



North Tyneside Council

Cabinet

Friday 3 February 2023

Monday, 6 February 2023 0.02 Chamber - Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY **commencing at 6.00 pm.**

Agenda Item	Page(s)
3. 2023-2027 Financial Planning and Budget Process: Consideration of Overview and Scrutiny's Response to the Cabinet's Draft Budget Proposals (Interim Report)	3 - 16

To consider any recommendations of the Overview and Scrutiny Budget Sub-Group following its review of the Cabinet's 2022/23 Draft Budget proposals as part of the 2023-2027 Financial Planning and Budget Process.

Circulation overleaf ...

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Circulated to Members of Cabinet: -

N Redfearn (Elected Mayor)
Councillor C Johnson (Deputy Mayor)
Councillor C Burdis
Councillor K Clark
Councillor S Graham
Councillor J Harrison
Councillor H Johnson
Councillor A McMullen
Councillor S Phillips
Councillor M Rankin

**Young and Older People's Representatives and Partners of
North Tyneside Council.**

North Tyneside Council Report to Cabinet Date: 6 February 2023

Title: 2023-2027 Financial Planning and Budget Process: Cabinet's Draft Budget and Council Tax Requirement Proposals

Budget Scrutiny Sub-group report to Cabinet

Portfolio(s):	Elected Mayor	Cabinet Member(s):	Dame Norma Redfearn
	Finance and Resources		Councillor Martin Rankin
	Deputy Mayor		Councillor Carl Johnson

Report from Service Area: **Senior Leadership Team**

Responsible Officer: **Jon Ritchie, Director of Resources (Chief Finance Officer)** **Tel: 643 5701**

Wards affected: **All**

PART 1

1.1 Executive Summary:

The purpose of this report is to provide Cabinet with considerations and any recommendations made by the Budget Scrutiny sub-group in relation to Cabinet's Final Budget Proposals as part of the 2023-2027 Financial Planning and Budget Process.

This report should be viewed in conjunction with its report to Overview, Scrutiny & Policy Development Committee of 16 January 2023.

1.2 Recommendation(s):

1.2.1 Cabinet are recommended to note the report.

1.3 Forward Plan:

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 7 January 2023

1.4 Council Plan and policy framework:

1.4.1 The Budget and Policy Framework Procedure Rules are set out in Part 4.7 of the Authority's Constitution. The Budget is guided by paragraph 4.7.3 covering the process for the preparation, consideration and final approval of the Authority's Council Tax requirement and Council Tax level. The statutory and constitutional requirements for preparing, considering and approving these issues drive the timetable for the Financial Planning and Council Tax setting process of the Authority.

1.4.2 The development of the Financial Plan and Budget has followed the same timetable as in previous years. The proposals have been presented to Overview and Scrutiny during the course of the Budget setting process.

1.4.3 The Financial Planning and Budget process is a fundamental part of the overall governance and assurance framework of the Authority. This in turn provides assurance that is considered as part of preparing the Annual Governance Statement each year.

1.5 Information:

1.5.1 The Budget Scrutiny sub-group met on 1 December 2023 where the Director of Resources and Senior Officers presented the 2023-2027 Financial Planning and Budget Process: Cabinets Initial Budget proposals. The sub-group reported its views to Overview, Scrutiny & Policy Development Committee at its meeting on the 16 January 2023, which were then considered by Cabinet at its meeting on 30 January 2023.

1.5.2 In response to Cabinet's Initial Budget proposals there were no recommendations for Cabinet to consider. The report received by Cabinet at its meeting on 30 January 2023 outlined considerations of the approach to Budget-setting for 2023/24.

1.5.3 There were no formal recommendations made in relation to Cabinet's engagement approach or the initial Budget proposals for the General Fund, HRA, the 2023-2027 Investment Plan and the 2023/24 Treasury Management Statement and Annual Investment Strategy, although constructive suggestions were made about how engagement could be further encouraged in future years, which Officers will take into account.

1.5.4 The Overview, Scrutiny & Policy Development Committee at its meeting on the 16 January 2023, gave delegation to the Budget Scrutiny sub-group to make any further recommendations to Cabinet as a result of its meeting on the 31 January 2023. Following this meeting no further recommendations were made to be considered by Cabinet.

1.5.5 The appended report from the Sub-group notes the overall agreement to the Budget proposals for the General Fund revenue and Investment Plans, with reference to a Member who expressed a differing view or abstained.

1.6 Decision options:

1.6.1 The following decision options are available for consideration by Cabinet:

Option 1

Cabinet to note the report from the Budget Scrutiny sub-group.

Option 2

Cabinet can disagree with the report.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

1.7.1 Option 1 is the recommended option as the Budget proposals have been worked through with all Cabinet Members and have taken due consideration of the Budget Engagement suggestions. The reasons for recommendations are mainly legal in nature, as stated in paragraphs 2.1 and 2.2 of this report.

1.8 Appendices:

Appendix A: Report of the Budget Scrutiny sub-group of the Overview, Scrutiny and Policy Development Committee.

1.9 Contact officers:

Jon Ritchie, Finance Service
Tel No 643 5701

Claire Emmerson, Finance Service
Tel No 643 8109

Jacqueline Laughton, Assistant Chief Executive
Tel No 643 7070

Louise Watson, Law and Governance
Tel No 643 5325

1.10 Background information:

The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

- (a) Overview, Scrutiny & Policy Development Committee – Budget Scrutiny sub-group report, 16 January 2023

<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=138&MId=785&Ver=4>

- (b) 2023-2027 Financial Planning and Budget Process: Cabinet's draft Budget proposals, Cabinet 30 January 2023. This report includes recommendations made by the Overview, Scrutiny and Policy Development Committee at its meeting held on 16 January 2023

<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=174&MId=823&Ver=4>

- (c) 2023-2027 Financial Planning and Budget Process: Cabinet's initial Budget proposals, Cabinet 28 November 2022

<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=174&MId=819&Ver=4>

- (d) 2023-2027 Financial Planning and Budget Process, incorporating the Council Plan and associated Budget Engagement Strategy, Cabinet 21 September 2022.

<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=174&MId=911&Ver=4>

- (e) Provisional Local Government Financial Settlement

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2023-to-2024>

- (f) CIPFA local authority reserves and balances

<https://democracy.swansea.gov.uk/documents/s49993/11%20-%202%20of%20%20Review%20of%20Revenue%20Reserves%20Appendix.pdf?LLL=1>

- (g) 2022/23 Financial Management Report to 30 November 2022 – Cabinet 23 January 2023.

<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=174&MId=820&Ver=4>

- (h) Local Council Tax Support Scheme 2022/23

<https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/North%20Tyneside%20Council%202021-22.pdf>

- (i) General Fund Budget Summaries

- (j) [MHCLG's Guidance on Local Government Investments](#)

- (k) CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

- 2.1.1 Any financial implications arising from this report are appraised as part of the decisions made about what will be included in the Authority's Financial Plan, incorporating the 2023/24 Budget-setting process. Decisions on the Budget in relation to the General Fund, Housing Revenue Account, Dedicated Schools Grant (DSG), Capital Investment Plan, Treasury Management Statement and Annual Investment Strategy need to be made within the overall context of the resources available to this Authority and within the legal framework for setting budgets. The Authority will need to examine closely the links with its key funding partners and their proposed financial plans, including an assessment of the impact of any grant fall-out over the proposed four-year resource planning period.
- 2.1.2 Cabinet and full Council need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances proposed as part of the four-year Financial Plan for 2023-2027, as issued in guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) in July 2014.

2.2 Legal

- 2.2.1 The Local Government Finance Act 1992 (Section 32: Calculation of Budget Requirement) requires the Council to set a balanced budget in the context of the resources available, including Central Government Grants, Business Rates and Council Tax income. The Localism Act 2011 inserted a new Section 31 into the Local Government Finance Act 1992, which requires the calculation of a Council Tax requirement by billing authorities, rather than a budget requirement calculation, as previously. The Localism Act 2011 also abolished Council Tax capping in England. It instead introduced new provisions into the 1992 Act, making provision for Council Tax referendums to be held in England if an authority increases its Council Tax by an amount exceeding the principles determined by the Secretary of State. The current principles for local authorities with responsibility for social care (county and unitary authorities) provide that a referendum is required if general Council Tax is to increase by 2% or more.
- 2.2.2 The Local Government Act 2003 imposes duties on local authorities in relation to budget setting. The Act requires that, when an authority is deciding its annual Budget and Council Tax level, Members and officers must take into account a report from the Chief Finance Officer on the robustness of the budget and the adequacy of the authority's financial reserves. The Government has a back-up power to impose a minimum level of reserves on an authority that it considers to be making inadequate provisions.

2.2.3 The 2023-2027 Financial Planning and Budget process has been prepared to comply with the time scales required within the Budget and Policy Framework Procedure Rules contained in the Authority's Constitution and legislative requirements that the Council Tax requirement is determined before 11 March in any year.

2.2.4 In accordance with the above and the Local Government Act 2000 (and the Regulations made under that Act), Cabinet is responsible for considering and determining the issues raised in this report.

2.3 Consultation / Community engagement

Internal consultation

2.3.1 Each Cabinet Member has been consulted on the individual proposals put forward in this report, with regular discussions held between the Chief Executive, Director of Resources, Heads of Service, the Elected Mayor and Cabinet.

External Consultation/Engagement

2.3.2 The 2023/24 Budget Engagement Strategy and approach were agreed by Cabinet on 19 September 2022. Engagement with residents took place over the summer during the Big Community Conversation activity. Through the Residents Panel the Authority was able to ask residents for their views on what the priorities should be to enable the Borough to recover from the pandemic. These views and priorities have been considered both in the proposals for the Our North Tyneside Plan and Cabinet's draft Budget proposals as set out in this report. Further engagement on the Budget proposals has taken place during December 2022 and January 2023 in line with the Budget Engagement Strategy agreed by Cabinet.

2.4 Human rights

2.4.1 All actions and spending plans contained within the Budget are fully compliant with national and international human rights law. For example, Article 10 of the European Convention on Human Rights guarantees freedom of expression, including the freedom to 'hold opinions and to receive and impart information and ideas'. Article 8 of the Convention guarantees the right to respect for private and family life.

2.5 Equalities and diversity

2.5.1 In undertaking the Budget-setting process the Authority's aim will always be to secure compliance with its responsibilities under the Equality Act 2010 and in particular the Public Sector Equality Duty under that Act.

To achieve this an Equality Impact Assessment (EIA) has been carried out on the Budget Engagement process and in relation to the proposed Council Tax and Housing Rent increases. The aim of the Budget Engagement EIA is to remove or minimise any disadvantage for people wishing to take part in the engagement programme. Mitigating actions will be taken as a result of the Council Tax and Housing Rent EIAs. Specific proposals on how services will seek to meet

budgetary requirements will be subject to EIAs, which will be informed by the findings of the Budget Engagement process.

2.6 Risk management

2.6.1 Individual projects within the Financial Plan and Budget are subject to full risk reviews. For larger projects, individual project risk registers are / will be established as part of the Authority's agreed approach to project management. Risks will be entered into the appropriate operational, strategic, corporate or project risk registers and will be subject to ongoing management to reduce the likelihood and impact of each risk.

2.7 Crime and disorder

2.7.1 Projects within the Financial Plan and Budget will promote the reduction of crime and disorder within the Borough. Under the Crime and Disorder Act 1998, local authorities have a statutory duty to work with partners on the reduction of crime and disorder.

2.8 Environment and sustainability

2.8.1 The 'Our North Tyneside' Plan states that "We will reduce the carbon footprint of our operations and will work with partners to reduce the Borough's carbon footprint". A number of the proposals will contribute to this including those to reduce the Authority's energy consumption. The environmental and sustainability aspects of individual proposals will be assessed in detail as and when agreed and implemented.

PART 3 - SIGN OFF

- Chief Executive X
- Directors of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Assistant Chief Executive X

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Cabinet

6 February 2023

Budget Scrutiny Sub - group report

Author: Budget Sub-group

Tel: 0191 643 5318

Wards: All

1 Purpose of Report

To provide further views to Cabinet on its 2023-2027 Financial Planning and Budget Process: Cabinet's Final Budget proposals.

2 Background

The Budget sub-group met on the 1 December where the Assistant Chief Executive, Director of Resources and Senior Officers presented the 2023-2027 Cabinets Initial Budget proposals including an update on engagement activities.

The sub-group reported its views of the Cabinets initial Budget proposals to Overview, Scrutiny & Policy Development Committee at its meeting on 16 January 2023, which then were considered by Cabinet at its meeting on the 30 January 2023.

Overview, Scrutiny & Policy Development Committee at its meeting on the 16 January 2023, gave delegation to the Budget Sub-group following its scheduled meeting on 31 January 2023 to make any further recommendations/comments on behalf of the Committee to Cabinet at its meeting on 6 February 2023.

This report notes the views from the meeting of the 31 January 2023 and should be viewed in conjunction with its report to Overview, Scrutiny & Policy Development Committee 16 January 2023.

3 Membership

The following Members attended the meeting:

Councillor Janet Hunter

Councillor John O'Shea

Councillor Liam Bones

Councillor Bruce Pickard

Councillor Louise Marshall

Councillor Willie Samuel

4 Feedback Engagement

The Budget Sub-group was provided with an update on the Budget engagement from the Assistant Chief Executive.

The Authority's engagement approach aimed to reach all residents, customers and groups, including those with protected characteristics.

As with the approach undertaken in previous years, a variety of face-to-face engagement opportunities took place and included site visits, meetings and focus groups with Resident and Tenant Panels, Community and Voluntary sector organisations, the Youth Council, business groups and the forum for young people with additional needs and disabilities and their families. These in-depth sessions provided attendees the opportunity to increase understanding of the Council's budget, to ask questions and provide feedback. It was noted that 599 people provided meaningful feedback.

There was increased exchange in the community by visiting popular community venues across the borough, which resulted in an increase in the number of people who engaged. This was demonstrated through the increase in number of completed surveys.

Engagement opportunities were publicised widely through the magazine, social media, local press and via direct email communications to our community contacts and at the date of 17 January 2023 had received 199 online responses.

There was also provision for those members of the community who may have been digitally excluded to participate by the provision of paper surveys, which were promoted at face-to-face engagement events, throughout Customer First Centres, with adult social care users and at all North Tyneside Living Schemes.

The demographic data of completed surveys, enabled further targeted engagement with groups that had a low reply rate to provide assurance that all groups were offered appropriate engagement opportunities.

The promotion to wider consultation offer resulted in an increase in the amount of completed surveys compared to the previous year. This provided confidence that the engagement with residents would continue to increase in future years, with the Study Group making constructive suggestions as to further social media channels that could be used, especially to target the younger residents of the Borough.

5 Final Budget Proposals

The Sub-group received a presentation from the Director of Resources and Head Finance on Cabinets Final Budget proposals.

The presentation outlined updates following the publication of the Provisional Local government Finance Settlement, (the Settlement) on 19 December 2022. The update included an updated position for the Authority's General Fund, Housing Revenue Account overview and Investment Plan following receipt of the Settlement. The sub-group were provided with explanations and actions undertaken in relation to changes to the General Fund and the Investment Plan since the publication of Cabinets Initial Budget proposals

Provisional Local Government Finance Update

It was acknowledged that the Authority continued to deal with global issues that affected its budget such as inflationary pressures, particularly on energy costs, supply chain issues and the impacted by the war in Ukraine.

The Budget continued to be driven by the key priorities of the Our North Tyneside plan – A thriving, secure, family friendly, caring and green North Tyneside.

It was noted that through its in year monitoring the Authority had identified in-year pressures of £23.511m, roughly a trebling of the pressure expected. The net in-year pressure for 2022/23 was forecast to be £8.6m. To address the pressure the sub-group were advised that the use of the Strategic Reserve would be required.

Following the receipt of the Settlement the Core Spending Power (CSP) increase for the Authority is 9.8%, this represented an increase in cash terms of £19.737m. It was stated that there was an assumption from Government that Local Authority's would apply a 4.99% increase to Council Tax (3% minimum increase in spending power before local decisions).

The settlement was to be used to address further known pressures for 2023/24;

- Pay Award – an extra £5.4m allocated bringing the uplift to 5% for 2023/24
- Pay award risk - £1m contingency for the pay award dependent on the National Pay Agreement for 2023/24.
- Social Care – Addition £7.7m bringing the total increase to £15.4m in 2023/24. The additional funding in line with the settlement allowing for existing pressures which will be allocated in line with grant conditions once these have been announced.
- Inflation and Energy – Energy and Contractual inflation totalling £8.6m.

The sub-group were also notified of an additional one-off grant award of £0.427m which is to support economically vulnerable households with Council Tax payments. This will be used in line with the Governments grant conditions. However, it will form part of the Authority's already established Council Tax Hardship scheme which will continue to provide residents who are entitled to Council Tax Support by providing an additional £150 Council Tax Hardship payment.

It was noted that the Medium-Term Financial Plan (MTFP) for years 2024/25 to 2026/27 included the replenishment of the Strategic Reserve.

Housing revenue Account

The sub-group was updated to the decision of Cabinet in relation to the Housing Revenue Account (HRA).

The key elements were:

- A rent increase for 2023/24 of 7% based on Government's revised rent policy for this year.

- Service charges and garage rents also to rise to 7% - a below inflation rise.
- The approach to debt management to help close the £40m gap in the plan that below inflation rise has caused.
- The introduction support package of financial measures linked to tenancy sustainment totalling £3m over a 3-year period to recognise the impact that the current cost of living crisis is having on tenants.
- Supporting further energy efficiency measures to reduce household budgets

Investment Plan

The sub-group reviewed the updated Investment Plan that included;

- The reprofiling (£10.9m) the current Investment Plan (23 January 2023) Cabinet Report, plus following new/changed schemes
- £12.5m over 5 years – loan to trading company for affordable housing
- £1.9m – latest Disabled Facilities Grant allocation
- £4.1m – St Peter’s Sports Hub following grant award
- £1.8m – additional ICT funding in later years

6 Conclusion

In respect to the updated information received, the sub-group acknowledged that the Settlement provided additional funding to support the increased in year pressures.

The majority of the sub-group also recognised that the Council Tax made up of a 2.99% increase for general Council Tax and a 2% increase for the Adult Social Care Precept was also aligned to what was expected in the Government assumptions for Core Spending Power. One Member asked that their differing view be noted.

It noted that to deliver the Budget in 2022/23 would require use of the Strategic Reserve and acknowledged the importance of holding prudent levels of reserves for such eventualities. It also understood that there was a need to replenish Strategic Reserve during the period of the 2024/25 to 2026/27 MTFP.

In relation to the Housing Revenue Account, it acknowledged that the approach taken:

- Invests in maintaining homes to decent standard.
- Continues to address the Climate Emergency Challenge.
- Continues development of new affordable council housing.
- Is in accordance with the national social rent policy.
- supports our tenants in the difficult economic circumstances.

The approach of the updated Investment Plan was acknowledged and by the majority of the sub-group, with one Member noting their abstention.

The setting of the Council budget is difficult. Cabinet needs to have consideration for all stakeholders and communities that depend on the services delivered by the Authority and its partners.

It was acknowledged that following receipt of the updated information, it was encouraged that Cabinets 2023/24 Budget will continue to provide the support and services needed and would be balanced.

The Sub-group wished to express their gratitude to all officers for their support in the delivery of the budget process.

7 Presenting Officers

The following officers presented to the sub-group:

Jacqueline Laughton – Assistant Chief Executive

Jon Ritchie - Director of Resources

Claire Emmerson – Head of Finance

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