

Scrutiny Committee

Date: **Wednesday 14 February 2024**

Time: **10 am**

Venue: **Council Chamber, County Hall, Martineau Lane, Norwich NR1 2DH**

Supplementary Agenda

6A. Briefing for Councillors from the Director of Strategic Finance **Page A2**

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BRIEFING FOR COUNCILLORS FROM THE DIRECTOR OF STRATEGIC FINANCE

1. Revenue Budget 2024-25

- 1.1. Since the preparation of the budget reports for the Cabinet meeting on 29 January 2024, no changes have been received from District Councils in respect of Council Tax tax base and collection fund positions.
- 1.2. Final information in relation to forecast Business Rates for 2024-25 has been confirmed with District Council NNDR1 returns. Returns show there will be **£0.767m less funding** from business rates in 2024-25 compared to the forecast Cabinet position.
- 1.3. Shortly ahead of the publication of these papers, on 5 February 2024, the Secretary of State for Levelling Up, Housing and Communities published details of the [final Local Government Finance Settlement 2024-25](https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2024-to-2025)¹. The final Settlement followed [an interim announcement](https://hansard.parliament.uk/Commons/2024-01-24/debates/24012473000012/LocalGovernmentFinance) on 24 January², at which the Government announced significant additional funding to be distributed to Local Government as part of the final Settlement. Nationally this includes £500m additional funding for social care (with an expectation for the majority of this to be applied to meet children's social care pressures), and a £15m uplift in Rural Services Delivery Grant. The Settlement provided **additional funding of £9.539m** compared to the previously announced provisional allocations for 2024-25. It is assumed that this funding is one-off at this stage, and there is particular uncertainty due to the likely timing of a general election during 2024-25, and the fact that the forthcoming year represents the end of a Spending Review period. The changes at final Settlement are summarised in the following table.

Table 1: Changes between provisional and final Settlement 2024-25

Norfolk	Final £m	Provisional £m	Change £m	Change %
Settlement Funding Assessment	216.926	216.926	0.000	0%
Compensation for under-indexing the business rates multiplier	33.102	33.102	0.000	0%
Council tax requirement excluding parish precepts	521.701	521.701	0.000	0%
Improved Better Care Fund	39.619	39.619	0.000	0%
New Homes Bonus	1.076	1.076	0.000	0%
Rural Services Delivery Grant	5.407	4.670	0.737	16%
Social Care Grant	87.506	78.800	8.706	11%
ASC Market Sustainability and Improvement Fund	18.282	18.282	0.000	0%
ASC Discharge Fund	9.257	9.257	0.000	0%
Services Grant	1.082	0.987	0.096	10%
Core Spending Power	933.959	924.420	9.539	1%

¹<https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2024-to-2025>

² <https://hansard.parliament.uk/Commons/2024-01-24/debates/24012473000012/LocalGovernmentFinance>

1.4. As part of the announcement of the final Settlement, the Government has also set out an expectation for local authorities to develop and publish a “Productivity Plan,” to set out how the council will *“improve service performance and reduce wasteful expenditure.”* These plans will need to be approved by the Council Leader and Members and then submitted to Government by July 2024. They are expected to cover the following four main areas³:

- 1) **Transformation of services** to make better use of resources;
- 2) Opportunities to take advantage of **advances in technology** and make better use of data to inform decision making and service design;
- 3) Ways to **reduce wasteful spend** within systems, including specific consideration of expenditure on consultants and discredited staff Equality, Diversity and Inclusion programmes – this does not include programmes designed to promote integration and civic pride, and counter extremism; and
- 4) **Barriers preventing activity that Government can help to reduce or remove.**

1.5. At the meeting 29 January 2024, in making its recommendations to Full Council in relation to the 2024-25 Budget, Cabinet authorised the Director of Strategic Finance, in consultation with the Leader of the Council and the Cabinet Member for Finance, to make any changes required to reflect Final Local Government Finance Settlement information, or changes in council tax and business rates forecasts from District Councils, in order to maintain a balanced budget position. To enable this, Cabinet in particular agreed *“that any additional resources which become available should be used to delay the use of one-off funding from reserves from 2024-25 to 2025-26, or to establish a budget contingency, to add further growth items and consider the scope to remove or defer savings.”* Accordingly, the additional funding of £9.539m announced at the Final Settlement has been applied as set out in the table below, following advice from the Leader and Deputy Leader. In publishing the final Settlement, Government advised local authorities *“While being mindful of pressures in adult social care, where possible councils should use the uplift to the Social Care Grant to invest in areas that help place children’s social care services on a sustainable financial footing”*⁴. This is reflected in the proposed application of the additional funding. Further details of the resulting changes to budget proposals are shown in Table 3.

Table 2: Application of final Settlement 2024-25 funding

	£m
Adult Social Services	2.000
Children’s Services	6.500
Community and Environmental Services	0.600
Part fund change in Business Rates forecast following final figures from District Councils	0.439
Total	9.539

1.6. Outside of the Settlement, the Government has also announced that £100m nationally is to be returned to local authorities from the accumulated surplus held in the business rates levy account. This will be distributed on a one-off basis in line with each local

³ <https://questions-statements.parliament.uk/written-statements/detail/2024-02-05/hcws241>

⁴ <https://questions-statements.parliament.uk/written-statements/detail/2024-02-05/hcws241>

authority's 2013-14 Settlement Funding Assessment. Detailed allocations have not yet been published but for Norfolk County Council this is anticipated to amount to **£1.300m**.⁵ The Levy Account surplus relates to 2023-24 and it is therefore anticipated that it will be recognised in the 2023-24 financial position (i.e. although announced as part of the Settlement it does not form part of the 2024-25 Budget). Where possible this 2023-24 income will be used to increase the Business Rates risk reserve, in order to manage future volatility around Business Rates income. This will replenish the reserve to provide for the amounts expected to be drawn down in 2024-25.

1.7. Public Health Grant allocations for 2024-25 were published in a [Statement](#)⁶ made on 5 February 2024. The allocation for Norfolk has increased to £44.614m in 2024-25. Public Health Grant will continue to be subject to conditions, including a ring-fence requiring local authorities to use the grant exclusively for public health activity.

1.8. **For the purposes of setting the 2024-25 Budget, there were no further substantive changes following the [parliamentary debate](#), which took place 7 February 2024.**

1.9. Any future variations arising within the 2024-25 Budget will be reported to Members as part of the usual monitoring processes through the year.

1.10. As set out elsewhere, the technical reports considered by Cabinet and Scrutiny Committee have **not** been updated to reflect the financial impacts of any final changes for 2024-25 as set out in this paper, including the final Settlement. The changes in the final budget position for County Council are set out within this briefing and relate to:

- Final inflation estimates for future years (2025-26 onwards).
- The application of additional funding announced at the final Settlement which has been used in line with the principles agreed by Cabinet.
- Balancing the worsened Business Rates position from the Business Rates Risk Reserve.
- Recognising additional Public Health grant and the associated expenditure.

1.11. The net effect of these changes is **nil** in relation to the overall 2024-25 Budget as considered and proposed by Cabinet. Based on District forecasts, as reported to Cabinet, the overall increase of 4.99%, as recommended by Cabinet, will result in an **overall County Council Net Revenue Budget of £527.748m for 2024-25**, including budget increases of £122.033m and budget decreases of -£87.992m. The revision of inflation figures, means that **the overall gap position for future years has increased by £3.480m to £135.908m**, with a budget gap of **£44.722m** to be addressed for 2025-26 as summarised in the table below.

⁵https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1134313/SFA_Levy_Allocations.xlsx

⁶<https://questions-statements.parliament.uk/written-statements/detail/2024-02-05/hcws239>

Table 3: Technical adjustments to proposed Revenue Budget since 29 January 2024 Cabinet

	2024-25	2025-26	2026-27	2027-28	Total
	£m	£m	£m	£m	£m
Budget gap at 29 January 2024 Cabinet	0.000	42.927	45.505	43.995	132.428
Final inflation adjustments		1.029	0.880	0.804	2.713
Public Health Grant uplift	-0.399				-0.399
Public Health expenditure growth	0.399				0.399
Change in Social Care Grant at Final Settlement 2024-25	-8.706	8.706			0.000
Change in Rural Services Delivery Grant at Final Settlement 2024-25	-0.737	0.737			0.000
Change in Services Grant funding at Final Settlement 2024-25	-0.096	0.096			0.000
ASS: Funding to maintain the stability of adult social care provision including investment to support growth in demand	2.000	-2.000			0.000
CS: Investment to enable a more robust timescale for the delivery of planned sufficiency savings in 2025-26	2.500	-2.500			0.000
CS: Reduced usage of Public Health reserves to improve robustness of NCC's medium term strategy	0.600	-0.600			0.000
CS: Enabling graduated introduction to revised and integrated approach to mental health and wellbeing support for children and young people	0.390	-0.390			0.000
CS: Investment to enable a more robust approach to the delivery of Children's Services planned transformation programmes in line with the Government's strategy "Stable Homes, Built on Love"	3.010	-3.010			0.000
CES: Highways maintenance growth	0.600	-0.600			0.000
Change in business rates forecasts from District Councils	0.767				0.767
Use of Business Rates Risk reserve for change in Business Rates forecasts from District Councils	-0.328	0.328			0.000
Final proposed Budget and Medium Term Financial Strategy gap as at 20 February 2024 County Council	0.000	44.722	46.386	44.800	135.908

1.12. The following table summarises the proposed net budget by Department over the MTFS period and reflects the impact of the changes set out in Table 3.

Table 4: Proposed Net Budget by Department

	2024-25	2025-26	2026-27	2027-28
	£m	£m	£m	£m
Adult Social Services	281.967	294.360	311.305	331.350
Children's Services	238.592	251.497	255.582	261.536
Community and Environmental Services	203.268	210.134	216.546	223.622
Strategy and Transformation	30.184	32.310	33.087	34.232
Chief Executive's Directorate	4.384	4.919	5.177	5.320
Finance	-230.646	-202.962	-168.634	-141.283
Total Net Budget	527.748	590.258	653.064	714.778
Council Tax	527.748	545.535	561.955	578.870
Budget Gap (cumulative)	0.000	44.722	91.108	135.908

1.13. Tables 5 and 6 detail the movements in departmental budgets for 2024-25 and 2025-26, after the changes listed in Table 3 and summarising the growth, savings and funding changes within each service.

Table 5: Summary Net Budget Changes 2024-25

Budget Changes 2024-25	Adult Social Services £m	Children's Services £m	Community and Environmental Services £m	Strategy and Transformation £m	Chief Executives Directorate £m	Finance £m	Norfolk County Council £m
Base Budget 2023-24	249.526	232.593	189.743	21.859	3.092	-203.107	493.707
Growth for Economic and inflationary	9.565	8.778	10.091	1.090	0.252	4.894	34.670
Growth for Legislative requirements	27.083	9.000	1.694	0.200	0.000	0.040	38.017
Growth for Demand and demographic	22.700	14.500	2.532	0.000	0.000	0.000	39.732
Growth for Policy decisions	0.000	2.470	0.870	-0.581	-0.031	6.886	9.614
Total Growth	59.348	34.748	15.187	0.709	0.221	11.820	122.033
Savings	-14.252	-9.775	-9.665	0.460	-0.330	-7.970	-41.532
Funding changes	-13.174	-20.981	1.629	-0.200	0.000	-13.734	-46.460
Cost neutrals	0.519	2.007	6.373	7.356	1.401	-17.656	0.000
Base Budget 2024-25	281.967	238.592	203.268	30.184	4.384	-230.646	527.748

Funded by: Council tax		-524.453
Collection Fund surplus		-3.295
		-527.748
2024-25 Budget Gap		0.000

Table 6: Summary Net Budget Changes 2025-26

Budget Changes 2025-26	Adult Social Services £m	Children's Services £m	Community and Environmental Services £m	Strategy and Transformation £m	Chief Executives Directorate £m	Finance £m	Norfolk County Council £m
Base Budget 2024-25	281.967	238.592	203.268	30.184	4.384	-230.646	527.748
Growth for Economic and inflationary	10.694	6.923	4.365	1.143	0.127	0.792	24.044
Growth for Legislative requirements	5.000	3.000	0.050	-0.200	0.000	0.000	7.850
Growth for Demand and demographic	6.100	3.500	2.508	0.000	0.000	25.500	37.608
Growth for Policy decisions	-2.000	-3.110	-0.600	-1.219	0.118	1.811	-5.000
Total growth	19.794	10.313	6.323	-0.276	0.245	28.103	64.502
Savings	-7.400	-6.113	0.543	2.201	0.290	-1.580	-12.059
Funding changes	0.000	8.706	0.000	0.200	0.000	1.161	10.066
Base Budget 2025-26	294.360	251.497	210.134	32.310	4.919	-202.962	590.258

Funded by: Council tax		-545.535
Collection Fund surplus		0.000
		-545.535
2024-25 Budget Gap		0.000
2025-26 Budget Gap		44.722

2. Capital Programme

- 2.1. There have been no changes to the proposed capital programme since 29 January 2024 Cabinet.

3. Annual Investment and Treasury Strategy 2024-25

- 3.1. There have been no changes to the proposed Annual Investment and Treasury Strategy 2024-25 since 29 January 2024 Cabinet.

4. Summary

- 4.1. The technical Budget papers annexed to this briefing reflect the position recommended to County Council by Cabinet 29 January 2024. The original versions of all reports, including covering reports, can also be found [here](#). The final budget for approval by County Council includes the technical adjustments described within this briefing note in respect of changes for 2024-25 and final inflation estimates from 2025-26 onwards as set out in Table 3. Any subsequent changes, for example in respect of further business rates forecasts, will be reported as part of in-year monitoring during 2024-25.

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