review of the Council's estate is progressing.

The Equalities Act: is a full impact assessment required and attached?	Yes - required and attached. The Executive Director - Public Health, Inequalities & Stronger Communities 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. 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.
Crime and disorder	There are no specific crime and disorder implications contained within this report.
Customer considerations	The individual proposals will carefully consider the impact upon both customers and residents of Northumberland.
Carbon reduction	The Council continues to develop proposals concerning the management of energy which are supported by the budget. Executive Directors will advise members of the carbon reduction implications in relation to their own areas of the budget and their budget proposals.
Health and wellbeing	The Council's budget is founded on the principle of promoting inclusivity.
Wards	All wards in Northumberland.

8. Background papers

22 February 2023	Full Council	Budget 2023-24 and Medium-Term Financial Plan 2023-27
12 December 2023	Cabinet	Budget 2024-25 and Medium-Term Financial Plan 2024-2028
12 December 2023	Cabinet	Setting of the Council Tax Base 2024-25

16 January 2024	Cabinet	Budget 2024-25 and Medium-Term Financial Plan 2024-28 Update
16 January 2024	Cabinet	Notification of the Estimated Collection Fund Balances 2023-24 – Council Tax and Business Rates
24 January 2024	Full Council	Approval of the Council Tax Support Scheme for 2024-25
31 January 2024	Audit Committee	Treasury Management Strategy Statement for the Financial Year 2024-25
21 February	Full Council	Revenues and Benefits Policies for 2024-24
21 February 2024	Full Council	Corporate Fraud Policies 2024-25

9. Links to other key reports already published

[Budget 2023-24 and Medium-Term Financial Plan 2023-27](#)

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

[Setting of the Council Tax Base 2024-25](#)

[Budget 2024-25 and Medium-Term Financial Plan 2024-28 Update](#)

[Notification of the Estimated Collection Fund Balances 2023-24 - Council Tax and Business Rates](#)

[Approval of the Council Tax Support Scheme 2024-25](#)

10. Author and Contact Details

Alison Elsdon, Director of Finance and Procurement
Email: Alison.Elsdon@northumberland.gov.uk

List of Appendices

Appendix 1	Budget 2024-25 and Medium-Term Financial Plan 2024-25 to 2027-28
Appendix 2	Reserves Policy 2024-25
Appendix 3	Schedule of Reserves and Provisions 2024-25 to 2027-28
Appendix 4	Service Specific Grants 2024-25
Appendix 5	Schedule of Fees and Charges 2024-25
Appendix 6	Inflation Schedule 2024-25
Appendix 7	Recurrent Pressures Schedule 2024-25 to 2027-28
Appendix 8	Growth Schedule 2024-25 to 2027-28
Appendix 9	Non-Recurrent Pressures and Income Schedule 2024-25 to 2027-28
Appendix 10	Schedule of Efficiencies 2024-25 to 2027-28
Appendix 11	Corporate Equality Impact Assessment
Appendix 12	Budget by Service Area 2024-25
Appendix 13	Capital Strategy 2024-25 to 2027-28
Appendix 14	Capital Programme 2024-25 to 2027-28
Appendix 15	Net Movement in the Capital Programme 2024-25 to 2027-28 (excluding reprofiling)
Appendix 16	Capital Prudential Indicators 2024-25 to 2027-28
Appendix 17	Annual Minimum Revenue Provision Policy Statement 2024-25
Appendix 18	Treasury Management Strategy Statement 2024-25