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North Tyneside Council

Council

To All Members of the Council

Wednesday, 7 February 2024

You are hereby summoned to attend the Meeting of the Council of the Borough of North Tyneside to be held in **Chamber - Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY at 6.00 pm on Thursday, 15 February 2024** for the transaction of the following business.

Agenda Item		Page(s)
1.	**Apologies**	
2.	**To receive any Declarations of Interest** You are invited to declare any registerable and/or non-registerable interests in matters appearing on the agenda, and the nature of that interest. Please complete the Declarations of Interests card available at the meeting and return it to the Democratic Services Officer before leaving the meeting. You are also invited to disclose any dispensation from the requirement to declare any registerable and/or non-registerable interests that have been granted to you in respect of any matters appearing on the agenda.	

If you need us to do anything differently (reasonable adjustments) to help you access our services, including providing this information in another language or format, please contact democraticsupport@northtyneside.gov.uk.

Agenda Item		Page(s)
3.	**2024 - 2028 Financial Planning and Budget Process: Elected Mayor and Cabinet Budget and Council Tax Requirement Resolution for 2024/25** To receive a report on the Elected Mayor and Cabinet's recommendations for the 2024/25 General Fund Revenue Budget, Council Tax Requirement and Council Tax Level, the 2024-2029 Investment Plan and the Treasury Management Strategy, Annual Investment Statement for 2024/25 and to consider any objections.	3 - 338

Yours faithfully

Chief Executive

North Tyneside Council
Report to Council
Date: 15 February 2024

Title: 2024-2028 Financial Planning and Budget Process: Elected Mayor and Cabinet Budget and Council Tax Requirement Resolution for 2024/25

Portfolio(s):	Elected Mayor Finance and Resources Deputy Mayor	Cabinet Members:	Dame Norma Redfearn DBE Councillor Anthony McMullen Councillor Carl Johnson

Report from:	Senior Leadership Team	
Report Author:	Jon Ritchie, Director of Resources (Chief Finance Officer)	Tel: 643 5701
Wards affected:	All	

PART 1

1.1 **Executive Summary:**

1.1.1 The Constitution sets out in the Budget and Policy Framework Procedure Rules, the process that the Authority has agreed for setting the Budget and the Council Tax Requirement. The 2024–2028 Financial Planning and Budget process, incorporating the 2024/25 Budget, reflects these requirements. Further details of the decision-making process are set out in paragraphs 1.5.15 to 1.5.19 of this report.

1.1.2 This report, supporting Annex and its Appendices, sets out the 2024/25 Council Tax Requirement and the Council Tax calculation of estimates and amounts that were considered by Cabinet on 29 January 2024. The report for that Cabinet meeting, is attached to this report as Appendix 1 and is provided for information. That report presented the 2024/25 Council Tax Requirement and the estimates and amounts for all aspects of the Elected Mayor and Cabinet's proposed spending and resource plans for the General Fund Revenue Budget (including the Dedicated Schools Grant), the 2024-2029 Investment Plan and the Treasury Management Strategy and Annual Investment Strategy for 2024/25. The report also gave an indication of the proposed Council Tax Level for 2024/25 that would be required to fund the spending plans outlined in the report.

1.1.3 In line with the Cabinet's decisions taken on 29 January 2024, the Cabinet report is now being submitted to be received by Full Council at this meeting. At its meeting on 29 January 2024, Cabinet also gave delegated authority to the Elected Mayor to make any final amendments to Cabinet's proposals in relation to information still outstanding, in order for due consideration to be given to the final level of Council Tax that Cabinet wishes to put forward to full Council for approval for 2024/25 (recommendation 1.2 (n) in the original Cabinet report).

At the time of writing this report the following information has yet to be received:

- Tyne & Wear Fire and Rescue Authority precept.
- Tyne and Wear Joint Service Budgets.
- Youth Justice Board Grant allocation.
- 2024/25 Capital Allocations.

1.1.4 The maximum increase permitted to the Tyne & Wear Fire and Rescue Authority precept for 2024/25 is 3%. A decision on the proposed increase is not due to be taken by the Fire Authority until 19 February 2024. In relation to the Northumbria Police and Crime Commissioner's precept, the Authority has received confirmation that the precept level has been set at an increase of £13.00 (7.69%) at a Band D over the level for 2023/24 on 6 February 2024.

1.1.5 In line with the delegation granted to the Elected Mayor, where necessary, amendments to the Budget and Council Tax Requirement proposal arising from the outstanding information detailed in paragraph 11.3 above will be notified to all Members and Co-opted Members of the Authority in the week commencing 12 February 2024. All amendments will be incorporated into the Cabinet's formal Budget proposal for 2024/25. Any Notice(s) of Objection will be submitted on the same basis.

1.1.6 This report is now presented by the Elected Mayor and Cabinet to Full Council, recommending the 2024/25 General Fund Revenue Budget, Council Tax Requirement and Council Tax Level, the 2024-2029 Investment Plan and the Treasury Management Strategy, Annual Investment Statement for 2024/25.

1.1.7 The purpose of this report is therefore to present, for full Council's consideration and approval:

(a) The Elected Mayor and Cabinet's Budget and Council Tax Requirement proposal to set the 2024/25 General Fund Revenue Budget and 2024/25 Council Tax Requirement and the Council Tax Level for 2024/25.

(b) The Elected Mayor and Cabinet's proposals for the 2024-2029 Investment Plan, including the Capital Investment Strategy, Flexible Use of Capital Receipts Strategy and proposed prudential indicators for 2024-2028; and

(c) The Elected Mayor and Cabinet's proposals for the Treasury Management Strategy and Annual Investment Statement for 2024/25.

1.2 Recommendations:

1.2.1 Council is recommended to:

(a) Agree the recommendations and delegations set out in paragraph 1.5.27 of this report in relation to the 2024/25 General Fund Revenue Account Budget, the 2024/25 Council Tax Requirement and Council Tax Level for 2024/25, being the Elected Mayor and Cabinet's Budget and Council Tax Requirement proposal.

(b) Agree the Elected Mayor and Cabinet's proposals for the 2024-2029 Investment Plan, including the Capital Investment Strategy and the proposed prudential indicators for 2024-2029, presented to Cabinet on 29 January 2024,set out in the General Fund Annex 1, Appendix D (i), (iii) and (iv) of Appendix A of the 29 January 2024 Cabinet report attached to this report at Appendix 1;

(c) Agree the Elected Mayor and Cabinet's proposals for the Treasury Management Strategy, Annual Investment Statement for 2024/25, attached in the General Fund Annex 1, Appendix E (i), (ii) of Appendix A of the 29 January 2024 Cabinet report attached to this report at Appendix 1.

1.3 Forward Plan:

1.3.1 The report first appeared on the Forward Plan that was published on 3 November 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 Constitution. The Budget-setting process is described in paragraph 4.7(3) covering the preparation, consideration and final approval of the Authority's Budget. The statutory and constitutional requirements for preparing, considering and approving the Budget drive the timetable for the Financial Planning and Budget process.

1.4.2 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 during the preparation of the Annual Governance Statement.

1.5 **Information:**

The 2024/25 General Fund Revenue Budget and Council Tax Level

2024/25 Financial Plan and Budget

1.5.1 At its meeting on 27 November 2023, Cabinet considered initial proposals for the 2024-2028 Financial Plan, 2024/25 Revenue Budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2024-2029 Investment Plan, as part of the overall Financial Planning and Budget process for 2024-2028. Cabinet also approved the Budget Engagement Strategy.

1.5.2 Budget engagement in line with the Budget Engagement Strategy agreed by Cabinet on 27 November 2023, has been undertaken and is summarised in the 29 January 2024 Financial Planning and Budget Report to Cabinet.

1.5.3 At its meeting on 29 January 2024, Cabinet agreed a delegation to authorise the Mayor to make any final amendments to the Cabinet's proposals in relation to any outstanding information to enable due consideration to be given to the final level of Council Tax the Cabinet proposes to full Council for approval for 2024/25.

1.5.4 The Overview, Scrutiny Co-ordination and Finance Committee Budget Scrutiny sub-group met on 28 November, 5, 11 and 19 December 2023, and on 15 and 26 January 2024 where the Cabinet Member for Finance and Resources, the Cabinet Member for Environment, and Senior Officers presented information relating to the 2024-2028 Financial Planning and Budget Process. The sub-group reported its views to Overview and Scrutiny Co-ordination and Finance Committee at its meeting on the 15 January 2024, which were then considered by Cabinet at its meeting on 29 January 2024.

1.5.5 There were no formal recommendations made in relation to Cabinet's engagement approach or the initial Budget proposals for the General Fund, HRA, the 2024-2029 Investment Plan and the 2024/25 Treasury Management Strategy and Annual Investment Statement. The Overview and Scrutiny Co-ordination and Finance Committee met again on 31 January 2024 to consider the updated Cabinet proposals following the Provisional Settlement. The Committee confirmed that there were no further matters to refer to Cabinet.

1.5.6 Since the Cabinet meeting on 29 January 2024, some information remains outstanding as set out in paragraph 1.1.3. In line with the delegation granted to the Elected Mayor, where necessary, amendments to the Budget and Council Tax Requirement proposal arising from the outstanding information detailed above will be notified to all Members and Co-opted Members of the Authority in the week commencing 12 February 2024. All amendments will be incorporated into an amended Budget Resolution for 2024/25. Any Notice(s) of Objection will be submitted on the same basis.

1.5.7 Where information has been received this has been incorporated into the Budget and Council Tax Requirement Resolution they are as follows:

1. Final Local Government Finance Settlement announcement for 2024/25

1.5.8 The Final Local Government Finance Settlement for 2024/25 was announced on 5 February 2024. The announcement confirmed the award of additional funding relating to adults and children's social care which resulted in an increase to the Authority of £2.148m and an additional £0.030m in the Services Grant.

1.5.9 Cabinet confirmed that the intended usage of the additional funding (compared to the 29 January 2024 report proposals) is as follows:

	£m
Reversal of proposed deferral of strategic reserve replenishment	1.331
Additional funding for the Poverty Intervention Fund	0.464
Additional transfer to contingency	0.383
Total additional funding applied	**2.178**

2. Environment Agency Levy

1.5.10 The Environment Agency Levy for North Tyneside Council has been set for 2024/25 at £0.230m, representing an increase of £0.014m on 2023/24.

3. Police and Crime Commissioner for Northumbria Precept

1.5.11 The Police and Crime Commissioner for Northumbria approved a Precept increase of £13 (7.69%) over the 2023/24 level on 6 February 2024 for Band D properties.

4. The Assessment of the Final Business Rates Position of the Authority

1.5.12 Under the Business Rates Retention Scheme, from 1 April 2013 each local authority retains a percentage of the rates it collects locally. It is now an obligation for the Authority to formally calculate the value of Business Rates (the Business Rates Tax base, based on the multiplier set by the Government) it anticipates collecting each year and to pass this information to the Government and precepting authorities by 31 January. The Business Rates Tax base is dependent on the information included in the final National Non-Domestic Rates (NNDR1) form for each local authority.

1.5.13 Under the Business Rates Retention Scheme, the percentage share of Business Rates for the Authority is as follows:

Table 1: 2024/25 Percentage share of Business Rates for the Authority

	Share
Share to Government	50%
Distribution to the Tyne and Wear Fire and Rescue Authority	1%
Retained by North Tyneside Council	49%

1.5.14 The 2024/25 NNDR1 form for the Authority ultimately calculates the total amounts due to be retained by the billing authority, its major precepting authorities and the Government in 2024/25. The NNDR1 form for the Authority was submitted to the Department for Levelling Up, Housing and Communities on 31 January 2024. The final NNDR1 results are the figures shown in Table 2 below for the Authority:

Table 2: 2024/25 North Tyneside Council Business Rates Calculation

	2023/24 £m
Central Government Share	30.449
Tyne and Wear Fire and Rescue Authority Share	0.609
North Tyneside Council Retained Business Rates	29.840
Total	**60.898**

Council Tax Increase for 2024/25

1.5.15 The Authority's element of the Council Tax Level for 2024/25 (excluding precepts) is proposed to be as set out in the report to Cabinet on 29 January 2024 i.e., a general 2.99% increase in Council Tax and 2% increase in the Adult Social Care Precept. This is in line with the Government's assumptions and Core Spending Power calculations.

Business Community Engagement

1.5.16 In accordance with the Non-Domestic Ratepayers (Consultation) Regulations 1992, which requires local authorities to carry out Budget engagement with the business community by 25 February each year, the statutory Budget engagement meeting was carried out on 11 January 2024.

Process for Consideration and Determination of the Budget

1.5.17 The process for consideration of the Budget is determined by legislation, including the Local Government (Finance) Act 1992 and the Local Authorities (Standing Orders) (England) Regulations 2001. The Authority has adopted a process to ensure compliance with the statutory requirements, which is set out in the Budget & Policy Framework Procedure Rules in the Constitution.

1.5.18 At this meeting, Full Council will debate and consider Cabinet's Budget estimates of amounts and the Council Tax Requirement. The Full Council can raise objections to the Cabinet's proposals and final Notices of Objection should be submitted to the Director of Resources on behalf of the Chief Executive by 4pm on 13 February 2024.

1.5.19 At the time of writing this report the Tyne and Wear Fire and Rescue Authority precept has yet to be confirmed. The Final Local Government Finance Settlement confirmed that the maximum permitted increase is 3%. A 2.99% increase has been assumed which equates to £2.76 at a Band D property for Fire and Rescue authorities. This precept will be confirmed on 19 February 2024, so the final figure will be amended to reflect the actual precept if this differs from the Government's assumption.

1.5.20 The Final Local Government Finance Settlement was announced on 5 February 2024. This confirmed the award of £2.178m of additional funding towards adults and children's social care, following the Government's announcement on 24 January 2024. It is proposed that this funding has been allocated as set out in paragraph 1.5.9 which is in line with the principles discussed at Cabinet and Overview, Scrutiny Co-ordination and Finance Committee and in accordance with the delegation granted to the Elected Mayor following Cabinet's meeting on 29 January 2024.

1.5.21 Following this meeting, the Elected Mayor may be required to reconsider the Cabinet's proposals, considering any objections agreed by Full Council. A Cabinet meeting has been scheduled for 19 February 2024, if required, for this purpose.

1.5.22 The Elected Mayor may then revise the proposals or disagree with Full Council and give notice accordingly to the Chief Executive to enable a further meeting of Full Council to be called. This is the final meeting in the process at which the Authority's Budget and Council Tax Requirement calculation will be agreed and the Council Tax Level for 2024/25 set. This meeting, if required, will take place on 29 February 2024. At this meeting, where any proposals of Full Council in respect of the Budget calculations do not accord with the Cabinet's proposals, Cabinet's proposals will prevail unless at the meeting a two-thirds majority of the Members present vote to impose Full Council's own proposals.

Elected Mayor and Cabinet Resolution: Setting the Council Tax 2024/25

1.5.23 The Localism Act 2011, introduced changes which impact on the Council Tax calculation for 2024/25 as part of the formal Budget and Council Tax Resolution.

1.5.24 Firstly, some aspects of Part 1 of the 1992 Local Government Finance Act (the 1992 Act) were amended and this impacted on the calculation of Council Tax. Secondly, Council Tax capping was abolished in England. Instead, provision was made for Council Tax referendums to be held in England if an authority increased its Council Tax by an amount exceeding the principles determined by the Secretary of State for Housing, Communities and Local Government and agreed by Parliament.

1.5.25 The Council Tax referendum principles for 2024/25 were that any authority who proposed to increase Council Tax by 5% or more, would be subject to a binding referendum of the local electorate. The 2024/25 Provisional Local Government Finance Settlement included an allowance of a 3% increase to the Authority's relevant basic amount of Council Tax to support other expenditure and 2% for expenditure on adult social care.

<u>Council Tax Requirement</u>

1.5.26 Since the Local Government Finance Act 1992 was amended by the Localism Act 2011, billing authorities have been required to calculate a Council Tax Requirement for the year. The calculation of the Council Tax Requirement for the Authority for 2024/25, based on the 2024/25 Budget Requirement is set out in Table 4 below:

Table 4: 2024/25 Council Tax Requirement for North Tyneside Council

	£	£
2024/25 Budget Requirement		195,246,790
Financed by:		
Revenue Support Grant	(14,163,668)	
Retained Business Rates	(29,840,466)	
Business Rates Top Up	(21,645,730)	
Council Tax Collection Fund Surplus	(4,296,083)	
		(69,945,947)
Council Tax Requirement		**125,300,843**

<u>2024/25 Council Tax Requirement Resolution</u>

1.5.27 Cabinet recommends that:

1. The recommended Budgets of the Authority be approved as noted below, subject to the variations listed in paragraphs 2 and 3 below and noting the estimated allocation of £219.359m in Dedicated Schools Grant, for 2024/25:

		£
General Fund Revenue Budget		£195,246,790
	Total	£195,246,790

2. The following levies be included in the Budget Requirement:

	£
The Tyne and Wear element of the Durham, Gateshead, Newcastle Upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority Transport Levy	£12,959,626
Environment Agency	£230,435
Total	£13,190,061

3. The contingency be set as follows:

	£
Contingency	£1,382,306
Total	£1,382,306

4. Note that at its meeting held on 22 January 2024, Cabinet agreed the Council Tax base for 2024/25 for the whole Authority area as 64,471 (Item T), in the Formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act") and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

5. Agree that the Council Tax Requirement for the Authority's own purposes for 2024/25 is £125,300,843 (as set down in paragraph 1.5.25, Table 4).

6. Agrees that the following amounts now calculated by the Authority for the year 2024/25 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992, as amended (the Act):

(a) £412,101,862 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(2)of the Act.

(b) £286,801,019 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(3) of the Act.

(c) £125,300,843 Being the amount by which the aggregate at 6(a) above exceeds the aggregate at 6(b) above, calculated by the Authority in accordance with Section 31(A)(4) of the Act, as its Council Tax Requirement for the year (Item R in the formula in Section 31B of the Act).

(d) £1,943.52 Being the amount at 6(c) above (Item R), all divided by Item T (4 above), calculated by the Authority, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

(e) North Tyneside Council Valuation Bands

Council Tax Band	£
A	1,295.68
B	1,511.63
C	1,727.57
D	1,943.52
E	2,375.41
F	2,807.31
G	3,239.20
H	3,887.04

Being the amounts given by multiplying the amount at 6(e) above by the number which, in the proportion set out in Section 5(1) of the Act 1992, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Authority, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

(f) Police and Crime Commissioner for Northumbria Valuation Bands

Note that for the year 2024/25 the Police and Crime Commissioner for Northumbria has issued the following amounts in precepts to the Authority, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings in the Authority's area, as indicated below:

Council Tax Band	£
A	121.23
B	141.43
C	161.64
D	181.84
E	222.25
F	262.66
G	303.07
H	363.68

(g) Tyne & Wear Fire and Rescue Authority Valuation Bands

Note that for the year 2024/25 the Tyne and Wear Fire and Rescue Authority has issued the following amounts in precepts to the Authority, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings in the Authority's area, as indicated below. Please note, these levels will not be confirmed until the Tyne and Wear Fire and Rescue Authority meets on 19 February 2024:

Council Tax Band	£
A	63.41
B	73.98
C	84.54
D	95.11
E	116.25
F	137.38
G	158.52
H	190.22

(h) Total Valuation Bands

That, having calculated the aggregate in each case of the amounts at 6(e), 6(f) and 6(g) above, the Authority, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2024/25 for each part of its area and for each of the categories of dwellings shown below. Please note the timing of the Tyne and Wear Fire and Rescue Authority meeting on 19 February 2024. Any change to the proposed precept would change the total valuation bands set out below:

Council Tax Band	£
A	1,480.32
B	1,727.04
C	1,973.75
D	2,220.47
E	2,713.91
F	3,207.35
G	3,700.79
H	4,440.94

7. The Authority's relevant basic amount of Council Tax for 2024/25 is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992, as amended.

8. The Authority's Financial Regulations will apply to the financial management of this Budget.

9. The level of contingencies will be £1.382m as pressures incurred during 2023/24 relating to Social Care, pay award and energy and contractual inflation have been recognised as part of the 2024/25 Financial Planning and Budget process.

10. It is proposed that virement levels and approvals for virement shall be in accordance with the rules set down in the Authority's Financial Regulations in force at the time.

11. The Reserves and Balances Policy is adopted as set out and is subject to review at least annually.

12. The Chief Executive, in consultation with the Elected Mayor, Deputy Mayor, Cabinet Member for Finance and Resources and the Senior Leadership Team to manage the overall MTFP Project workstreams and note that decisions made under this delegated authority will be reported to Cabinet as part of the regular budget monitoring information provided.

13. The Chief Executive, in consultation with the Elected Mayor and Director of Resources, to authorise the purchase of properties, on the open market, providing value for money is demonstrated and the cost can be contained within existing financial resources of the Authority. This is to ensure that the programme of delivery of affordable homes and homes at social rent is progressed in line with the Cabinet's priorities.

14. The Director of Resources be authorised to serve notices, enter into agreements, give receipts, make adjustments, institute proceedings, and take any action available to the Authority to collect or enforce the collection of Non-Domestic Rates and Council Tax from those persons liable.

15. The Director of Resources be authorised to disburse monies from funds and accounts of the Authority as required for the lawful discharge of its functions.

16. Agree that the Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority receive payment from the Collection Fund in 12 equal instalments on the last working day of each month.

17. Payments from the Collection Fund to be made to the Authority's General Fund in 12 equal instalments on the last working day of each month.

2024-2029 Investment Plan

1.5.28 Full Council is requested to approve the proposals for the 2024-2029 Investment Plan, set out in the Annex 1, Appendix D (i), (iii) and (iv) to this report along with the Flexible Use of Capital Receipts Strategy at Appendix D(v).

Statement to Council by the Director of Resources (As Chief Finance Officer)

Background

1.5.29 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, Elected 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.

1.5.30 The Government has a back-up power to impose a minimum level of reserves on any authority that it considers is making inadequate provisions.

1.5.31 In making the statement, the Chief Finance Officer necessarily places reliance on information provided to him by other officers of the Authority as part of the Financial Planning and Budget process. Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) in relation to the adequacy of reserves and balances will also be taken into account.

Statement

Robustness of Estimates

1.5.32 In assessing the robustness of estimates, the Director of Resources has considered the following issues:

- The general financial standing of the Authority.
- The underlying Budget assumptions from the Financial Strategy.

- Future Budget pressures and growth proposals, including the impact of prudential borrowing for the 2024-2029 Investment Plan.
- The adequacy of the budget monitoring and financial reporting arrangements in place.
- The adequacy of the Authority's internal control systems, relying on the Assurance Statements provided as part of the Annual Governance Statement for the 2022/23 Statement of Accounts, presented to the Audit Committee on 31 May 2023.
- The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Authority; and
- The outcome of the Autumn Statement and the Provisional Local Government Finance Settlement, 18 December 2023.

1.5.33 The level of contingencies will be £1.382m in recognition of the risks associated with the emerging pressures identified in during 2023/24, the on-going demand pressures in adult and children's social care, continued inflationary pressures relating to energy and contracts and the impact of the pay award assumptions.

1.5.34 Reserves are relatively low and at a minimum level when considering the risks the Authority faces, and the level of efficiencies required to be achieved in the medium-term.

1.5.35 The Cabinet is aware it must keep its Medium-Term Financial Strategy and four-year Medium-Term Financial Plan under review, in the context of the 2021-2025 Our North Tyneside Plan and known key financial risks. Future pressures need to be considered and the Authority cannot take 2024/25 in isolation to future years' needs and pressures. Each year's Budget must continue to be considered within the context of at least a four-year Medium-Term Financial Plan, the five-year Investment Plan, the Medium-Term Financial Strategy, and the national and global economic position prevailing at the time.

1.5.36 To ensure that the Authority continues to keep within its approved Budget and the financial integrity of the Authority is maintained, it is essential that Budget holder responsibility and accountability continues to be recognised as set out in the Authority's Financial Regulations and in the roles and responsibilities section of the Authority's Budget Management Handbook.

Capital Investment Strategy

1.5.37 In line with the Prudential Code's requirement that the Chief Finance Officer of an Authority should report explicitly on the 'deliverability, affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions'. The Authority have ensured that that all projects within the 2024-2029 proposed Investment Plan follow the full gateway and governance procedure prior to inclusion on the Plan which ensures the deliverability, affordability and risk associated with each decision is fully understood prior to any decisions being made.

1.5.38 In terms of the overall investment position of the Authority, as set out above, a Capital Investment Strategy has been developed to help support the delivery of capital investment and ensure that the investment programme, builds on previous success, with a strong focus on delivery of the Authority's Ambition for North Tyneside including planned investment of £334.444m from 2024/25 to 2028/29.

Adequacy of Financial Reserves

General Fund

1.5.39 The level of un-ringfenced reserves remains of concern to the Director of Resources in this ongoing period of uncertainty. This year's Financial Management reports to Cabinet have highlighted areas of on-going financial pressure following years of Government cuts and uncertainty, rising energy costs, inflation and growing demand for complex social care.

1.5.40 Since the development of the 2023/24 Budget and Medium-Term Financial Plan in February 2023, several further significant risks have emerged that are impacting on the 2023/24 budget position, as well as increasing the pressure identified for 2024/25.

1.5.41 The Authority brought forward reserves and balances of £59.596m into 2023/24, and based on the latest forecast of planned usage, it is anticipated £18.271m will be drawn down in 2023/24 to support service delivery. This would result in a 2024/25 balance brought forward for General Fund reserves of £41.325m.

1.5.42 The planned usage does not incorporate the likely usage of the strategic reserve to support the 2023/24 in-year pressures. The estimated forecast outturn position as at November 2023 for the General Fund is £8.622m. If this is required, this would further reduce General Fund reserves to £32.703m.

1.5.43 The position regarding Schools Balances held on behalf of maintained schools remain a concern and key risk for the Authority. As reported to Cabinet on 22 January 2024, this is forecast to be a net deficit figure of £5.924m as at 31 March 2024, which includes a range of surplus and deficit balances for individual schools, some of which are material deficit balances. These could ultimately fall on General Fund balances if they cannot be resolved in conjunction with the individual schools.

1.5.44 The pressures experienced in 2022/23 saw the Authority's Strategic Reserve fall below the minimum target of £10.000m. The Budget proposals seek to replenish this over the life of the Financial Plan. In 2024/25, these proposals currently expect to replenish the Strategic Reserve by £2.5m.

1.5.45 Guidance on Local Authority Reserves and Balances is given in Local Authority Accounting Panel Bulletin 99. This states that *"Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option".* This was also suggested by the Government within the Provisional Local Government Finance Settlement in order to maintain service delivery.

1.5.46 However, the Bulletin does then go on to say *that "It is not normally prudent for reserves to be deployed to finance current expenditure".* As such, the 2024-2028 Medium-Term Financial Plan has been developed so that ongoing revenue expenditure is aligned to annual income with no long-term reliance on reserves.

1.6 Decision options:

1.6.1 The Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution for 2024/25 is set down in paragraph 1.5.26 of this report.

1.6.2 At this meeting, Full Council will debate and give detailed consideration to Cabinet's Budget estimates of amounts and the Council Tax Requirement. Full Council will consider whether it has any objections to Cabinet's proposals.

1.6.3 Although at the time of writing this report the Tyne and Wear Fire and Rescue Authority precept has yet to be confirmed. This Authority anticipated that the proposed increase of 2.99%, £2.76 at a Band D will be confirmed on 19 February 2024. For the Police and Crime Commissioner for Northumbria precept the Authority has received confirmation that the precept level has been set at an increase of £13 (7.69%) at a Band D over the level for 2023/24 on 6 February 2024.

1.6.4 Following this meeting, the Elected Mayor may be required to reconsider Cabinet's proposals, taking into account any objections of Full Council. A Cabinet meeting has been scheduled for 19 February 2024, if required, for this purpose.

1.6.5 The Elected Mayor may then revise the proposals or disagree with Full Council and give notice accordingly to the Chief Executive to enable a further meeting of Full Council to be called. This is the final meeting in the process at which the Authority's Budget and Council Tax Requirement calculation will be agreed and the Council Tax Level for 2024/25 set. This meeting will take place on 29 February 2024 if required. At this meeting, where any proposals of Full Council in respect of the Budget calculations do not accord with the Cabinet's proposals, Cabinet's proposals will prevail unless at the meeting a two-thirds' majority of the Members present vote to impose Full Council's own proposals.

1.7 Reasons for recommended option:

1.7.1 The reasons for the recommendations are mainly legal in nature, as stated in paragraphs 2.2.1 to 2.2.4 of this report.

1.8 **Appendices:**

Annex 1: 2024-2028 Financial Planning and Budget Process: Cabinet's Final Budget and Council Tax Requirement Proposals, Cabinet 29 January 2024.

1.9 **Contact officers:**

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Allison Mitchell, Head of Governance
Tel No 643 5724

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) Local Authorities (Standing Orders) (England) Regulations, 2001

(b) North Tyneside Council's Constitution including the Budget and Policy Framework Procedure Rules

(c) Calculation of the 2024/25 Council Tax Base for North Tyneside Council, Cabinet 22 January 2024

(d) 2024/25 Provisional Local Government Finance Settlement

(e) Autumn Statement

(f) Council General Fund Budget Summaries

(g) Localism Act 2011

(h) Local Government (Finance) Act 1992

(i) Local Audit and Accountability Act 2014

(j) Equality Impact Assessments

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION-MAKING

2.1 Finance and other resources

2.1.1 The financial implications arising from this report are appraised as part of the decisions made about what will be included in the Authority's Budget and Council Tax Requirement for 2024/25. Decisions on the Budget in relation to the General Fund, Schools' funding, Treasury Management Strategy and Annual Investment Strategy and Investment Plan need to be made within the overall context of the resources available to the Authority and within the legal framework for setting the Budget, and the statutory Council requirement.

2.1.2 Full Council need to have due regard to the Chief Finance Officer's advice in relation to the robustness of the estimates used and to the levels of reserves and balances proposed as part of the four-year Medium-Term Financial Plan for 2024-2028, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in July 2014.

2.2 Legal

2.2.1 By virtue of sections 31A and 31B of The Local Government Finance Act 1992 (the 1992 Act) the Authority is obliged each financial year to undertake a calculation of Council Tax Requirement and the basic amount of its Council Tax. Chapter 4ZA of the 1992 Act also makes 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 for Housing, Communities and Local Government and agreed by Parliament.

2.2.2 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer of the Authority to report on the robustness of the estimates made for the purposes of the Budget and Council Tax calculations, and the adequacy of the proposed financial reserves. Section 25 of the 2003 Act requires Members and officers to have regard to the Chief Finance Officer's report when making decisions about those calculations. 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 2024/25 Financial Planning and Budget Process has been prepared to comply with the timescales required within the Budget & Policy Framework Procedure Rules contained in the Authority's Constitution.

2.2.4 Pursuant to section 30(7) of the 1992 Act the Authority is only able to set the Council Tax either following receipt of the precepts from major precepting authorities or 1 March in any year, whichever is earlier. The amount of Council Tax for each category of dwelling in the borough must be set before 11 March in the relevant year.

2.3 Consultation / Community engagement

2.3.1 Internal Consultation

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, Directors of Service, the Elected Mayor and Cabinet.

2.3.2 External Consultation/Engagement

The 2024/25 Budget Engagement Strategy and approach were agreed by Cabinet on 27 November 2023. The views and priorities received as part of the consultation process have been considered for Cabinet's Budget proposals as set out in this report. Further engagement on the Budget proposals has taken place during December 2023 and January 2024 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 laws. 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 2024-2028 Medium-Term 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 register(s) 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 1998 Crime and Disorder Act, 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 Boroughs carbon footprint." A number of the proposals will contribute to this. 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(s) of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Assistant Chief Executive X

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North Tyneside Council
Report to Cabinet
Date: 29 January 2024

Title: 2024-2028 Financial Planning and Budget Process – Cabinet's Updated Budget Proposals

Portfolio(s):	Elected Mayor	Cabinet Member(s):	Dame Norma Redfearn DBE
	Deputy Mayor		Councillor Carl Johnson
	Finance and Resources		Councillor Anthony McMullen
	Housing		Cllr John Harrison

Report from Service Area:	Senior Leadership Team	
Responsible Officer:	Jon Ritchie, Director of Resources (Chief Finance Officer)	Tel: (0191) 643 5701
	Jackie Laughton, Assistant Chief Executive	Tel: (0191) 643 5724
Wards affected:	All	

<u>PART 1</u>

1.1 Executive Summary:

1.1.1 This report represents a key milestone in the development of the 2024/25 Budget and 2024-2028 Medium-Term Financial Plan (MTFP) as it sets out Cabinet's Budget proposals for the next financial year and beyond. The Our North Tyneside Plan remains the delivery focus for the Mayor and Cabinet, and the Budget is driven by the Authority's key priorities that make up the Plan – a thriving, secure, family friendly, caring and green North Tyneside. Despite the economic challenges facing the country and the local government sector, the Authority continues to be ambitious to ensure anyone who needs support can access it, to continue to help the most vulnerable members of the community and to continue investment in all parts of the Borough.

1.1.2 Local government finance continues to be challenging. However, the Mayor and Cabinet have worked with the Senior Leadership Team over a number of years to maintain a degree of financial stability. Global issues associated with war in Ukraine combined with economic fragility and uncertainty post-pandemic and post-Brexit have manifested themselves locally. These have resulted in much higher than forecast levels of inflation, supply chain disruption and significant labour market pressures as well as increased demand for our services. The Mayor, Cabinet and Elected Members have seen each of these have an impact across the Authority's financial planning, as can be seen from the November 2023 Performance and Financial report (discussed at Cabinet on 22 January 2024) where the current General Fund pressure forecast to the end of March 2024 is in the region of £8.622m.

1.1.3 Since May, the Senior Leadership Team has been focused on delivering a programme of activity to tackle the current in-year pressure and to balance the Medium-Term Financial Plan over the next 4 years to 2027/28. This approach has focused on those projects identified as requiring maximum innovation and involving significant financial values. This is not purely a financial exercise; the programme of activity needs to be understandable and relatable for the wider organisation, Mayor, Elected Members, and the taxpayers and businesses of North Tyneside.

1.1.4 The Budget and Medium-Term Financial Plan (MTFP) position has been updated to include the impact of the Provisional Local Government Settlement (the Settlement) for 2024/25, which was announced on 18 December 2023. Details of the Settlement are included in Annex, Section 5.

1.1.5 The Settlement confirms that Core Spending Power (CSP) for local authorities will increase nationally by 6.5% in cash terms for 2024/25. However, this is predicated on each Authority implementing the maximum allowed Council Tax increase, which in the case of North Tyneside is 4.99%, comprising an increase of 2.99% for general Council Tax and a 2% increase for the Adult Social Care Precept. Nationally, the assumed rise in Council Tax accounts for 54% of the increase in CSP.

1.1.6 The Mayor and Cabinet's Budget proposals therefore include for consideration an increase of 2.99% for general Council Tax and 2% for the Adult Social Care Precept in line with the Government's assumptions. Cabinet will be aware that the current level of additional support to residents to pay Council Tax is maintained at £1.520m, which is on top of the statutory Local Council Tax Support scheme (which has a value of circa £16m).

1.1.7 In its report of 27 November 2023, Cabinet set out the estimates for proposed spending and resource plans for the Housing Revenue Account (HRA), including the proposed changes to rents and service charges, and the associated Investment Plan for the period 2024 to 2028.

1.1.8 The proposed spending plans have been updated to reflect the 2023/24 in-year monitoring position and Cabinet is now formally asked to approve the proposed spending and resource plans for the HRA revenue budget for 2024/25 and the HRA Investment Plan. This includes a proposed 7.7% rent increase from April 2024 in line with Government policy.

1.2 Recommendation(s):

It is recommended that Cabinet:

a) agree the key principles being adopted in preparing the Medium-Term Financial Plan, which is the Annex to this report, for the Authority, subject to an annual review;

b) consider and agree proposals for the estimates of amounts for the 2024/25 setting of the Council Tax requirement, including the General Fund Revenue Budget, thereby calculating the proposed level of Council Tax to be recommended to full Council for its meeting on 15 February 2024, in accordance with the Authority's Constitution and Budget and Policy Framework Procedure Rules;

c) Request the Chief Finance Officer to prepare the appropriate Council Tax requirement and Budget Resolution document for full Council's consideration at its meeting on 15 February 2024;

d) consider and agree proposals for the 2024-2029 Investment Plan (Appendix D (i)), including the Capital Investment Strategy (Appendix D (iv)) and Prudential Indicators for 2024-2029 (Appendix D (iii)), calculated in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Framework and the proposed Minimum Revenue Provision (MRP) Policy in line with capital finance regulations, and note that these will be submitted to full Council for its meeting on 15 February 2024;

e) Consider and agree proposals for the flexible use of capital receipts to support investment in transformational projects linked to the Authorities Medium-Term Financial Plan and note this will be submitted to full Council for its meeting on 15 February 2024;

f) note that all schemes within the 2024-2029 Investment Plan will be kept under corporate review by the Investment Programme Board;

g) consider and agree proposals for the Treasury Management Statement, Annual Investment Strategy for 2024/25 and Treasury Management Practices (Appendix C & D of this report) and note these will be submitted to full Council for its meeting on 15 February 2024;

h) note the outcomes from the engagement process on the Budget proposals (Appendix F);

i) note the formal Reserves and Balances Policy for the Authority, subject to review at least annually (Appendix H of this report);

j) Note the key aspects of the 2024/25 Provisional Local Government Finance Settlement announced on 18 December 2023 and how these have been incorporated into the Medium-Term Financial Plan of the Authority. In addition, Cabinet should note the outstanding information required to allow the Elected Mayor and Cabinet to finalise the proposals;

k) Note the medium-term financial challenges and financial risks facing the Authority and agree to address these issues as part of developing the Medium-Term Financial Plan for the Authority and progressing the agreed project workstreams, with progress reported to Cabinet as part of the regular Performance and Financial Management Reporting in order to deliver continued financial stability and prudent management of its financial resources;

l) Note the conclusions of the Overview, Scrutiny Co-ordination and Finance Committee's review of the 2024/25 initial Budget proposals (Appendix I) and note any impact the recommendations may have on the General Fund Budget proposals and Housing Revenue Account and note that any recommendations of the Overview, Scrutiny Co-ordination and Finance Committee in relation to Cabinet's final Budget proposals will be considered by Cabinet on 5 February 2024;

m) note the Provisional Statement by the Chief Finance Officer (Section 11 of the Annex to this report);

n) authorise the Mayor to make any final amendments to Cabinet's proposals in relation to any outstanding information to enable due consideration to be given to the final level of Council Tax that Cabinet proposes to full Council for approval for 2024/25;

o) consider and agree the final proposals in relation to the 2024/25 Housing Revenue Account Budget and associated Business Plan;

p) increase individual housing rents by 7.7% as outlined in Annex 1 HRA to this report, in line with the Government's policy for social rent which involves increasing rents by the Consumer Price Index (CPI) for September + 1%;

q) consider and agree the proposed changes to service charges which are outlined within the report, which also includes protection for existing tenants to limit any increases in line with the rent increase; and

r) increase garage rents for 2024/25 by 7.7% in line with the rent increases as per Section 1.7 of this 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 13 October 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 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.

1.4.3 The Budget proposals have also been presented to the Overview and Scrutiny Co-ordination and Finance Committee (OSC&FC) during the Budget-setting process. The priorities in the 2021-2025 Our North Tyneside Plan provide the strategic framework within which Budget resources are allocated.

1.5 Information:

1.5.1 Background

1.5.2 Understanding the context in which any budget is set is critical, but this is even more relevant now. In many ways, 2024/25 represents the first post-covid budget, with the temporary funding to support local authorities through the pandemic now ended and activity levels beginning to stabilise. However, at the same time, wider economic factors have come into play, manifesting themselves in the cost-of-living crisis for residents, business and the wider public sector.

1.5.3 Local authorities across the country have experienced significant financial uncertainty for many years, but since 2018 there have been several local authorities who have issued notices under section 114 of the Local Government Finance Act 1988 (section 114 Notice) which is effectively a notice confirming that an authority is unable to meet its expected financial obligations. The reasons for the section 114 notices issued to date vary between each affected authority, but is a clear indication that the current funding levels in the sector have weakened financial resilience and some authorities have struggled to meet increased levels of demand within their current financial and operational arrangements.

1.5.4 The national and international economic position must also be recognised. As well as the increased levels of older people generally, there is a change to the proportion of over-50 year olds in work, reducing the levels of those who are economically active. Despite innovation and changing business processes, productivity in the economy has been weak in the past 10-15 years, undoubtedly impacted by the events such as the global banking crisis and the pandemic. More recently, rapidly rising inflation and the consequential increase in interest rates, following a prolonged period of historically low rates, are impacting on growth in the economy. However, there remain areas of economic resilience, with continued level of capital investment in many sectors.

1.5.5 Locally, this presents the Authority with challenges, which also change at pace. Since the budget for 2023/24 was set on 16 February 2023, increased demand and changing levels of risk have impacted on activity and budgets. This is covered in detail in the latest Performance and Finance report reported to Cabinet on 22 January 2024, but include:

- Increased levels of vulnerable children, including those accessing high needs support;
- National pressures on the cost of external provision for both children's and adult social care;
- Increasing food inflation and reducing numbers of schools buying services from the Authority, linked in part to academisation;
- Continued inflationary pressures, impacting on general costs but also contractual uplifts, for example waste and PFI schemes; and
- Recruitment and retention challenges, especially in certain shortage areas such as social care and lawyers.

1.5.6 In response to this, the Authority has continued to evolve and enhance its reporting mechanisms. 2023/24 has seen a new approach to the bi-monthly reporting to Cabinet and OSC&FC. This has focused more on service activity levels that drive the finances, rather than just the financial impacts, giving a much more informed and balanced set of reports to Members. It is also driving the revised approach to the Authority's financial planning and the development of the MTFP.

1.5.7 Despite these challenges, Cabinet is preparing its budget and MTFP proposals from a position of strength. The bi-monthly Performance and Finance reports set out some of the key achievements in year, demonstrating the support the Authority gives to its residents, business and visitors. The achievements set out in those reports, and summarised in this section, are not exhaustive but include:

- 58% reduction in carbon emissions across Authority service operations, ensuring that the Authority is on track against its commitment to become carbon net-zero by 2030;
- The ambition to deliver 5,000 Affordable Homes is progressing well with 2,348 homes delivered at the end of quarter two;
- The Ambition for North Tyneside Programme is progressing with regeneration projects in all four areas of the borough;

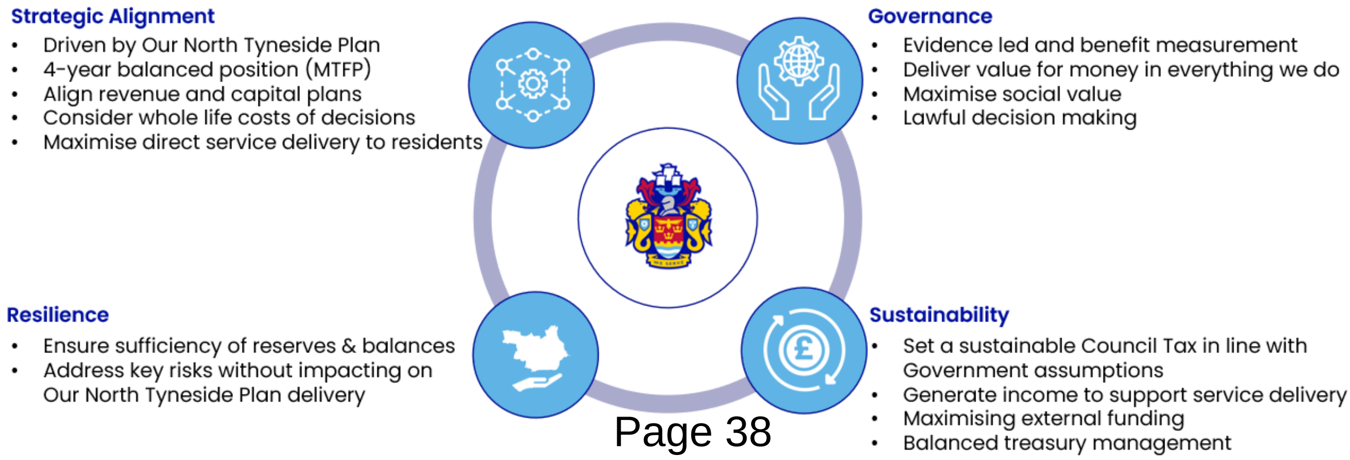
- Almost £17m has been invested in delivering planned improvement works to maintain homes to the decent homes standard including kitchen and bathroom replacements, roof replacements, redecoration works, fencing replacements, heating replacement works;
- Almost £12m of transport improvement works have been delivered including integrated transport improvements including the North Shields Transport Hub which was opened on the 2 September 2023;
- Work continues to progress on the resurfacing programme, flood alleviation measures and on major highways improvement schemes such as the Seafront Sustainable Cycle Route, Stephenson Street junction upgrade and the next phase of the Routes to Metro Project; and
- Council Tax and Business Rates collection remains strong and compares well with national performance, ensuring that the Authority has the resources required to deliver essential services.

1.5.8 However, the regular monitoring reports also highlight the on-going financial challenge. Without further intervention, there is a current forecast overspend of £8.622m for 2023/24 which, without further improvement, would require some use of strategic reserves. Whilst this is the intended reason for holding reserves, their usage cannot continue indefinitely. In response to this, Cabinet continues to focus on a realistic programme of replenishment of reserves over the period of the MTFP.

1.5.9 In light of these challenges facing the sector, prioritising service levels and budgets is critical, which need to focus on the vulnerable and those impacted most by the cost of living crisis.

1.6 General Fund Medium-Term Financial Plan

1.6.1 The overarching principles and considerations for the Authority's approach towards medium-term financial planning are outlined within the Financial Strategy, summarised in the diagram below.



1.6.2 The MTFP, as set out to Council in February 2023, identified that the Authority, in common with other upper tier local authorities, needed to address a material budget shortfall in 2024/25 and beyond.

1.6.3 At the Council meeting in February 2023, the MTFP for 2024/25 to 2026/27 set out a funding gap of £35.110m over the 4-year period, with a gap of £7.575m for 2024/25. The gap in the February Council report for 2024/25 included the future years impact of the 2023/24 increase in Council Tax (2.99%) and Adult Social Care Precept (2%), which were agreed at that meeting.

1.6.4 Cabinet's Initial Budget Proposals (27 November 2023) outlined that had new pressures not arisen, many of which are outside the control of the Authority, the residual MTFP gap for 2024/25 would have reduced from £7.575m to £2.265m. This would have been a manageable gap to address in the current budget round, confirming that the robust approach to financial planning in North Tyneside was serving its intended purpose.

1.6.5 The November 2023 Performance and Financial Management Report, presented to Cabinet on 22 January 2024, shows that without mitigation and management actions, the forecast pressure to the end of March 2024 is expected to be in the region of £8.622m. Whilst this represents an improvement from the position when Cabinet's Initial Budget Proposals were drafted, it confirms the Authority continues to experience significant challenges which require addressing in the Authority's 2024/25 Budget and MTFP.

1.6.6 As part of the Authority's approach to setting a balanced budget for 2024/25 and a 4-year MTFP for 2024-2028, thirteen project areas have been established to tackle the highest pressures facing the Authority, identified within the Performance and Financial Management reports, and to explore areas of opportunity to be more efficient or maximise resources. Since May, the Senior Leadership Team has been working to develop those projects with regular updates being received by members of Cabinet at Lead Member Briefings. This approach is also being incorporated into the in-year Performance and Finance reports to Cabinet and OSC&FC, recognising that service activity is driving the financial position of the Authority.

1.6.7 Cabinet's Initial Budget Proposals confirmed that these projects had identified almost £22m of cost pressures for 2024/25, with £10m of proposed savings, resulting in a projected net impact of £12.209m for inclusion within the 2024/25 Budget. Full details of all the projects are included within section 6 of the MTFP appended to this report, however table 1 below provides an overview of the position by project where there is a direct financial impact on the Authority in 2024/25.

Table 1: Projects Estimated Financial Impact on 2024/25

Ref	Project	Growth £m	Savings £m	Net Impact £m
P04	Inclusive Education / SEND	1.291	0	1.291
P05	Ambition for Education	0.151	0	0.151
P06	Home to School Transport	1.500	0	1.500
P07	Handling Childrens Finance	6.433	(0.981)	5.452
P08	Climate and Waste	0	(0.700)	(0.700)
P09	Great Landlord and Specialist Housing	0.050	(0.270)	(0.220)
P10	Health and Social Care	8.074	(4.650)	3.424
P11	Financial Management	2.948	(2.700)	0.248
P13	Services to Schools	1.485	(0.422)	1.063
Total Estimated Financial Impact (24/25)		**21.932**	**(9.723)**	**12.209**

1.6.8 Cabinet's Initial Budget Proposals reflected a number of assumptions relating to government grant funding, in particular those funding elements that are influenced by the Consumer Prices Index (CPI). It was estimated that £4.942m could be received, which reduced the 2024/25 funding gap to £9.532m as shown in Table 2 below:

Table 2: Projected Funding Gap (27 November 2023)

	£m
Net Gap for 2024/25	2.265
Estimated net financial impact of Projects	12.209
Additional Government Funding assumptions	(4.942)
2024/25 Revised Gap – Cabinet's Initial Budget Proposals	**9.532**

1.6.9 Cabinet's Initial Budget Proposals outlined the impact of increasing Council Tax in line with the Government's assumptions, which are assumed as part of calculating individual authorities' Core Spending Power. This was expected to generate an additional £5.865m of funding in 2024/25, reducing the residual gap to £3.667m as shown in Table 3 below:

Table 3: Projected Residual Funding Gap (27 November 2023)

	£m
Projected Funding Gap (Table 2)	9.532
2.99% Council Tax	(3.513)
2.00% Adult Social Care Precept	(2.352)
2024/25 Residual Gap – Cabinet's Initial Budget Proposals	**3.667**

1.6.10 As stated within Cabinet's Initial Budget Proposals, officers have continued to refine the key assumptions and projections to reflect additional announcements, including the impact of the Provisional Local Government Finance Settlement, and any significant emerging changes which are considered to have an impact on 2024/25, in order to achieve a balanced position.

Impact of the Provisional Local Government Finance Settlement

1.6.11 Since Cabinet's Initial Budget Proposals were set out in November, the Settlement was announced on 18 December 2023. In headline terms, the Settlement recognises the impacts that are currently being faced by local authorities in 2023/24, with increases to Core Spending Power (CSP) nationally of 6.5% for next year, underpinned by the Government's assumption of a 4.99% increase to Council Tax.

1.6.12 For North Tyneside, the increase in CSP is 6.58%, which represents an increase in cash terms of £14.638m. Cabinet should note that on a per dwelling basis, CSP for 2024/25 equates to £2,338, which is £143 lower than the North East average and £179 below the England average. The key changes from 2023/24 are set out in Table 4 below.

Table 4: Core Spending Power for North Tyneside Council in the Settlement

Change in Core Spending Power North Tyneside	23/24 £m	24/25 £m	Change £m	Change %	Proportion of CSP Increase %
Settlement Funding Assessment	63.393	66.565	3.172	5.00%	21.67%
Compensation for under-indexing the Business Rates Multiplier	8.536	10.009	1.474	17.26%	10.07%
Council Tax	116.052	123.107	7.055	6.08%	48.20%
Improved Better Care Fund	9.579	9.579	0.000	0.00%	0.00%
New Homes Bonus	0.625	0.663	0.037	5.96%	0.25%
Social Care Grant	17.005	20.127	3.122	18.36%	21.33%
ASC Market Sustainability and Improvement Fund	2.414	4.511	2.097	86.83%	14.32%
ASC Discharge Fund	1.343	2.238	0.895	66.67%	6.12%
Services Grant	1.954	0.307	(1.646)	-84.26%	-11.25%
Grants rolled in (MSIF, Council Tax Family Annexe, Local Council Tax Support Administration)	1.568	0.000	(1.568)	-100.00%	-10.71%
Core Spending Power	**222.468**	**237.106**	**14.638**	**6.58%**	**100.00%**

1.6.13 The majority of items in the 2024/25 Settlement had already been announced in the Autumn Statement (22 November 2023) or Policy Statement (5 December 2023), however the Settlement has helped to confirm the value and/or allocation basis for a number of items. Whilst the majority of items were consistent with assumptions used to develop Cabinet's Initial Budget Proposals the key differences included:

- The significant reduction to the Services Grant, which nationally has reduced from £483m to £77m in order to fund other policy priorities. This has resulted in a reduction of funding of £1.657m for North Tyneside;
- An extension of flexibility around the use of capital receipts to support transformation projects, which will continue until 2029/30 having been expected to end. This has allowed the Authority greater certainty to incorporate this flexibility into the financial plans for 2024/25 and options to explore greater usage throughout the MTFP, subject to successful delivery in 2024/25;
- A lack of clarity regarding the future of the Household Support Fund, which for North Tyneside amounted to £3.2m in 2023/24. Whilst no funding was announced within the Settlement, the sector continues to lobby to reiterate the importance of this funding to vulnerable residents.

1.6.14 Cabinet should note that the calculation of CSP for the Authority includes an assumed £7m increase (6%) in the resources from Council Tax, which is made up of an assumed 4.99% increase plus the Government's estimation around growth in the Council Tax Base.

1.6.15 Cabinet will be aware that the general move towards raising income locally places additional burden on those residents not in receipt of Local Council Tax Support, either as part of the statutory scheme or the additional support put in place locally. Whilst this remains a concern, the Authority must reflect the Government's assumptions in its financial planning.

1.6.16 Cabinet will be aware of the statutory and additional local support that is in place in North Tyneside to assist residents with their Council Tax bills. In summary, it is proposed to retain the current level of support through both the statutory Local Council Tax Support Scheme, which gives up to 85% discount for eligible working age claimants (eligible pensionable age claimants can claim up to 100% of their bill). In addition, there is a local scheme where up to £150 per eligible working age claimant is available, at a cost of £1.5m annually. For a working age couple in a Band A property, this would see their annual bill reduced to £72 per annum (£16.50 for a single person).

Changes Since Cabinet's Initial Budget Proposals

1.6.17 Table 5 below summarises the changes since Cabinet's Initial Budget Proposals were developed in November 2023, which confirms that the Authority is now able to achieve a balanced position for 2024/25, provided the Authority increases Council Tax in line with the Government's assumptions.

Table 5: Progress Since Cabinet's Initial Budget Proposals

	£m
Residual Gap as at November 2023	**3.667**
Changes Following Autumn Statement	1.674
Changes from the Provisional Settlement	1.977
Finalising Council Tax Base	(1.779)
Completion of NNDR1	(2.704)
Additional Service Pressures	0.076
Revised Gap Post Settlement	**2.911**
Flexible Use of Capital Receipts to Support Transformation	(1.580)
Adjustment to Replenishment of Strategic Reserve	(1.331)
2024/25 Revised Gap	**0.000**

1.6.18 The changes following the Autumn Statement relates to the proposed increase in the National Minimum Wage, which is projected to have an impact upon the payments the Authority make for services in a number of areas, particular around Adults Social Care. The Authority had assumed an uplift from the 2023/24 hourly rate of £10.42 to £11.08, but the Autumn Statement increased this to £11.44. Whilst increases in the rate is welcomed for lower paid workers, this unfunded by Government, so must be addressed from local resources. This is estimated to amount to an additional £1.674m compared to the November report assumptions, relating mostly to home care and care home staff employed in the Authority's supply chain.

1.6.19 The Provisional Settlement also introduced additional pressures for the Authority which have been reflected in the revised funding projections, amounting to £1.977m. This is primarily due to the reductions in the Services Grant of £1.657m.

1.6.20 However, in finalising the Council Tax Base and updating Business Rates projections to reflect the latest information and the Government's new policy of splitting the multiplier in two (a standard multiplier and a small business multiplier), this has introduced additional income of £4.483m in total, helping to mitigate these additional pressures.

1.6.21 To achieve a balanced position it is proposed to bridge the remaining gap of £2.911m through the following measures:

- £1.580m through the flexible use of capital receipts to fund some of the investment in the Authority's transformation activity within the agreed MTFP projects. Further details are provided in Appendix D(v);
- £1.331m through the deferral of the replenishment of the Strategic Reserve, phasing this over the remaining MTFP term. This means the Authority would add £1.169m to the Strategic Reserve in 2024/25 rather than the £2.500m assumed within Cabinet's Initial Budget Proposals.

2024-2028 General Fund Medium-Term Financial Plan Revised Estimates

1.6.22 In addition to refreshing the assumptions for 2024/25 arising from the Provisional Local Government Settlement, the medium-term projections have also been updated to reflect the recent announcements, as well as the updated Council Tax and Business Rate positions. This has helped to reduce the projected funding gap from the £49.990m outlined within Cabinet's Initial Budget Proposals to £32.712m summarised in Table 6 and further details are included within the Annex to this report.

1.6.23 Table 6 confirms that over the MTFP period, the Authority has identified pressures exceeding £101m and the work undertaken to date has identified savings amounting to £35m and expected additional resources of £33m reflecting the latest information around Government funding and reflecting the proposed increase to Council Tax in 24/25 in line with the Government's assumptions. As outlined earlier in the report, the Authority will continue to develop each of the project areas to refine the underlying assumptions and identify opportunities to deliver further savings and efficiencies.

1.6.24 As outlined within the report, the ongoing uncertainty continues to make financial planning extremely challenging and requires the Authority to be flexible and adaptable to the changing financial landscape. Officers will continue to monitor economic and market updates, and where necessary will apply these to any assumptions currently estimated within the Authority's MTFP.

Table 6: General Fund MTFP Summary

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Identified Growth	15.387	12.260	16.453	10.245
Identified Savings	(12.432)	(0.402)	(3.184)	(2.500)
MTFP Projects - Estimated Growth	21.932	7.951	7.486	9.584
MTFP Projects - Estimated Savings	(9.723)	(3.416)	(2.662)	(1.119)
Government Funding	(9.209)	(2.320)	2.015	0.603
Council Tax	(5.955)	(6.025)	(6.094)	(6.163)
In-year gap	**0.000**	**8.048**	**14.014**	**10.650**
Cumulative gap	**0.000**	**8.048**	**22.062**	**32.712**

Review of General Fund Reserves

1.6.25 The Authority maintains a level of reserves to plan for and manage financial risk. As Cabinet will already be aware, it is important to remember that reserves can only be used once, and that they are maintained to provide a degree of financial resilience and flexibility for the Borough.

1.6.26 Reserves balances have fallen from 2022/23 primarily due to the overspend of £6.081m and the use of the Strategic Reserve to balance the General Fund in that financial year. The Authority continues to have planned use of earmarked reserves, and this will continue in the current financial year and across the MTFP. Cabinet will be aware that this unplanned use of reserves meant that the Strategic Reserve balance is now below the £10m minimum as set out in the Reserves and Balances policy. The MTFP set by full Council last year included plans to replenish the Strategic Reserve to a level above that in the Policy. However, due to additional pressures identified earlier in this report the initial review undertaken by management set out to phase the replenishment of the Strategic Reserve throughout the MTFP term. General Fund reserves balances are forecast to fall to £37.349m by the end of 2027/28. This assumes no utilisation of the Strategic Reserve to underwrite revenue budget pressures over the MTFP.

1.6.27 The Authority bought forward General Fund reserves balances of £59.596m into 2023/24, based on the latest forecast of planned usage, it is anticipated £18.271m will be drawn down in 2023/24 to support service delivery. This would result in a 2024/25 balance bought forward for reserves of £41.325m. The planned usage does not incorporate the potential requirement of the strategic reserves to support the revenue budget pressure being forecast of £8.622m for 2023/24 as reported in the Financial Management report presented to Cabinet on 22 January 2024.

1.6.28 Whilst there is still a significant level of uncertainty, the Authority will continue to deliver best practice as would be expected. That means there is a refreshed 4-year MTFP for both the General Fund and HRA, alongside a 5-year Capital Investment Programme. Those financial plans have been based on a benchmarked set of assumptions which have included information from HM Treasury, the Office of National Statistics, and the Office for Budget Responsibility, CIPFA, dialogue with the Society of Municipal Treasurers, as well as the local Treasurers across the "LA7" and Association of North East Councils (ANEC) areas. The prudent use of reserves forms a vital part of this financial planning.

1.7 Housing Revenue Account

1.7.1 Financial Planning for the Housing Revenue Account (HRA), as with the General Fund, is driven by the Our North Tyneside Plan vision and priorities. The HRA will set a budget and updated four-year, MTFP supported by the updated 30-year HRA Business Plan.

1.7.2 The Authority, in line with most Local Authority Registered Providers, follows the Government's social housing rent policy. In recent years, the increase has been calculated at the CPI rate, as at September, plus 1%. In response to the level of rent being set, Cabinet will recall that a £3m fund was created to support a range of tenancy sustainment measures over the 3-year period from 2023/24.

1.7.3 At September 2023, the CPI rate of inflation was 6.7%, so applying the standard policy would lead to a proposed rent increase of 7.7% which has been factored in to the updated HRA Business Plan.

1.7.4 The HRA continues to face a range of cost and supply pressures. Some of the main pressures are:

- Uncertainty over pay awards, for 2023/24 and future years;
- The outcome of the Craft Workers pay review;
- The implications of the Grenfell Disaster which culminated in the passing of the Building Safety Act in 2022, placing additional responsibilities on Landlords e.g. ensuring carbon monoxide detectors in all properties, and increased level of electrical inspection;
- Supply chain difficulties sourcing certain materials and services, which adds to cost pressures and uncertainty; and
- Increased sub-contractor costs as they face many of the same issues in their supply chains and resourcing plans.

1.7.5 All of these issues have been factored into the HRA Business Plan, along with the current assumptions on the proposed rent increase, with the aim of ensuring that the 30-year HRA Business Plan can be balanced, whilst still meeting all the Mayor and Cabinet's key objectives. These include maintaining the existing stock, meeting increased Affordable Homes ambitions and taking steps to continue to respond to the Authority's Climate Change Emergency plans, by funding increased sustainability measures. In addition, where possible, continuing to address the decarbonisation agenda as part of the Authority's Carbon Net-Zero 2030 Action Plan.

1.7.7 As part of the ongoing review and development of the HRA Business Plan a range of areas continue to be explored to help balance the HRA in response to additional pressure and uncertainty and help to provide resources to move towards meeting Cabinet and tenants' ambitions. These involve the following areas:

a) An ongoing review of bad debt provisions and the associated assumptions;
b) A review of levels of in-year contingency provided within both the Management and Repairs budgets;
c) Review of the approach to debt management within the Treasury Management Strategy for the HRA;

d) Analysing any Government announcement on rent policy to assess potential impact;
e) Balancing the needs of the existing stock whilst ensuring that the HRA continues to provide funding for a new build programme to assist towards meeting Cabinet's Affordable Housing ambitions;
f) Ensure that the Authority has the resources available to continue supporting a programme of training and development through Apprenticeships and the Working Roots scheme; and
g) Identifying resources specifically to respond to the Authority's declaration of a Climate Change Emergency, by undertaking sustainability measures within the housing stock that will reduce the Authority's carbon footprint and help move towards net carbon zero status in line with the Authority's Carbon Net-Zero 2030 Action Plan.

1.7.8 As part of the budget setting process a full review of service charges was undertaken to ensure that the proposed charges reflected the cost of delivering the relevant services. For the majority of services, the result of the review was that increasing service charges for 2024/25 in line with the proposed rent increase (7.7%) is considered to be appropriate.

1.7.9 However, there were some specific exceptions to this where additional increases are required in order to meet the costs of service delivery, specifically relating to the North Tyneside Living schemes. Details of these are set out in section 8.4 of the Annex, including details of the elements that are eligible for benefit support. For those elements that are to be paid by existing tenants, transitional relief is being put in place to limit increases in 2024/25 to the level of overall rent increase.

1.8 2024-2029 Draft Investment Plan

1.8.1 The Authority's capital expenditure plans are captured within the Investment Plan which is developed in accordance with the Capital Investment Strategy. Effective capital investment plays an important role in the delivery of the Authority's strategic objectives. The Investment Plan captures a range of planned improvements within the Borough, helping to shape the delivery of the Authority's services as well as undertaking regeneration and placemaking activity and encouraging economic and housing growth.

1.8.2 The existing 2023-2028 Investment Plan totalling £312.34m was approved by full Council on 16 February 2023. The delivery of projects within the plan and progress to date is subject to ongoing review and challenge by Investment

Programme Board (IPB) and has been reported to Cabinet as part of the bi-monthly Performance and Financial Management reports.

1.8.3 As part of the MTFP process, the existing plan has been reviewed to ensure this remains affordable and sustainable, challenging existing commitments as well as exploring opportunities for additional investment.

1.8.4 At this stage, a schedule of the individual projects included within the draft Investment Plan is attached as Appendix D(i), with all schemes subject to the Authority's Gateway process. The overall proposed investment is summarised in the table below:

Table 8: Summary of the Proposed Investment Plan 2024-2029

Spend	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£m	£m	£m	£m	£m	£m
General Fund	66.590	21.172	20.989	18.414	16.664	143.829
Housing	38.137	36.097	39.148	38.798	38.435	190.615
Total	**104.727**	**57.269**	**60.137**	**57.212**	**55.099**	**334.444**

1.8.5 In addition to the agreed 2023-2028 Investment Plan, emerging proposals for the 2024-2029 Investment Plan for consideration as part of the Budget-setting process are set out below:

- The implementation and upgrade of the Authority's Enterprise Resource Planning (ERP) system to replace the current BMS (£4m);
- Investment at the Killingworth depot, providing additional accommodation to facilitate the relocation of the Adult Loan Equipment Service (£2.8m);
- Improvements in the Authority's non-operational portfolio, improving accommodation standards, energy efficiency measures and enhancing its performance (£2.75m);
- Structural improvements works to Royal Quays Marina barrage (£1.65m);
- Investment to provide the infrastructure required to implement separate food waste collections in line with the Government's policy (£1.64m);
- Investment in additional ICT infrastructure, including the delivery of upgrades to the Wide Area Network (WAN) to enhance security and connectivity (£0.95m);
- A new year 5 (2028/29) has also been added to reflect rolling programme projects such as Asset Planned Maintenance, ICT infrastructure refresh, investment in the Authority's schools and also to continue to supplement the Government's funding towards the planned

maintenance of highways infrastructure by a further £2m following Cabinet's approval of the Highways Asset Management Plan, which confirmed the significant contribution that this investment makes in maintaining the network.

1.8.6 In addition to the above, the Authority has also identified a range of opportunities to utilise the additional flexibility to apply capital receipts to help fund the costs associated with service transformation that would ordinarily be met from revenue resources. As part of the delivery of the agreed projects, the Authority is proposing to apply this flexibility in 2024/25 to help deliver ongoing revenue savings. Further details can be found in the Authority's proposed Flexible Use of Capital Receipts Strategy in Appendix D(v).

1.9 Dedicated Schools Grant (DSG)

1.9.1 Cabinet will be aware that school funding is a matter for the Department for Education (DfE), either by direct funding agreements with academy trusts or delegated by local authorities to maintained schools where budget management is the delegated responsibility of each governing body. As in previous years, Cabinet will need to determine the local formula to distribute funding to mainstream schools and academies for the financial year 2024/25. The formula will apply directly to maintained schools for the financial year, and for academies it will form the basis for their funding, distributed by the Education, Skills and Funding Agency (ESFA), for the year starting 1 September 2024. The local formula must comply with statutory guidance, but within these confines the final decision on the formula rests with the Authority after consultation with schools and the Schools Forum.

Table 9: Dedicated Schools Grant funding allocation 2024/25

	Schools Block £m	CSS Block £m	Early Years Block £m	High Needs Block £m	Total Indicative DSG 2024/25 £m
DSG Settlement	157.670	1.563	25.156	34.970	219.359

1.9.2 The Authority's DSG Management Plan, agreed in advance with parents and carers, children and young people, and partners from across education, health, and care, was submitted in February 2023. Without further action, the High Needs block cumulative deficit was forecast to be in the region of £19.500m by 2027/28. The Authority's submission was successful and the DfE agreed financial support to the Authority of £19.500m over a 5-year period, with the first payment of £7.800m paid at the end of the financial year 2022/23. In subsequent financial years, subject to compliance with the conditions set in the agreement, the DfE will release the remainder of the £19.500m.

1.9.3 The agreed DSG Management Plan included a requirement to transfer 0.48% from the Schools block to the High Needs block. Whilst Schools Forum voted against this at their meeting on 9 November 2023, the Authority submitted a disapplication request to the DfE which was approved on 18 January 2024 and allows the transfer to proceed in line with the DSG Management Plan.

1.9.4 North Tyneside Council is on track to reach a positive in year balance on its DSG High Needs Block by the year-end 2027/28. The Authority's DSG management plan forecast a 2023/24 year-end pressure of £10.474m. The outturn position for 2022/23 was healthier than forecast, however, the Authority was in active discussion at that time with its maintained special schools regarding pupil numbers and funding. These discussions are now concluded and reflected in the revised position.

1.9.5 The Authority's current forecast shows that it remains broadly on target to achieve the 2023/24 year-end position detailed within its DSG management plan, with a forecast pressure of £10.490m.

1.9.6 The Authority remains confident that governance arrangements in place provide the necessary political rigour and oversight of its Lead Members, and support and scrutiny by its Chief Executive and Senior Leadership Team. The wider SEND partnership remains locked into the deliverables set out in the DSG management plan, incorporated into the partnership's SEND improvement plan.

1.9.7 The Authority's Safety Valve communication and engagement plan, and its wider strategic SEND Engagement Strategy, continue to provide a clear basis upon which leaders across the Authority share information, consult and co-produce with children and young people, parents and carers, and the wider workforce.

1.9.8 A key risk for the Authority is that the statutory override to ring-fence DSG deficits from councils' wider financial position in statutory accounts is due to end after the accounts for the financial year 2025/26. After this point, unless the statutory override is extended, authorities will need to demonstrate their ability to cover DSG deficits from their available reserves. Due to the level of the deficit on the High Needs block of the DSG it is imperative that the

Authority’s DSG Management Plan meets the ESFA’s requirements to ensure the historic deficit can be supported by funding that is available.

1.10 General Fund Budget Proposals and next steps

1.10.1 Cabinet’s updated Budget proposals are based upon available information and judgements at the time of the writing of this report. Whilst the majority of the funding assumptions for 2024/25 are now known following the Settlement on 18 December 2023, this remains provisional at the time of drafting the report, so is still subject to change. In addition, some grant awards and conditions are yet to be issued.

1.10.2 Cabinet will note in Appendix F that a range of consultation has taken place to date, which will continue until early February. A final update will be included in the full Council report, but to date consultees have expressed a range of views on the draft proposals. It should be recognised that the consultation was based on the November Cabinet report proposals, which was prior to the Settlement.

1.10.3 These Budget proposals are subject to further review and consultation before they can be confirmed. The information to be assessed and finalised includes:

- Publication of the Final Government Settlement;
- Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority Precepts (due February 2024);
- Levies, including the North of Tyne element of the Newcastle upon Tyne, North Tyneside, and Northumberland Combined Authority Transport Levy (due February 2024);
- Confirmation of the Public Health Grant for 2024/25;
- Tyne and Wear Joint Service Budgets (due January/February 2024); and
- Consideration of the impact of the economic climate on the residents of the Borough and Council Taxpayers.

Equality and Diversity Considerations

1.10.4 The Authority has specific responsibilities under the Equality Act 2010 and Public Sector Equality Duty. Part of this is to ensure that the potential effects of decisions on those protected by equality legislation are considered prior to any decision being made. The Authority will continually monitor the effect of its Budget-setting process and decision-making by using equality impact assessments.

1.10.5 Full Equality Impact Assessments are undertaken for each of the projects included within the Budget proposals and these are developed as the projects continue to evolve. These assessments have been used to undertake a cumulative Equality Impact Assessment on the Budget proposals. An Equality Impact Assessment has also been carried out on the Budget Engagement Strategy.

2024/25 Financial Planning and Budget process - Timetable of Key Decision Milestones

1.10.6 Key aspects of the 2024/25 Financial Planning and Budget process timetable are set out at Appendix H to this report, highlighting key decision milestones in the process. The Elected Mayor and Cabinet are responsible for formulating the Authority's Budget. The Cabinet Member for Finance and Resources, in close consultation with the Elected Mayor, is the lead Cabinet Member for the overarching 2024-2028 Financial Planning and Budget process. The Director of Resources is the project sponsor.

1.11 Decision options:

The following decision options are available for consideration by Cabinet:

Option 1
Cabinet can agree the recommendations set out in paragraph 1.2 of this report.

Option 2
Cabinet does not agree to the recommendations in paragraph 1.2 of this report and suggest that further / different options are considered by the Senior Leadership Team and be reported back to Cabinet for its further consideration.

Option 1 is the recommended option.

1.12 **Reasons for recommended option:**

Option 1 is recommended for the following reasons:

Due to external information still to be received, Cabinet is not able to finalise its proposed Council Tax level for 2024/25 in relation to the General Fund. However, information is suitably advanced to allow the budget proposals to be set out for the General Fund revenue and Investment Plan for consideration by Overview, Scrutiny Co-ordination and Finance Committee.

The recommendations also include the proposals to agree the final rent, service charge and other elements in relation to HRA to allow updates to tenants billing to commence in advance of the new financial year.

1.13 **Appendices:**

Annex	2024-2028 Medium-Term Financial Plan – Cabinet's Budget Proposals
Appendix A	2021-2025 Our North Tyneside Plan
Appendix B(i)	General Fund MTFP and key assumptions
Appendix B(ii)	2024-2028 MTFP Project Summaries
Appendix C(i)	HRA Business Plan 2024-2028
Appendix C(ii)	HRA Financial Plan, Reserves and Contingency Movement 2024-2028
Appendix D(i)	2024/2029 Investment Plan Summary
Appendix D(ii)	2024-2029 Housing Investment Plan
Appendix D(iii)	Prudential Indicators 2024-2029
Appendix D(iv)	Capital Investment Strategy
Appendix D(v)	Flexible Use of Capital Receipts Strategy
Appendix E(i)	2024/25 Treasury Management Statement, Annual Investment Strategy and Credit Criteria

Appendix E(ii)	Treasury Management Practices (TMPs) 2024/25
Appendix F	Budget Engagement Summary 2024/25
Appendix G	Reserves and Balances Policy
Appendix H	Timetable and Key Milestones
Appendix I	Overview, Scrutiny Co-ordination and Finance Committee Budget Report
Appendix J	Glossary of Terms

1.14 Contact officers:

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1.15 **Background information:**

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

(1) 2023/24 Financial Management Report to 30 November 2023 – Cabinet 22 January 2024;
https://democracy.northtyneside.gov.uk/documents/g1059/Public%20reports%20pack%2022nd-Jan-2024%2018.00%20Cabinet.pdf?T=10

(2) Autumn Statement 2023
https://www.gov.uk/government/publications/autumn-statement-2023

(3) Spring Budget 2023
https://www.gov.uk/government/publications/spring-budget-2023/spring-budget-2023-html

(4) Provisional Local Government Finance Settlement 2023/24
https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2024-to-2025

(5) Equality Impact Assessment

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

2.1.1 The 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 2024/25 Budget-setting process. Decisions on the Budget in relation to the General Fund, Housing Revenue Account, Dedicated Schools Grant, 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 closely examine 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 The report highlights that at this stage a balanced budget for 2024/25 on the basis of the full Council Tax increases in line with Government assumptions, and over the MTFP period savings of £32.721m are required.

2.1.3 Cabinet and 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 Medium-Term Financial Plan for 2024-2028, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in July 2014. A provisional statement to Cabinet by the Chief Finance Officer is included in the Annex to this report.

2.2 Legal

2.2.1 This report, setting out the 2024-2028 Financial Planning and Budget; Initial Cabinet Proposals, has been prepared in compliance with the Authority's Budget & Policy Framework Procedure Rules contained in the Authority's Constitution. As stated in the body of the report, once approved by Cabinet the proposals will be submitted to the Overview, Scrutiny Co-ordination and Finance Committee as part of the Budget-setting process. The outcome of that Committee's review will be reported to Cabinet in February 2024 so that the review can be considered by Cabinet prior to the proposals for 2024-2028 Financial Planning and the 2024/25 Budget being submitted to full Council for Approval.

2.2.2 In accordance with legislative requirements and the Authority's Budget and Policy Framework process, the approval of the Authority's Budget is a matter for full Council.

2.3 Consultation/community engagement

2.3.1 Each Cabinet Member has been consulted on the individual proposals put forward in this report, with regular discussions held between the Senior Leadership Team, the Elected Mayor and Cabinet.

2.3.2 The Authority is committed to being an organisation that works better for residents and to ensure that it listens and cares. This commitment includes giving residents and other key stakeholders an opportunity to be involved in the Financial Planning and Budget process as outlined in the Budget Engagement Strategy.

2.3.3 The Authority's overall approach to engagement ensures that the public have opportunities to have their say throughout the year, through a series of different methods, including engaging with the Elected Mayor, Cabinet and ward members and through activities such as the Big Community Conversation and State of the Area Conference.

2.3.4 In all its engagement activity, the Authority is committed to ensuring that residents with protected characteristics, as set out in the 2010 Equality Act, can participate. In line with this an Equality Impact Assessment has been undertaken on the 2024/25 Budget Engagement Strategy.

2.3.5 The detail of the Budget engagement activity that has taken place is included in Appendix F to this report. As in previous years the Authority have sought views from a wide range of residents and key stakeholders with methods including face to face engagement via focus groups, meetings and displays with paper surveys at out six main customer service centres. Use of digital communications via email and social media channels have also been a prominent part of the overall engagement process. Cabinet have noted the considerations of the Overview, Scrutiny Co-ordination and Finance Committee budget study-group (Appendix I).

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 provides for a qualified right to freedom of expression, including the freedom to 'hold opinions and to receive and impart information and ideas without interference by public authority'. Article 8 of the Convention states that everyone has the qualified right to respect for private and family life and their home.

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 the Public Sector Equality Duty under that Act.

2.5.2 To achieve this an Equality Impact Assessment (EIA) has been carried out on the Budget Engagement process. The aim is to remove or minimize any disadvantage for people wishing to take part in the engagement programme. Specific proposals on how services will seek to meet budgetary requirements will be subject to EIAs (Equality Impact Assessment), which will be informed by the findings of the Budget Engagement. A cumulative impact assessment of all of these is available to both Cabinet and full Council.

2.6 Risk management

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 register(s) and will be subject to ongoing management to reduce the likelihood and impact of each risk.

2.7 Crime and disorder

The Authority has in place a range of services that promote the reduction of crime and disorder within the Borough and are funded through the annual Budget and are included in the Medium-Term Financial Plan. Under the 1998 Crime and Disorder Act, local authorities have a statutory duty to work with partners on the reduction of crime and disorder.

2.8 Environment and sustainability

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 to ensure these support the Authority's targets under the Carbon Net-Zero 2030 Action Plan.

PART 3 - SIGN OFF

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

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2024-2028 Medium-Term Financial Plan

General Fund Revenue Budget, Housing Revenue Account Budget, Dedicated Schools Grant, Investment Plan and Treasury Management

North Tyneside Council

INDEX

1. Introduction

1.1.1. In setting the Budget for the upcoming and future financial years it is crucial that the resource allocations align with the overall vision and strategic priorities of the Elected Mayor and Cabinet. Medium-term financial planning is fundamental to ensure that the Authority makes decisions by focussing on strategic priorities and has a clear financial vision and direction for the medium term.

1.1.2. The Authority is legally required to set a balanced Budget for the General Fund for 2024/25 to meet statutory duties and provide services such as social care and environmental services. For the Housing Revenue Account (HRA), the Council Taxpayer cannot subsidise those living in social housing and the rents and service charges paid by the tenants cannot be used to fund unrelated Council services. It is also unlawful for an authority to budget for a deficit in its HRA or use HRA reserves for General Fund expenditure.

1.1.3. The duties and responsibilities imposed on local authorities through the Local Government Act 2003 are covered in sections 12 and 13, which covers the financial risks, risk assessment and actions necessary to mitigate against the risks posed within the Budget proposals. The Act requires Members and officers to consider the Chief Finance Officer's report on the robustness of the Budget and the adequacy of the Authority's financial reserves.

1.1.4 The Authority's 2023/24 Budget and Medium-Term Financial Plan (MTFP) were agreed in February 2023. Since then, continued high interest rates and inflation have caused a significant impact leading to a cost-of-living crisis which has seen a real term reduction in living standards for families throughout the Borough and the country. Whilst falling, inflation (measured using the consumer price index (CPI)) is still significantly above the Bank of England's target of 2%. This continues to have a significant impact on the cost of delivering essential services and there remains uncertainty about how this will feed into critical factors such as government funding levels and pay awards, both to the sector and the Authority's supply chain.

1.1.5 A number of pressures within the Authority's budget are driven by Central Government decisions, including elements of pay and price market pressures which are linked to the National Living Wage, social care reform, and pressures relating to assumed reductions in funding.

1.1.6 Despite the level of uncertainty, reviewing the MTFP remains essential to ensuring the Authority's medium-term financial sustainability. The Authority will have to make very difficult choices in the years ahead about which services to prioritise. This may mean revisiting the expectations of residents to protect services for the most vulnerable, or by considering different delivery methods in the medium-term. The opportunity to work with partners and neighbouring authorities remains to maintain and improve outcomes against a backdrop of reducing public spending. However, these difficult budget challenges should be viewed from the context of several years of strong performance, with support for residents, businesses and visitors in the Borough, which is framed through Our North Tyneside Plan.

2. Our North Tyneside Plan 2021-2025

2.1.1 The Our North Tyneside Plan 2021-2025 was agreed by Full Council in September 2021 and is structured around the five themes of:

- thriving
- family- friendly
- caring
- secure
- green

2.1.2 The Our North Tyneside Plan 2021-2025 sets out the overall vision and policy priorities of the Elected Mayor and Cabinet, which sets the framework for everything the Council does. The Our North Tyneside Plan 2021-2025 was developed in partnership with the North Tyneside Strategic Partnership.

2.1.3 In line with the MTFP, the Our North Tyneside Plan 2021-2025 is set across a four-year period. The MTFP is refreshed on an annual basis as part of the budget setting process.

2.1.4 Set out below are the high level ambitions under each of the Our North Tyneside Plan 2021-2025 themes:-

A thriving North Tyneside
• We will regenerate the high streets of North Shields and Wallsend, and in addition to the Master Plan for North Shields, we will bring forward Master Plans for Wallsend and Whitley Bay town centre areas. We will also bring investment and improvements to the North West area of the borough and ensure that regeneration delivers ambition, opportunity and benefits for all of our residents; • We will bring more good quality jobs to North Tyneside – by helping local businesses to sustain and grow, making it attractive for new businesses to set up or relocate in the borough; • We will invest in adult education and to support apprenticeships to make sure people have the right skills for the job; • We will keep our libraries and leisure centres open as part of a vibrant range of cultural and sporting activities to support the health and wellbeing of our residents;

- We will continue to be the destination of choice for visitors through the promotion of North Tyneside's award-winning parks, beaches, festivals and seasonal activities;
- We will reduce the number of derelict properties across the borough; and
- We will review how the council purchases and contracts for goods and services to maximise value for money, social value and environmental sustainability.

A family-friendly North Tyneside

- We will support local schools, making sure all children have access to a high-quality education with opportunities to catch up where needed after the pandemic;
- We will provide outstanding children's social care services, events and facilities so North Tyneside is a great place for family life; and
- We will ensure all children are ready for school and that schools have an inclusive approach so that all of our children and young people have the best start in life.

A caring North Tyneside

- We will provide great care to all who need it, with extra support available all the way through to the end of the pandemic;
- We will work with the care provision sector to improve the working conditions of care workers;
- People will be cared for, protected and supported if they become vulnerable, including if they become homeless;
- We will support local community groups, carers and young carers and the essential work they do; and
- We will work to reduce inequality, eliminate discrimination and ensure the social rights of the people of North Tyneside are key to council decision making.

A secure North Tyneside

- Council wardens will work in partnership with Northumbria Police to prevent and tackle all forms of antisocial behaviour;
- We will invest an additional £2m per year on fixing our roads and pavements;

- We will maintain the Council Tax support scheme that cuts bills for thousands of low-income households across North Tyneside;
- We will tackle health and socio-economic inequalities across the borough including through our Poverty Intervention Fund to tackle food poverty; and
- We will provide 5000 affordable homes.

A green North Tyneside

- We will keep increasing the amount of waste that can be recycled and introduce food waste collections and deposit return schemes;
- Council environmental hit squads will crack down on littering;
- We will secure funding to help low-income households to install low-carbon heating;
- We will increase opportunities for safe walking and cycling, including providing a segregated cycleway at the coast; and
- We will publish an action plan of the steps we will take and the national investment we will seek to make North Tyneside carbon net-zero by 2030.

As part of the Council's Performance Management Framework, progress of the priorities in the plan are assessed against a set of outcome measures and reported to Cabinet, Overview & Scrutiny Co-ordination & Finance Committee (OSC&FC) and the North Tyneside Strategic Partnership on an annual basis. This is supplemented by bi-monthly Performance and Financial Management Reports providing an overview of both service delivery and performance and budget position across the authority.

Some highlights of the Our North Tyneside Plan are:-

- Delivery of the Affordable Homes Programme is on track with 2,180 affordable homes delivered as at quarter 2 2023/24. A 10-year Delivery Plan was agreed by Cabinet in February 2022. The number of long-term vacant dwellings is currently at its lowest level in seven years.

- In September 2023, Cabinet approved the refreshed Carbon Net-Zero 2030 Action Plan including over 150 actions to decarbonise the Authority's operations and the Borough as a whole. Carbon reduction in council service operations have reduced by 58% as of quarter 2 2023/24 compared to the baseline year in 2010/11. And the borough carbon footprint has reduced by 45% between 2005 and 2021.

- £8m funding has been secured from the Green Homes Grant Local Delivery Scheme to install low carbon heating, energy efficiency measures and renewable energy systems in homes with low-household incomes. To date over 800 measures have been installed in 700 homes so far.

- In North Shields, the new £12.994m Transport Hub and Town Square funded through the Transforming Cities Fund, the North of Tyne Combined Authority (NTCA) and North Tyneside Council opened on 2nd September 2023. Planning permission has been granted for new family homes at the former Unicorn House Site and works are due to commence in the 2023/24 financial year. £1.7m in grant funding has been secured from the NTCA to develop a Cultural and Creative Zone and work has commenced on the new Riverside Embankment Walkway to connect the town centre and Fish Quay.

- In Whitley Bay, improvement works to the Northern Promenade were completed and a further £6.5m funding from the Active Travel Fund has been secured as part of £10m of investment to provide a continuous segregated walking and cycling route between St Mary's Lighthouse and Tynemouth. NTCA has approved £0.135m of funding to undertake a feasibility study to explore options to develop a Metro extension to Cobalt Business Park and the potential for a rail extension from Northumberland Park.

- In Wallsend, in May 2023 Cabinet approved the draft Masterplan for Wallsend comprising of fourteen priority projects to improve the town centre public realm, housing, as well as opportunities for residents to access high quality jobs and benefit from inclusive growth. £0.499m Museum Estate and Development Fund (MEND) funding has been secured for a range of improvements at Segedunum Roman Fort and Museum. Funding has been secured from the NTCA to fund project activity in and around Wallsend High Street including £1.28m capital grant for public realm and active travel work and £0.066m grant for revenue activity including events which will help drive footfall, shop front grants, business support and resource to be based within the town centre to support businesses to start-up and grow.

- In the North West of the borough, £0.075m of feasibility funding has been secured from NTCA for Northumberland Line Economic Corridor priorities. This includes funding to re-design, scope and map a visitor/ heritage trail using the existing waggonways and heritage assets. Killingworth Lake concept plans have been developed and officers are now working to identify eligible funding streams to progress the proposals. Work is continuing with partners to secure investment and encourage more and better jobs to be delivered at Indigo Park.

- Beaches and warden managed parks in the borough continue to be recognised nationally for their high standards. Three beaches have retained their Blue Flags and Seaside Awards and eight parks were awarded Green Flag Awards.

- In response to residents feeling increasingly concerned about community safety issues, a multi-agency North Tyneside Anti-Social Behaviour Task Force has been established to develop and deliver a shared plan to tackle anti-social behaviour as a partnership making a difference for residents, communities, visitors and businesses. The trend of anti-social behaviour reported to Northumbria Police has decreased to the lowest level in four years in North Tyneside.

- Support is delivered to low-income households across the borough through the Council Tax Support Scheme and Hardship Support Scheme. As well as a number of initiatives including the Holiday Activities and Food Programme, Household Support Fund and Poverty Intervention Fund to address health and socio-economic inequalities.

- The education offer in the borough is strong compared to national and regional comparators, however an area of focus remains to close the gap between disadvantaged and non-disadvantaged pupils, which has widened in North Tyneside, as it has regionally and nationally, following the COVID-19 pandemic.

- We are continuing to meet the social care needs of our residents and have seen an increase in demand for social care. Many residents are presenting with more complex needs as a legacy of Covid restrictions. Our Carepoint Team is integrated with the NHS and has staff based at all local acute hospitals. This team has been key in ensuring that our hospitals have maintained bed availability over the winter and that A&E services have not been overwhelmed. Our Reablement Service continues to be one of the highest performing in the country supporting our residents to regain skills and the confidence to return home after a stay in hospital.

3. Borough Profile

3.1 Overview

3.1.1 North Tyneside is located on the North-East coast of England and is bounded by Newcastle upon Tyne to the west, the North Sea on the east, the River Tyne to the south, and Northumberland to the north.

3.1.2 The most recent annual residents survey from 2021 showed that overall, 4 in 5 residents believe North Tyneside to be a good place to live. Whitley Bay[1] has been named as the best place to live in the North-East and one of the best places to live in Britain after Tynemouth was named the previous year. The reasons given were the beautiful coastline and thoughtful regeneration that have helped Whitley Bay start to catch up with Tynemouth.

3.1.3 The quality of the local environment is a clear driver of local area satisfaction and a priority for many residents in making somewhere a good place to live. Three beaches in North Tyneside are among a group of only 57 beaches across the country to win both a Blue Flag and Seaside Award. King Edwards Bay, Tynemouth Longsands and Whitley Bay have achieved the Blue Flag standard every year since 1994. Eight of the warden managed parks in North Tyneside have retained their Green Flag Awards, international benchmark of quality.

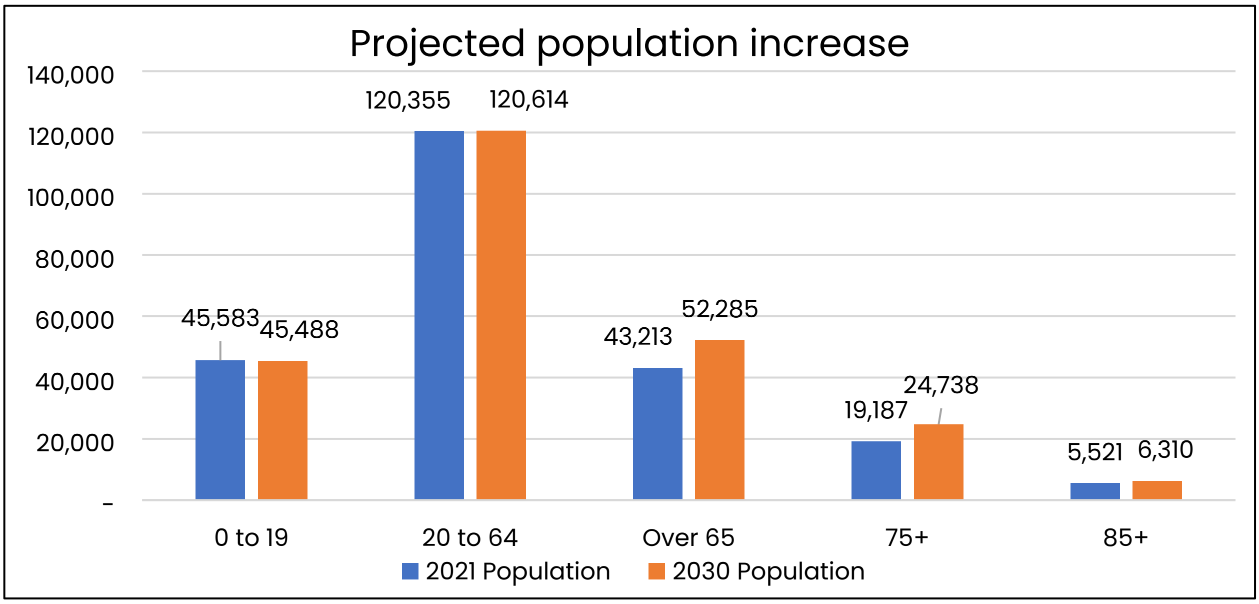
3.1.4 In the 2021 annual residents survey, the issues residents have identified as most needing to be improved and of high importance were road and pavement repairs, the level of anti-social behaviour and clean streets. Road and pavement repairs are the issue perceived to be most in need of improvement. Over the last four years, residents have expressed increasing concern around anti-social behaviour and crime across the borough.

3.2 Population

Working Age Groups	Female	Male	Total Population
0-15 (Children)	17,982	19,353	37,335
16-64 Working Age)	66,027	62,576	128,603
65+ (Retired)	23,699	19,514	43,213
Total	**107,708**	**101,443**	**209,151**

[1] Sunday Times 2023

3.2.1 North Tyneside has a population of 209,151[2] and the population is projected to grow by 4.4% overall by 2030. The proportion residents of over the age of 65 is projected to increase by over 20%, over 75's by 29%, and over 85's by 14% and fewer children.



3.2.2 North Tyneside has a relatively small black, Asian and other ethnic minority community population, which accounts for 5.1%[3] of the overall population. A further 2.4% of residents are from white minority backgrounds.

3.3 Deprivation

3.3 North Tyneside is one of the least deprived areas in the North-East and deprivation has reduced compared to the rest of England, however some areas continue to experience persistently relatively high levels of deprivation. Just over 20% of these areas in North Tyneside are ranked as being in the most deprived 20% in England. These areas of deprivation are associated poorer health outcomes, lower participation and attainment in education post 16 years old.

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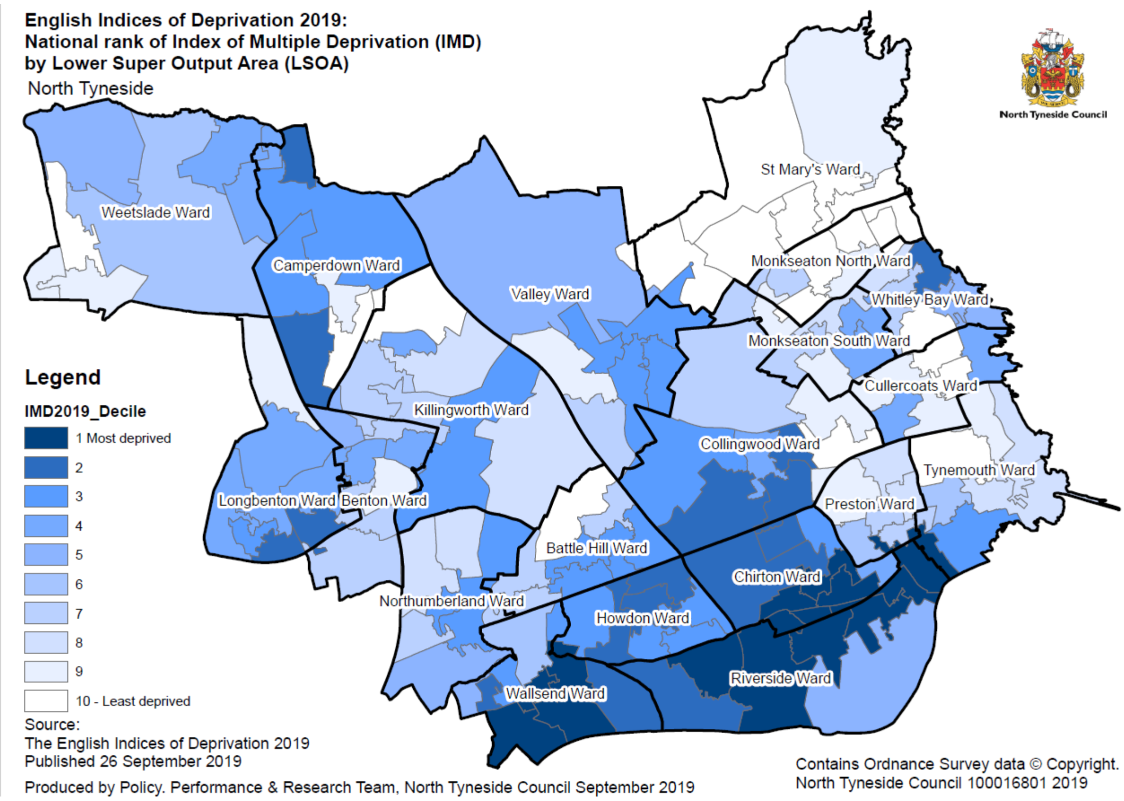
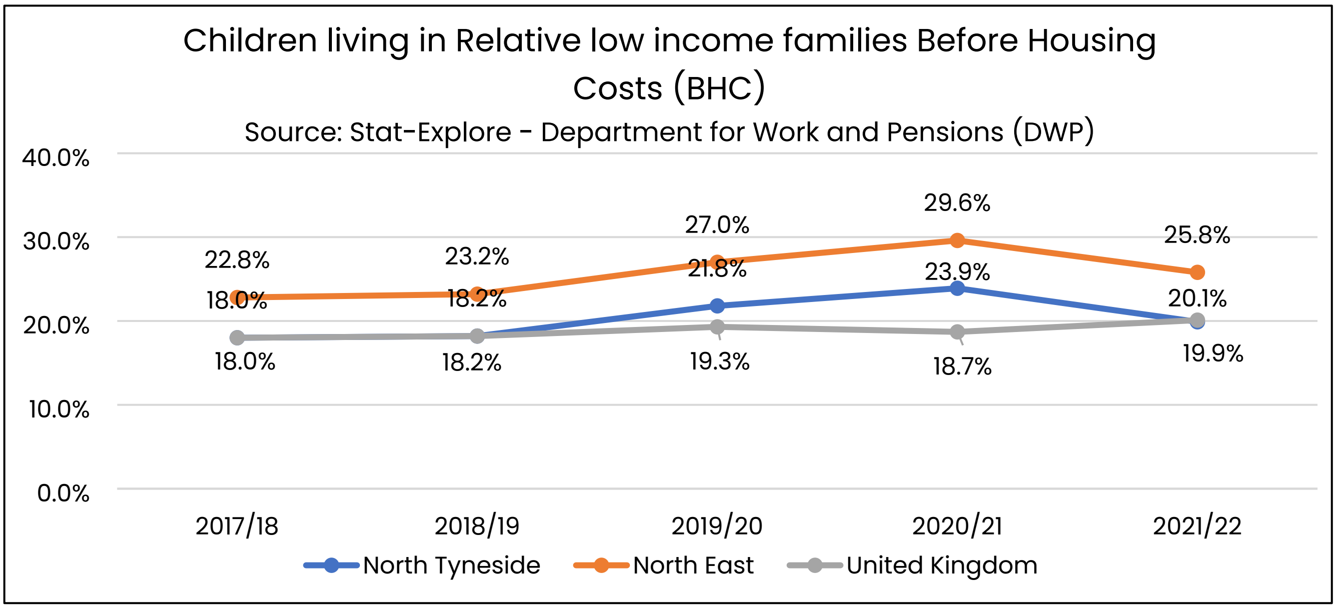
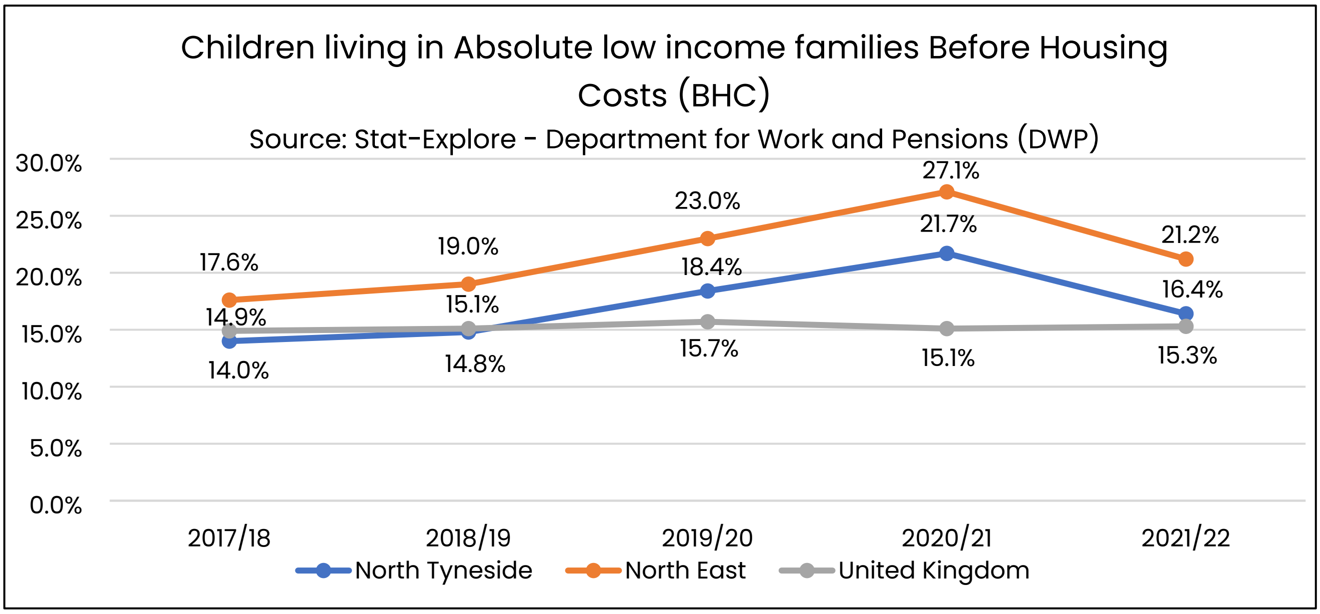
[2] ONS 2021 mid-year population estimate

[3] ONS 2021 mid-year population estimate



3.4 Children in Low-Income Families





3.4.1 There are two measures of Children living in low income families:-

- Relative low income; defined as a family in low income Before Housing Costs (BHC) in the reference year. A family must have claimed Child Benefit and at least one other household benefit (Universal Credit, tax credits or Housing Benefit) at any point in the year to be classed as low income in these statistics.

- Absolute low income; defined as a family in low income Before Housing Costs (BHC) in the reference year in comparison with incomes in financial year ending 2011. A family must have claimed Child Benefit and at lest one other household benefit (Universal Credit, tax credits or Housing Benefits) at any point in the year to be classed as low income in these statistics.

3.4.2 In North Tyneside, the proportion of children living in low-income families is comparable to the proportion in the United Kingdom and lower than in the North East. There are 7,424 children in North Tyneside living in relative low-income families and 6,121 living in absolute low-income families.

3.4.3 Chirton, Riverside, Howdon, Battle Hill, Camperdown and Collingwood wards are having significantly higher proportion of children living in low-income families than across the borough.

3.5 Income and Employment

3.5.1 In the 12 months to June 2023, 96,000[4] North Tyneside residents (73.4%) were estimated to be in employment, fairly consistent with the same period last year at 96,300 in June 2022. The proportion of residents in employment is higher than the North East (71.2%), but lower than the UK (75.6%).

3.5.2 As of August 2023, there were 4,395 residents (3.4%) claiming out of work benefits[5], lower than the North East (4.1%) and UK (3.7%). At the start of the COVID-19 pandemic in 2020/21 there was a significant increase in the number of residents claiming out of work benefits. It peaked in May 2020 at 8,310 residents (6.5%) and has gradually decreased.

3.5.3 In 2022, the resident median full-time weekly earnings in North Tyneside increased to £619, higher than the North East (£580), but lower than England (£646).

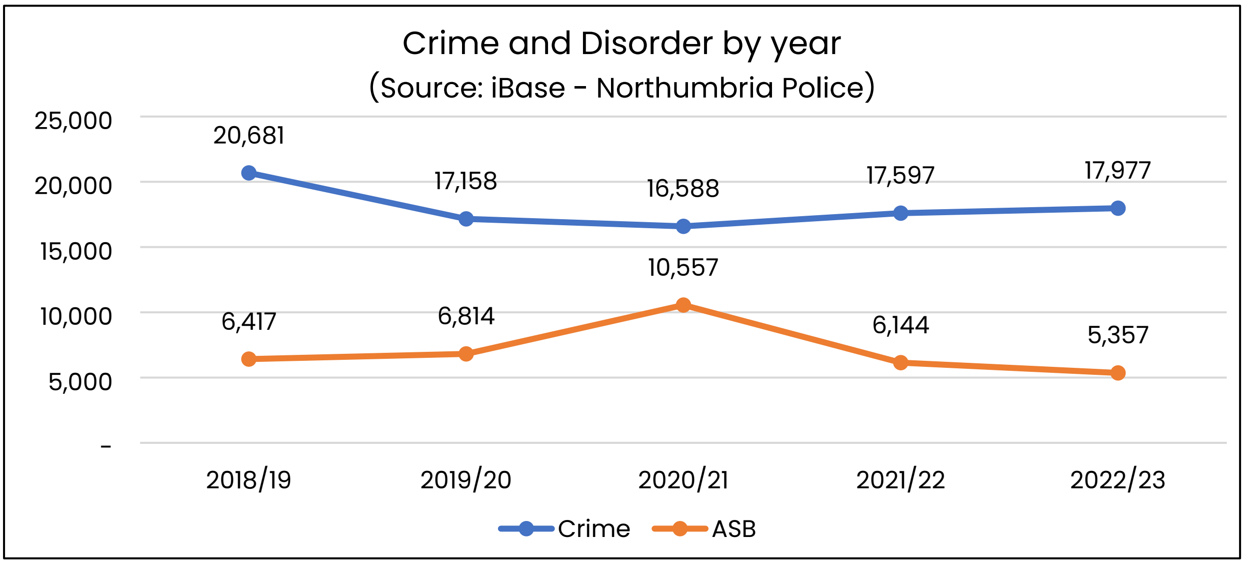
3.6 Local Economy

3.6.1 North Tyneside has a proud industrial heritage and, like many parts of the North East, was a centre of heavy industry. This included the Swan Hunter shipyard in Wallsend and the exporting of coal. Today most of the heavy industry has ceased but the borough has seen, through a strong approach to regeneration, a diverse economy develop, comprising of traditional manufacturing and engineering industries as well as a mix of exciting new sectors including digital, health and life sciences and renewable energy. As an example, North Tyneside is home to two significant Business Parks, with Cobalt Business Park being one of the largest UK business parks.

3.6.2 There are 5,360 enterprises that operate within the borough, which has grown every year since 2011. This has been supported by the Council's award-winning Business Factory, which helps start-up businesses in the borough. Small and Medium Sized Enterprises with high growth potential are supported by the Business Factory's Aspire Programme.

[4] Nomis – North Tyneside Labour Market Profile
[5] Nomis – North Tyneside Labour Market Profile

3.7 Crime and Disorder



3.7.1 In North Tyneside during 2022/23, there were 17,977 recorded crimes at a rate of 85.95 incidents per 1,000 population, which is significantly lower than the rates in the Northumbria Police area (98.57), Most Similar Home Office Group (101.05) and England (97.61). The most common types of crimes recorded are violence without injury, stalking and harassment, violence with injury and public order offences.

3.7.2 In North Tyneside during 2022/23, there were 5,357 recorded Anti-Social Behaviour incidents at a rate of 25.61 incidents per 1,000 population, lower than the Northumbria Police area rate (28.97). Most common types of ASB recorded are rowdy/inconsiderate behaviour, neighbourly disputes, youth related and motorcycle disorder.

3.8 Health

3.8.1 Average life expectancy at birth in North Tyneside over the last decade for both males and females has stalled, which is consistent to the trend across England. For males it is currently 78.3 years which is higher than the average for the North East (second best in the region after Northumberland), but is significantly lower (1.1 years) than that for England. For females is currently 82.2 years. This is better than the North East average (second best in the region after Northumberland) but is 0.9 years lower than the average for England.

3.8.2 Life expectancy is closely related to the overall level of deprivation in an area. People living in more affluent areas live significantly longer than people living in deprived areas. In the most deprived areas in North Tyneside men live 11.4 years and women 9.9 years fewer than men and women living in the least deprived areas. There is a social gradient to health. Men and women in our most deprived areas, on average spend 14.5 less years in good health compared their counterparts in our least deprived communities.

3.9 Adult Social Care

3.9.1 Adult Social Care receives a high level of demand. Between April-November 2023, there were 10,499 contacts into Gateway, an 11% increase when compared with the same period last year.

3.9.2 As of November 2023, the rate of requests for service per 100k population was 429, a 6% increase compared to the same period last year.

3.9.3 As of November 2023 the authority had:-

- 919 home care clients receiving 44,331 hours of home care services per month. The number of homecare clients increased by 15% compared to the same period last year and an increase of 25% of home care hours delivered.
- 896 clients in residential care, a decrease of 5% compared to the previous year.
- 326 clients in nursing care, a 41% increase compared to the previous year

3.9.4 The number of long-term admissions to nursing care and residential have stabilised in the last 12 months, whereas the number of short-term admissions have decreased significantly by 42% as a result of fewer clients waiting for homecare services to be put in place or care packages increased at home.

3.10 Children's Services

3.10.1 Children's Services continues to receive a high level of demand. Between April-November 2023 there have been: -

- 8,586 contacts, a 11% increase compared to the same period last year
- 1,552 referrals, a 7% increase compared to the same period last year

- 1,288 Single Assessments completed, a 15% increase compared to the same period last year.

3.10.2 As of November 2023 there were: -

- 372 Children in Care (of those 26 children with unaccompanied asylum seekers), which is a similar number compared to the same period last year but higher than the core 330 Children in Care budgeted for in the 2023/24 Budget
- 1,721 Children in Need, which is consistent to same period last year, but significantly higher than the 1,600 Children in Need budgeted for in the 2023/24 Budget.
- 177 children subject to a Child Protection Plan, which is consistent compared to the same period last year

3.11 Housing

3.11.1 Across North Tyneside there are 100,611 homes. Of these; 63,633 are owner occupied; 20,916 are social rent (including council and housing association) and 16,062 are privately rented.

3.11.2 As of June 2022, the median house price paid for homes in North Tyneside was £170,000, which was a £15,000 reduction since June 2021.

3.11.3 The number of homeless presentations and priority acceptances are increasing. Compared to the same period last year homeless presentations have increased by 24% and priority acceptances by 23%. Between April and November 2023, North Tyneside Council's Housing Options Team dealt with 2,054 homeless presentations, of which 98 residents were accepted as priority homeless.

3.12 Education

3.12.1 Around 9 in 10 young people attend a school that is ranked as Good or Outstanding by Ofsted. In 2022/23:-

- 96% of primary schools in North Tyneside were rated as Good or Outstanding by Ofsted, compared to 89% in England.

- 88% of secondary schools in North Tyneside were rated as Good or Outstanding by Ofsted, compared to 80% in England.

3.12.2 In 2022/23[6]:-

- 66.3% pupils achieved a "good level of development"
- KS1 – 57.3% pupils achieved the expected standard in Reading, Writing and Maths.
    - 70.2% pupils reached the expected standing in reading, compared to 68.4% in the North East and 68% in England.
    - 61.3% pupils reached the expected standing in writing, compared to 60.9% in the North East and 60% in England.
    - 72.6% pupils reached the expected standard in maths, compared to 70.6% in the North East and 70% in England.
- KS 2 –
    - 76% pupils reached the expected standard in reading, compared to 74% in the North East and 73% in England.
    - 73% pupils reached the expected standard in writing, compared to 73% in the North East and 71% in England.
    - 73% pupils reached the expected standard in maths, compared to 73% in the North East and 73% in England.

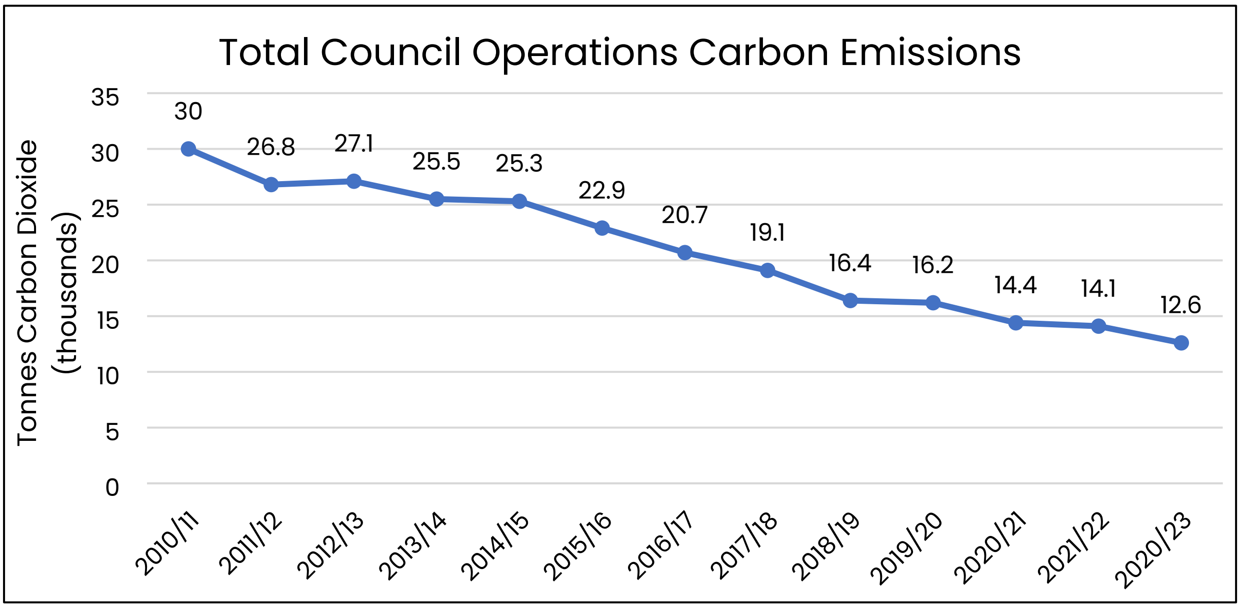
- KS4 - The Government publishes data on the percentage of pupils achieving a 9-5 pass and a 9-4 pass in English and Mathematics. In North Tyneside in 2022, 48% of entrants achieved a strong 9-5 pass, compared with 46% in England. 69% of pupils attained a 'pass' (Grades 9-4), compared with 64% in England.

- Level 3 - A levels are among a group of regulated qualifications which are classified as Level 3. These also include Applied General Qualifications such as BTECs and Applied A levels. In North Tyneside, pupils taking Academic Qualifications achieved an average grade of B, in line with national. Those taking Applied General Qualifications achieved an average grade of Distinction +, higher than the national average of Distinction.

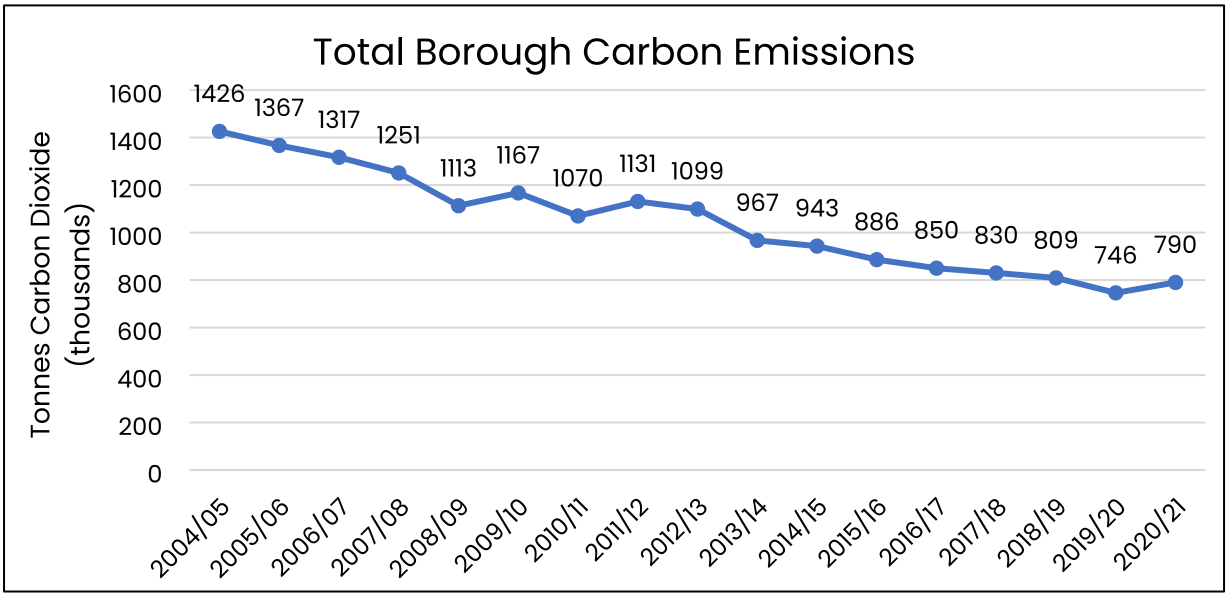
- Employment, Education and Training – As of March 2023, 92% young people aged 16 and 17 years old were recorded in Education and Training. This compared to 92.3% across England. This is a decrease for North Tyneside of 1.5% since March 2022.

[6] Provision data – local data to be validated by DfE for 2022/23

3.13 Climate



3.13.1 Compared to the baseline year in 2010/11, the council's carbon emissions have decreased by 58%. This is largely attributable to reductions in electricity, heating and fleet emissions.



3.13.2 Compared to the baseline year in 2004/05, the borough's carbon emissions have decreased by 45%. This is largely attributable to a 72% reduction in electricity emissions.

4. Financial Strategy

4.1 Financial planning sits at the heart of strong and robust public financial management. The ability to look strategically beyond the current financial year is a crucial process to support the Authority's overall resilience and longer-term financial sustainability whilst providing the framework against which the Budget should be produced.

4.2 Given the economic uncertainty both globally and nationally and the widespread pressures on public spending arising from growth in demand and inflationary pressures, it is more important than ever that the Authority has a thorough understanding of the financial outlook and that it is planning effectively for the future. The Medium-Term Financial Plan (MTFP) brings together all known factors affecting the Authority's financial position and its financial sustainability into one place. This should balance the financial implications of objectives, ambitions, and policies against the constraint in resources.

4.3 The Chartered Institute of Public Finance & Accountancy (CIPFA) state that a good MTFP should provide a clear and concise view of future sustainability and the decisions that need to be made to address any gaps in long-term financing. It forms the pivotal link to translate the organisation's ambitions and constraints into deliverable options for the future. The key to the effectiveness of the MTFP is the ability to give a clear and understandable message to decision makers on the actions that are needed to ensure long-term financial sustainability. It must be owned by the wider organisation, especially the Senior Leadership Team and Cabinet.

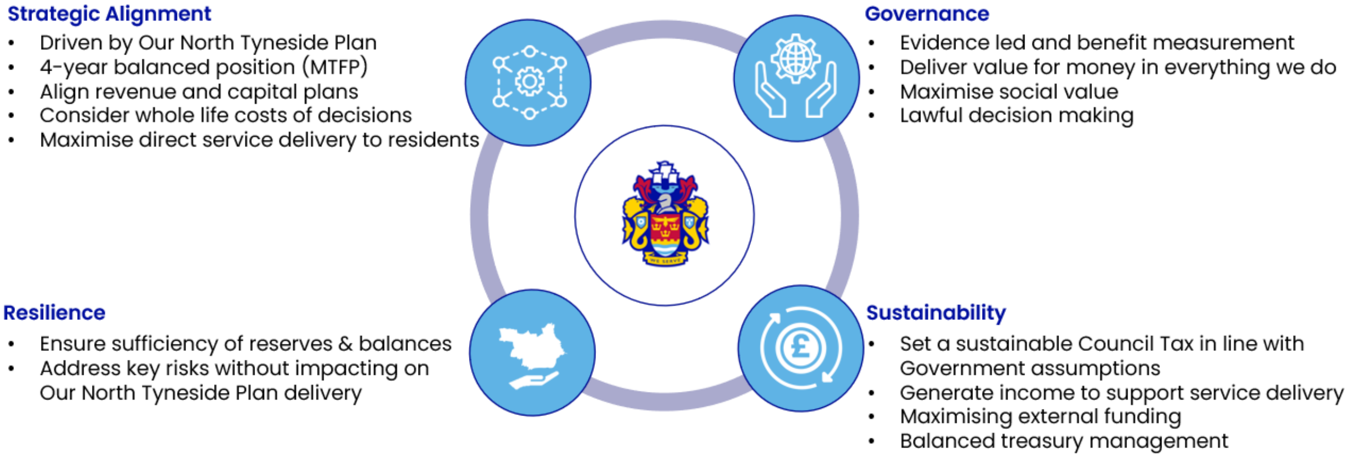
4.4 Key objectives of the MTFP

a) To ensure that effective financial planning and management contributes to the Authority achieving its priorities;
b) To direct resources to the Authority's priorities;
c) To analyse performance to assess whether resources are being used effectively; and
d) To ensure that the Authority's financial standing is robust, stable and sustainable and to ensure a fully sustainable budget.

4.5 The Authority has also developed a high-level Financial Strategy which sets the overarching principles and considerations for medium-term financial planning within North Tyneside. There are 4 key themes that make up the Financial Strategy, these are:-

- Strategic Alignment
- Governance
- Resilience
- Sustainability

The following provides an overview of what is considered under each theme.



Strategic Alignment

4.6 The Financial Strategy is driven by the Authority's strategic priorities which are set out in the Our North Tyneside Plan 2021-2025. Financial resources need to be aligned to ensure the Mayor and Cabinet can continue to deliver the promises made to the communities and businesses across the Borough. This needs to be balanced within the overall resources available over the medium-term and there needs to be a strong link to financial planning and ensuring that the Authority can deliver a balanced budget over the 4-year MTFP.

4.7 In addition to aligning resources to the ONTP, there needs to be a consistent link and alignment between the Authority's revenue and capital plans and how that supports operational delivery. Only by maximising both revenue and capital resources can the Authority continue to meet the demands and needs of Service users. For example, building capacity is a key element to managing pressures within children's and adult social care to future proof the Authority from continued external market pressures across the sector.

4.8 Where capital investment is involved, including invest to save proposals, there needs to be clear consideration of the whole life costs of any decision to move to implementation and this needs to be based on sound financial assumptions so that the MTFP accurately reflects the ongoing financial impact. Maximising resources will ensure direct service delivery to residents can be maintained and improved.

Governance

4.9 The governance arrangements in place and specifically linked to the Financial Strategy ensure that the Authority has arrangements in place for the proper administration of its financial affairs. The overriding duty of the Chief Financial Officer is to fulfil the statutory responsibilities attached to the position in a manner that enhances the overall reputation of the Council. The Chief Finance Officer has comprehensive set of Financial Procedure Rules ('FPR') which are part of the Authority's constitution – these are a key part of the system of financial control, and these provide a framework for managing the Authority's financial affairs. Specific budget proposals and decisions in relation to the 2024/25 budget will be subject to decision-making processes in which legal and governance implications will be considered in accordance with the Authority's decision-making framework. Governance arrangements within North Tyneside include:

- Council's constitution
- Governance structure
- Full Council
- Cabinet
- Audit and Governance
- Overview and Scrutiny arrangements
- Financial Regulations
- Contract Standing Orders
- CIPFA Financial Management Code

4.10 As part of the arrangements for good governance the Authority must also demonstrate being able to deliver value for money, making evidence-led decisions. This is a key assessment which is undertaken by the Authority's external auditor as part of the external audit of the Authority's Statement of Accounts.

Resilience

4.11 The Authority must maintain a level of reserves and balances which reflect the risk profile of the organisation. Risk assessment and risk management which help to identify financial risks are crucial to maintaining financial sustainability and resilience. The Authority must continue to review the Strategic and Corporate risk registers regularly in conjunction with internal audit and an assessment of the financial impact of risks must be kept up to date. Annually the Reserves and Balances Policy must be updated to reflect the Authority's financial risks and a level of reserves and balances set to ensure financial resilience is maintained.

4.12 The Authority will continue to benchmark itself against other like authorities or nearest neighbours using tools such as the CIPFA Resilience Index to gain a better understanding of the Authority's own financial health. This is vital to ensure that key risks can be addressed without impacting the Authority's ability to delivery the Mayor and Cabinet's priorities as set out in the Our North Tyneside Plan.

Sustainability

4.13 Sustainability is about more than an authority's financial position; it is about how the organisation operates, the environment in which it operates and the needs of the communities that it serves. The Authority must ensure that it can continue to provide the services that the residents and businesses across the Borough rely on over the short, medium and long term.

4.14 To do this there needs to be a clear understanding of financial resources that will be needed to deliver those services. This needs to be balanced against the funding available through the Local Government Finance Settlement but also through the Authority's own income generating sources such as fees and charges or maximisation of other external funding. As part of this, the Authority needs to be mindful of the Government's assumptions around council tax levels, notably the assumed level when calculating the core spending power of individual councils.

5. Developing the Medium-Term Financial Plan and Refresh of the Financial Assumptions General Fund

5.1.1 The MTFP can only be delivered through a sound understanding of the organisations longer term financial sustainability, which enables decisions to be made that balance the resource implications of the Authority's ambitions against the financial constraints. The MTFP is a key part of providing the financial framework for setting the Authority's annual budget. Financial resilience and sustainability are fundamental to ensuring that the Authority can operate within its own freedoms and maintain strong autonomy.

5.1.2 There are a number of underlying principles which need to provide the basis for the MTFP for 2024/25 to 2027/28 for the General Fund, which are consistent with the Financial Strategy set out in the previous section. These include the following:-

i. The Authority's resources will be directed to achieving the Mayor and Cabinet's ambitions, overall objectives and key priorities as set out in the Our North Tyneside Plan as agreed by full Council;
ii. The Authority will estimate both the level of funding that can be made available for the delivery of services and the gap between income and expenditure for which income generation, efficiency options and further efficiencies will have to be implemented;
iii. Overall, Authority spending should be contained within original Budget estimates. If, following monthly budget monitoring, Service budgets are projected to exceed original estimates, plans should be prepared setting out the actions required to ensure spending at the end of the year does not exceed original estimates;
iv. Key assumptions for Government funding will be in line with those published as part of the Local Government Finance Settlement or other fiscal announcements. The Authority will continue to work with neighbouring authorities to ensure that its financial assumptions are generally in line with its nearest neighbours as a benchmark for a degree of consistency and accuracy;
v. The Authority will continue to ensure collection rates for Council Tax, Business Rates and from other income sources are maintained at a high level so that it has the resources needed to deliver service priorities;

vi. The Authority recognises the impact of increases in Council Tax levels and fees and charges on our residents, many of whom are struggling on relatively low income and low wealth and will therefore balance the need for increases against the delivery of the Our North Tyneside Plan and demand for services. This will include the consistent application of an agreed fees and charges policy;

vii. The Authority will focus on delivering Value for Money (VfM) and manage people and money efficiently, using technology and systems to align performance and finance, getting better value from contracts via commissioning and procurement whilst seeking to minimise the impact of efficiency proposals on priority services;

viii. There will be a continued focus on collaborative working with partners to work differently but cohesively together for better outcomes for the Borough as a whole. This will include exploring different models of delivery to eliminate silo working across the region and unlocking access to funding sources which will benefit the residents and businesses across the Borough;

ix. Investment decisions will be evidence based with a clear alignment to supporting services to deliver better outcomes but to also future proof services and support demand management where possible for the Authority's statutory services;

x. To maintain financial resilience the Authority will continue to manage and maintain unearmarked reserves to a level which supports mitigation of the Authority's overall financial risks. Reserves will continue to be regularly monitored and reviewed annual as part of setting the Budget. Earmarked reserves will be maintained for specific purposes which support delivery of the Authority's key objectives and priorities. The Reserves and Balances Policy will accurately reflect the level of financial resilience necessary to ensure the Authority's long-term financial sustainability;

xi. The Authority will maintain its General Fund Balance at a minimum level of £7.000m at the end of each year, subject to a risk assessment as part of the annual budget-setting process; and

xii. There will be a clear focus to balance the Authority's Medium-Term Financial Plan over the 4-year period without the use of reserves. Robust financial management will continue to highlight areas of focus and where mitigation is necessary to ensure the Authority contains its expenditure within the Budget as set by full Council.

5.2 Starting point: Council February 2023

5.2.1 On 16 February 2023, full Council approved the 2023/24 General Fund Budget and Medium-Term Financial Plan to 2026/27. At that time, the General Fund Budget gap over the 4 years of the MTFP was £35.110m with the estimated gap for 2024/25 being £7.575m. This gap was based on a number of financial assumptions to estimate both levels of income and expenditure. Those assumptions have been updated and have been used to revise the Budget position for 2024/25 to 2026/27 with a further year, 2027/28 being added to complete the 4-year Budget plan estimates. The commentary below outlines the main considerations and assumptions which have been used to revise previous estimates based on current information available from both fiscal announcements and other advisory sources.

5.3 Key National and Economic context for the Medium-Term Financial Plan

5.3.1 The Spending Review was announced on 27 October 2021 by the then Chancellor of the Exchequer alongside the 2021 Autumn Budget. It set out the Governments plans over the remainder of the Parliament, for the 3 financial years up to 2024/25. It also provided an indication of the funding available to the local government sector over the spending review period and provides important context for the Medium-Term Financial Plan.

5.3.2 On 17 November 2022, the Chancellor of the Exchequer, Jeremy Hunt MP, delivered a statement to the House of Commons on the Governments proposed future taxation and spending priorities. Economic predictions via the Office for Budget Responsibility (OBR) November fiscal outlook were also published alongside the statement.

5.3.3 The Autumn Statement was released on 22 November 2023. Whilst this confirmed a number of the assumptions already reflected within the Authority's financial plans it also introduced further pressures, particularly around the higher than expected increase to the National Living Wage which has a direct impact on the payments the Authority makes for services in a number of areas. The key announcements included:

- Proposal to de-couple the Business Rate multipliers, allowing different inflation treatment for small and large businesses;
- Uprating benefits to the September 2023 CPI (6.7%) in line with existing policy;
- Setting the Local Housing Allowances at 30% of local market rents;
- Increasing the National Living Wage by 9.8%;
- No changes to planned Resource Departmental Expenditure, which are expected to increase by 1% in real terms, but with the likelihood of real-term cuts for unprotected services including Local Government and an expectation that public services will be expected to deliver 0.5% annual efficiency savings.

5.3.3 The 2024/25 Provisional Local Government Finance Settlement was announced on 18 December 2023 and represented the sixth one-year settlement in a row for councils, which continues to hamper long term financial planning and financial sustainability. Using the information currently available and applying the revised assumptions the overall level of resources available to the Authority to deliver its ambitions and priorities is set out in the next section.

5.3.4 In headline terms, the Settlement recognises the impacts that are currently being faced by local authorities in 2023/24, with increases to Core Spending Power (CSP) nationally of 6.5% for next year, underpinned by the Government's assumption of a 4.99% increase to Council Tax.

5.3.5 For North Tyneside, the increase in CSP is 6.58%, which represents an increase in cash terms of £14.638m. Cabinet should note that on a per dwelling basis, CSP for 2024/25 equates to £2,338, which is £143 lower than the North East average and £179 below the England average.

Area (LA7, ANEC)	Core Spending Power Per Dwelling £
ANEC	2,481
Middlesbrough	2,709
South Tyneside	2,694
Gateshead	2,670
Hartlepool	2,631
Sunderland	2,546
Newcastle upon Tyne	2,521
Redcar And Cleveland	2,426
Northumberland	2,426
Durham	2,350
North Tyneside	2,338
Stockton-on-Tees	2,247
Darlington	2,221

Revised General Fund Assumptions – Income and Grants

5.4 Revenue Support Grant (RSG)

5.4.1 The Settlement confirmed that the distribution methodology for RSG would remain unchanged and that allocations for 2024/25 continue to be increased in line with CPI, 6.62%. The confirmed RSG allocation for North Tyneside is £14.164m.

Social Care Grant and Adult Social Care Reform

5.4.3 In 2023/24, following the announcement that the social care reforms were to be delayed, the Government repurposed the funding that was previously earmarked for social care charging reforms. The funding has remained within the Social Care Grant allocation and is provided to assist authorities to meet the increasing pressures on both Adults and Childrens social care delivery. The implementation of the reforms have been delayed until October 2025 and at this stage it is unclear how the Government proposes to fund those. The Authority's allocation of this funding within the Settlement was confirmed at £20.127m, an increase of £0.344m compared to the assumptions within the Initial Budget Proposals and £0.355m from 2023/24.

Market Sustainability and Improvement fund (MSIF)

5.4.4 The Settlement confirmed an allocation of £4.511m for 2024/25 which was in line with the expectations when developing the Initial Budget Proposals. This funding is ring-fenced for the purpose of making improvements to adult social care services in particular to build capacity and improve market sustainability. No additional funding post 2024/25 has been included within the revised MTFP.

Adult Social Care Discharge Fund

5.4.5 The funding is aimed at reducing delayed transfers of care and is allocated based on the Improved Better Care Fund shares used in 2023/24 and is pooled as part of the Better Care Fund. The Settlement confirmed the Authority will receive £2.238m from this fund, which was in line with earlier projections.

Services Grant

5.4.6 As part of the Initial Budget Proposals it was assumed that the Services Grant would continue at the same level as in previous years, as this was the expectation within the sector. However, the Settlement confirmed a significant and unexpected reduction to this funding nationally, reducing from £483m to £77m. This has meant that funding for the Authority has reduced from £1.953m to £0.307m.

New Homes Bonus (NHB)

5.4.7 In previous years, the Government has set out its intention to abolish the NHB and to phase this out over a period of time. The MTFP agreed by full Council in February had made assumptions that NHB would no longer be distributed in 2024/25 and the Plan had assumed that the income budgets needed to be written down. However, the Settlement confirmed that payments would continue into 2024/25, but that there would be no further legacy payments. The allocation for the Authority is £0.662m, representing an increase of £0.037m from the values assumed within the Initial Budget Proposals.

5.4.8 The table below shows the level of funding which had already been assumed within the estimates for the 2024/25 Budget and the level of additional funding which is now available to the Authority from the sources identified above:-

Table 1 – Revised Funding Estimates

Funding Source	2024/25 February Council	2024/25 Initial Budget Proposals	2024/25 Updated Budget Proposals	2024/25 Variance
	£m	£m	£m	£m
Revenue Support Grant	(14.267)	(14.081)	(14.164)	(0.083)
Social Care Grant and Adult Social Care Reform	(19.772)	(19.783)	(20.127)	(0.344)
Market Sustainability and Improvement fund	(3.630)	(4.511)	(4.511)	0
Adult Social Care Discharge Fund	(2.238)	(2.238)	(2.238)	0
Services Grant	(1.943)	(1.953)	(0.307)	1.646
New Homes Bonus	(0.625)	(0.625)	(0.662)	(0.037)
Total	**(42.475)**	**(43.191)**	**(42.009)**	**1.182**

Collection Fund

5.5 **Council Tax**

5.5.1 The recent review of the Council Tax base, which took into account the potential growth of properties, shows an increase in the base of 1,779 Band D equivalents into 2024/25, with a further 750 band D equivalents assumed per annum over the 4-year Plan. The tax base was set at 64,471 by Cabinet on 22 January 2024.

5.5.2 In line with the Authority's constitution and decision-making processes, any future increases in Council Tax will be consulted on as part of the annual budget process with a decision made by full Council as part of the approval of the annual budget. This will also be dependent upon the capping referendum limits which are confirmed by the Government. It is a key principle of the MTFP to maximise the income from Council Tax and Business Rates to support the priorities of the Authority and as an indicator, every 1%

increase in Council Tax would equate to circa £1.2m per year additional income.

5.6 Council Tax Support

5.6.1 In April 2013, the national Council Tax Benefit scheme came to an end, and the Local Council Tax Support scheme (LCTS) was introduced in its place. At the same time, funding was transferred into the Settlement Funding Assessment (SFA) (comprising Revenue Support Grant and Business Rates) after being cut by over 10%. As this funding is not separately ring-fenced within the SFA, it has effectively been cut at the same rate as the Authority's SFA has been cut for each subsequent year. This has put significant additional strain onto the General Fund Budget and resulted in the Authority, as well as many other local authorities, seeking to collect some Council Tax from working age people who previously received 100% Council Tax Benefit.

5.6.2 As LCTS provides a 'discount' against the council tax liability, rather than crediting the account with a benefit payment, it does impact on the council tax base and therefore the tax raising capacity of the authority and its precepting bodies.

5.6.3 All local authorities are required to follow a national LCTS scheme for pension age applicants and this allows claimants to have their entitlement based on 100% of their council tax liability. The working age LCTS scheme is different and, other than some prescribed requirements set by Government, each authority can set their own LCTS scheme based on local need and budgets. North Tyneside's LCTS scheme offers working age claimants up to a maximum of 85% of their council tax liability.

5.6.4 DWP's plans for migration of claimants to UC is progressing and the majority of working age people claiming legacy benefits (for example, Job Seekers Allowance) will be moved to UC by the end of 2024/25, with only those on Employment and Support Allowance (ESA) being delayed until around 2028. Currently5478 LCTS claimants are claiming UC, representing around 62% of the working age LCTS caseload. The total caseload for LCTS is circa 16,000 in North Tyneside, of which around 7,100 (44%) are pensionable age claimants.

5.6.5 Around a third of all working age applicants currently receive maximum LCTS of 85%, leaving them with only 15% of their Council Tax liability to pay. As the majority of claimants live in a band A property, this equates to around

£222.00 per annum for a couple and £166.00 for a single claimant. To provide this level of support, the overall annual cost of the LCTS scheme is in the region of £16 million, of which around £7.5 million is provided to pensionable age claimants.

5.6.6 In addition to this support, the Authority also provides a Hardship Payment to LCTS claimants to further reduce the cost of council tax; up to £150.00 for each working age claimant has been included in the budget. This is estimated to cost the authority around £1.5million. In 2023/24 this was partially funded by a one-off government grant of £426,684 which also meant that we could provide upto £25.00 for pensionable age claimants. However there has been no announcement from government that this grant will continue in 2024/25, so the £1.5million being fully funded from the General Fund. This brings the annual liability down for a working age couple to around £72.00 and around £16.50 for a single working age person living in a band A property.

5.6.7 The in-year collection rate for council tax is impacted by the LCTS scheme, and the general financial situation of our residents. Any reduction in the amount of LCTS awarded to our financially vulnerable households (whilst achieving in-year savings that can lead to reduced budgetary pressures) may impact negatively on the in-year collection of council tax, therefore ultimately making the long-term collection rate harder to achieve.

5.6.8 Collection of council tax has been challenging in recent years, which mirrors the picture nationally. The Covid Pandemic created difficult financial circumstances for many households and this has been further compounded by the rising cost of living. However, the Authority achieved an in-year collection rate of 94.7% in 2022/23, which is slightly higher than the average for Metropolitan Councils but is still lower than pre-pandemic rates (95.0% in 2019/20).

5.6.9 No changes are proposed to the LCTS scheme for 2024/25, although work is underway to consider future options such as a banded scheme which has been adopted in several local authorities regionally. This can bring various benefits including a simplified scheme, less administration and could provide additional support to the most vulnerable residents by changing the level of support at lower income levels.

5.6.10 Since 2020/21, the Authority has provided the additional Hardship support (£1.5m) to residents. Whilst no changes are proposed for 2024/25 and

2025/26, longer term options are under consideration depending on the wider need for cost of living support.

5.7 **Business Rates**

5.7.1 The level of Business Rates is set by the Government and is based on the rateable value of non-domestic properties across North Tyneside. Prior to April 2013, the Authority had no direct financial interest in the collection of Business Rates and acted purely as an agent of the Government. Since 2013, the Authority retains 49% of the business rates it collects and pays the other 51% over to Government (50%) and the Tyne and Wear Fire and Rescue Authority (1%).

5.7.2 For 2024/25, the Government prescribed new rules governing how the business rate multipliers are set and calculated, introducing separate multipliers for small businesses and standard rated businesses. The multiplier for small businesses continues to be capped, whilst the standard multiplier will increase with inflation.

5.7.3 The 2023/24 Retail, Hospitality and Leisure business rates relief scheme currently awards 75% relief to eligible retail, hospitality, and leisure properties and this relief will continue into 2024/25.

5.7.4 The Authority continues to carry the risk that Business Rates could be impacted in the event of business closures or increases in the number of properties claiming empty property relief, where businesses either cease trading or seek to take advantage of changed working patterns to reduce property costs. However, on a positive note, the Authority has not seen a material reduction in the rateable value, nor a surge in appeals against rateable values to date.

5.8 Review of 2024/25 Estimates approved by full Council in February 2023

5.8.1 The MTFP agreed in February 2023 included a number of assumptions for future years. Section 5.8 updates these core assumptions and further details are provided in Appendix B(i), but Cabinet should also be aware that Section 6 sets out the new approach to the MTFP, which introduces a range of new projects that identify both costs and savings as the Authority looks to set a balanced budget for 2024/25 and the longer medium term.

5.8.2 As part of the preparation of the budget, a number of further changes have been made to the assumptions to take account of updated information and/or decisions taken in 2023/24 that will have a budgetary impact in 2024/25 onwards. The key changes are summarised below:

- Pay award – the MTFP has been updated to include an uplift for pay awards of 3.5% in 2024/25, before returning to the longer term assumption of 2% per annum thereafter. This adds £1.389m additional cost into the base budget.
- Given the pressures currently on the budget for Coroners in 2023/24, and the fact that the Authority is unable to influence detailed spend levels, it is proposed to address the shortfall in budgets now that the new Senior Coroner is in place and cost levels have stabilised. This adds an additional £0.511m into the base budget.
- The Authority is part of the Public Sector Audit Appointments (PSAA) arrangement for external auditor selection. As part of this, all PSAA appointment fees have been subject to a national consultation in fees, over which the Authority has no direct influence. The audit fees for North Tyneside are forecast to increase by £0.100m.
- As Cabinet will be aware, the North Shields Transport Hub opened in September this year. In line with the Financial Strategy, the base budget must reflect the running costs of new facilities, including business rates, which adds £0.391m into the base budget.
- Following the approval of the Cultural Strategy by Cabinet in May 2022, work has been under way to assess the adequacy of budgets, especially in light of the costs of delivering existing services such as the Mouth of the Tyne Festival and the future changes to the existing Playhouse arrangements (due January 2025). The base budget has been increased by £0.350m.
- Earlier this year, Cabinet agreed the Neat Streets initiative, which was discussed at Council on 21 September 2023. In line with the financial implications for the associated motion agreed at that meeting, £0.764m has been added to the base budget, which includes a £0.250m contribution from the HRA for works specifically for HRA tenants.
- Increased budgets are proposed to support staffing and their development, with £0.221m for apprenticeship and graduates, along with an additional £0.100m to support workforce development/training.

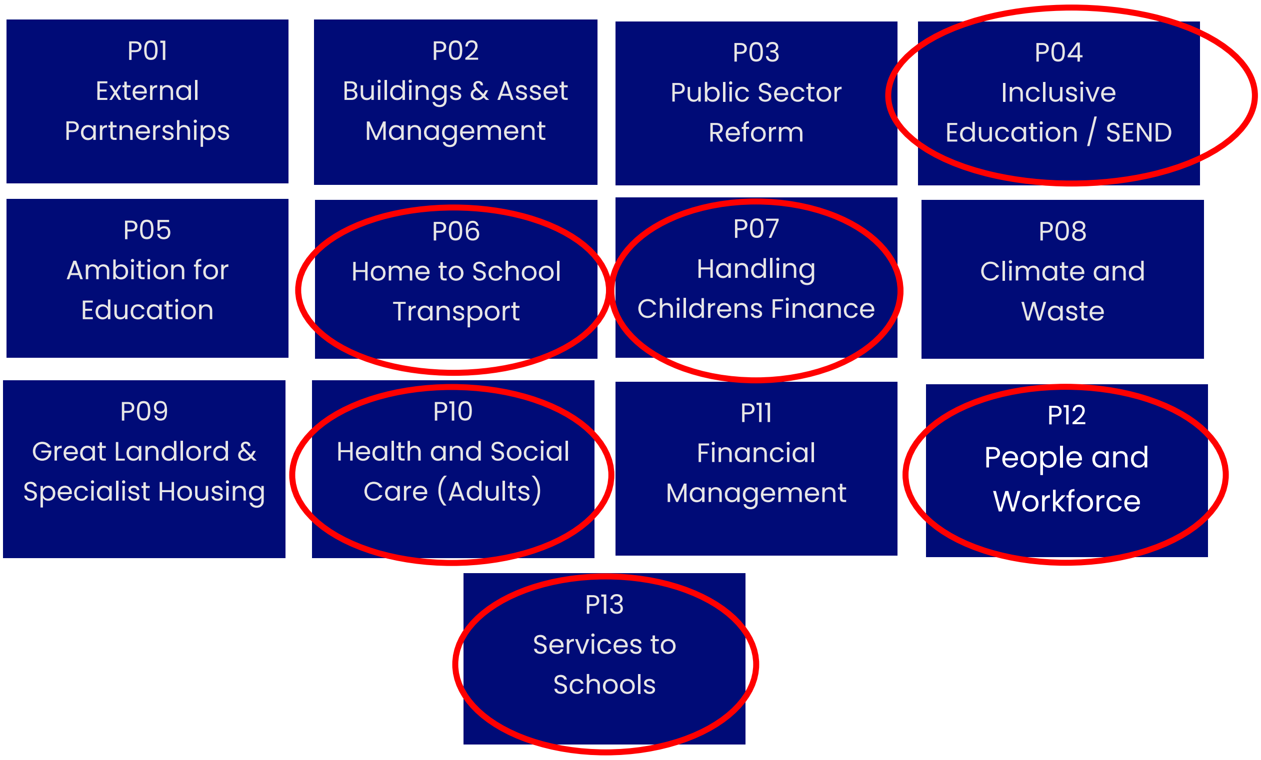
- Whilst the Authority recognises the importance of reserves, as set out in the Financial Strategy, changes are proposed to the timing of the replenishment of the Strategic Reserve to reflect the pressures facing 2024/25, which would see the Strategic Reserve top up be deferred and spread over the MTFP.
- It is proposed to make a permanent change to the base budget with regards to the change to the calculation methodology for the Minimum Revenue Provision (MRP) which was introduced in 2021/22. This adds £4.089m benefit to the base budget for next year compared to previous assumptions.
- The Treasury Management budget in 2023/24 has benefited from additional income levels due to increased interest rates. Given current interest rate forecasts, an additional £1m income has been added to the base budget for 2024/25, although this will be gradually reduced in future years.
- Significant inflationary increases were added into the 2023/24 budget for energy increases given the pressures being faced at the time the budget was set. Following the stabilisation and reduction of the energy market, the base budget is being reduced by £1.721m based on future year forecasts, although Cabinet will note that other budget pressures for wider inflationary increases are included elsewhere in these proposals.
- £0.742m is proposed to be released from the business rates volatility fund in line with the current forecast levels of business rates income.

6. Developing the Approach to the Medium-Term Financial Plan

6.1.1 As part of the Authority’s revised approach to setting a balanced budget for 2024/25 and a 4-year MTFP for 2024-2028, thirteen project areas have been established to tackle the highest pressures facing the Authority and to explore areas of opportunity to be more efficient or maximise resources. Since May, the Senior Leadership Team has been working to develop those projects with regular updates being received by members of Cabinet at Lead Member Briefings.

6.1.2 The development of those follows the approach that was initially established with Childrens Social Care, which has been used as a blueprint for project development which form part of Cabinet’s initial Budget proposals. This approach is also being incorporated into the in-year Performance and Finance reports to Cabinet and Overview, Scrutiny Co-ordination and Finance Committee (OSC&FC), recognising that service activity is driving the financial position of the Authority.

6.1.3 The projects are included below with those circled being the areas which are driving current pressures which are the focus of in-year mitigations to balance the outturn for 2023/24 and where the pressure is anticipated to continue into the medium-term financial planning period. Each project is sponsored by a Director and project leads have been identified with Heads of Service. Initially the purpose and scope for each area was identified which supported the development through to business case stage.



6.1.4 It is anticipated that over the medium-term each project outcome will contribute to balancing the MTFP. However there has been recognition that for some of the projects there is a need to invest to save. Following initial assessments of each project area, the anticipated impact is an additional pressure of £21.932m with proposed savings of £9.723m, resulting in a net impact of £12.209m increasing the gap for 2024/25. Full details of all the projects are included and appended to this report, however table 2 below provides an overview of the position by project where the proposals have a financial impact on 2024/25.

Table 2: Projects Estimated Financial Impact on 2024/25

Ref	Project	Growth £m	Savings £m	Net Impact £m
P04	Inclusive Education / SEND	1.291	0	1.291
P05	Ambition for Education	0.151	0	0.151
P06	Home to School Transport	1.500	0	1.500
P07	Handling Childrens Finance	6.433	(0.981)	5.452
P08	Climate and Waste	0	(0.700)	(0.700)
P09	Great Landlord and Specialist Housing	0.050	(0.270)	(0.220)
P10	Health and Social Care	8.074	(4.650)	3.424
P11	Financial Management	2.948	(2.700)	0.248
P13	Services to Schools	1.485	(0.422)	1.063
Total Estimated Financial Impact (24/25)		**21.932**	**(9.723)**	**12.209**

6.1.5 The following section provides a summary for each of the projects that are active, setting out the current issue and proposed solution. Further detail, including a breakdown of growth and saving items, are included in Appendix B(ii).

Ref	Name	Issue	Solution
P01	External Partnerships	Our two major partnership contracts (Equans and Capita) will expire in 2027.	Manage our contracts to make sure they represent good value for money and we are ready when they expire in 2027.
P02	Buildings & Asset Management	We have a large estate which costs us more than the current budget to repair and maintain.	Assess whether we can make better use of our buildings, whether we need them all and if we can generate savings and capital receipts by selling assets we no longer need.
P03	Public Sector Reform	The public sector is evolving, with local devolution and national policy changes. We need to respond to change and opportunity, to ensure long-term sustainability of services and achieve better outcomes.	Work differently, including improvements to our digital and customer service, manage demand and be in a proactive position for any new funding opportunities in line with ONTP priorities.
P04	Inclusive Education / SEND	Despite securing £19.5m of funding, there are still pressures facing the General Fund given high numbers of Education Help and Care Plans (EHCP) and the rising cost of SEND provision.	Create a system that effectively meets need, whilst being more cost effective and managing demand.

Ref	Name	Issue	Solution
P05	Ambition For Education	There are increasing levels of maintained school deficits. Without action, there is a risk we would need to absorb this debt, which is currently in excess of £13m.	Systematically review our education system across North Tyneside so that it supports educational and financial stability.
P06	Home To School Transport	Increase in numbers using service, directly linked to high numbers of EHCP, and rising delivery costs.	Proposing policy changes to ensure we meet need at a statutory level.
P07	Handling Childrens Finance	Increase in both volume and complexity of needs compared to pre-pandemic creating budgetary pressures. Cost of external provision is rising significantly.	Expanding the system to meet the expected need and complexity, by having the right size team, placement mix and focussing on future sustainability.
P08	Climate and Waste	Inflation, housing growth and sustainable waste management commitments, including the new government policy on food waste, are increasing our contracts cost and creating additional pressure during the MTFP.	Prepare for the new waste policy. Continue to work with residents on behavioural change to reduce waste and increase recycling. Introduce garden waste charges, in line with LA7, but at the lowest level.
P09	Great Landlord & Specialist Housing	Specialist housing need is causing financial pressure (homelessness, bed and breakfast and children's residential homes).	Develop alternative delivery models, including a new extra care scheme, and exploring opportunities for the HRA & Trading Company to support our objectives.

Ref	Name	Issue	Solution
P10	Health & Social Care	Increase in both demand and complexity as well as significant inflationary pressures and recruitment challenges within the sector.	Review of discharge pathways, client contributions and developing market capacity to appropriately meet need and regular review of packages to ensure compliance with Care Act requirements.
P11	Financial Management	The financial management of our activities is appropriate and compliant with regulations, but could we support operational activity better?	Continue to regularly review the risk areas identified, and whether we are spending and saving in a way that supports our services, regulatory obligations, and ONT strategic plan best.
P12	People & Workforce	The Authority employs a large workforce and needs to ensure we have the right people with the right skills at the right time.	Review our workforce, including targeted voluntary redundancy where it is right to do so, with recruitment and retention activity helping to ensure we have an appropriate mix of staff.
P13	Services to Schools	National policy means our relationship with Schools is changing, therefore we need the charging policy to keep pace with that.	Adjusting the services we deliver to reflect the changing relationship, ensuring financial sustainability.

7. Dedicated Schools Grant (DSG)

7.1 Background

7.1.1 The DSG can only be used for the purposes of the Schools Budget as defined in the School and Early Years Finance Regulations 2018. The DSG funds those delegated budgets allocated to individual schools, nurseries (and other early years settings) and, high needs provision including special schools and alternative provision. In 2024/25, the DSG will continue to be comprised of four blocks covering: Schools, High Needs, Early Years and the Central School Services. Each of the four blocks has its own funding formula.

7.1.2 The 2024/25 DSG allocation for North Tyneside is £219.359m, which is an increase of £21.180m (10.69%) on the funding received in 2023/24. Table 3 below shows the funding allocated to each of the funding blocks. The 2024/25 Schools block allocation includes teachers' pay award, teachers' pension grants and the School Supplementary Grant.

Table 3: Schools Block 2024/25 Allocation compared with Prior Years

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2023/24 to 2024/25 £m
Schools	126.794	137.231	140.373	147.655*	157.670	10.015
Central School Services	2.051	1.877	1.724	1.621	1.563	-0.058
High Needs	22.319	26.709	29.784	33.306	34.970	1.664
Early Years Block	12.771	13.946	14.673	15.597	25.156	9.559 **
TOTAL	**163.935**	**179.763**	**186.554**	**198.179**	**219.359**	**21.180**
Move from 17/18 Baseline £m	15.296	31.124	37.915	49.540	70.720	
Move from 17/18 Baseline %	10.29%	20.94%	25.51%	33.33%	47.58%	
Change per Year £m	8.334	15.828	6.791	11.625	21.180	
Change per Year %	5.36%	9.66%	3.78%	6.23%	10.69%	
PUF	£4,083	£4,425	£4,539	£4,771	£5,039	
SUF	£5,427	£5,841	£5,988	£6,277	£6,604	
MPPF: Primary	£3,750	£4,180	£4,265	£4,405	£4,610	
MPPF: Secondary	£5,000	£5,415	£5,525	£5,715	£5,995	

2023/24 Updated to reflect final allocations following in-year adjustments
2021/22 onwards includes pay award and pension grants previously separate to DSG, now rolled into funding formula
* Includes 2022/23 Schools Supplementary Grant and 2023/24 Maintained Schools Supplementary Grant (MSAG) now rolled into funding formula
** See Section 7.4 – Expansion of Early Years Entitlement

7.1.3 The DfE confirmed that the transitional arrangements, where local authorities could continue to set a local formula to distribute funding to individual schools will continue into 2024/25 with the earliest expected move to "hard" National Funding Formula (NFF) now expected in 2025/26.

7.1.4 As in previous years, the Authority will determine the local formula to distribute funding to mainstream schools and academies for the financial year 2024/25. The formula will apply directly to maintained schools for the financial year, and for academies it will form the basis for their funding, distributed by the Education Skills and Funding Agency (ESFA), for the year starting 1 September 2024. The local formula must comply with statutory guidance, but within these confines the final decision on the formula rests with the Authority after consultation with schools and the Schools Forum.

7.1.5 The Authority has continued to review the Local Funding Formula and in November 2023, Schools Forum received a report which provided the preferred options for consideration which would form the basis of the 2024/25 LFF consultation with all schools. Following the outcome of the consultation Schools Forum recommended that the LFF factor values should be maintained at the full NFF for 2024/25.

7.1.6 At its meeting on 27 November 2023 Cabinet agreed to authorise the Director of Resources, in consultation with the Director of Commissioning and Asset Management, the Cabinet Member for Education, Employment, Inclusion and Skills and the Cabinet Member for Finance and Resources, to undertake resource allocations to schools for 2024/25 in line with the school funding arrangements set out in that report. Resource allocations to schools have been submitted to the ESFA on 22 January 2024 as required by the deadline. Schools will be notified of their allocations no later than 29 February 2024.

7.1.7 The Schools NFF for 2024/25 will continue to have the same factors as at present, the key aspects of the formula for 2024/25 are:

- The minimum per pupil funding levels will be set at Primary £4,610, Key Stage 3 £5,771 and Key Stage 4 £6,331
- introducing a new formulaic approach to allocating split sites funding in the NFF in 2024 to 2025, replacing the previous locally determined split sites factor

- rolling the 2023 to 2024 mainstream schools additional grant (MSAG) into the NFF by:
    - adding an amount representing what schools receive through the grant into their baselines
    - adding the value of the lump sum, basic per pupil rates and free school meals Ever 6 (FSM6) parts of the grant onto the respective factors in the NFF
    - uplifting the minimum per pupil values by the mainstream schools additional grant's basic per-pupil values and an additional amount which represents the average amount of funding schools receive from the FSM6 and lump sum parts of the grants
- increasing NFF factor values (on top of the amounts we have added for the mainstream schools additional grant) by:
    - 1.4% to the following factors: basic entitlement, low prior attainment (LPA), FSM6, income deprivation affecting children index (IDACI), English as an additional language (EAL), mobility, sparsity and the lump sum
    - 1.4% to the minimum per pupil levels (MPPL)
    - 0.5% to the funding floor
    - 1.6% to the free school meals (FSM) factor value
    - 0% on the premises factors, except for: (i) Private Finance Initiative (PFI) which has increased by Retail Prices Index excluding mortgage interest payments (RPIX) which is 10.4% for the year to April 2023 and (ii) split sites funding which has been formularised
- introducing, for the first time, a methodology for calculating and allocating funding for falling rolls.

In addition, two important restrictions will continue:

- Local authorities will continue to set a Minimum Funding Guarantee in local formulae, which in 2024/25 must be between +0.0% and +0.5%. This allows them to mirror the real terms protection in the NFF, which is the Government's expectation; and
- Local authorities can only transfer up to 0.5% of their Schools block to other blocks of the DSG, with their Schools Forum approval. To transfer more than this, or any amount without their Schools Forum approval, they will have to make a request to the DfE, even if the same amount was agreed in the past two years.

7.2 Schools Block

7.2.1 As the Authority has already transitioned its Local Funding Formula to the National Funding Formula factor values for mainstream schools no further changes are recommended. On 17 January 2024 Schools Forum received an update report outlining the DSG funding for 2024/25. Schools Forum continue to support and approved a deduction from the Schools block funding for Falling Rolls of £0.250m and Growth Funding £0.250m. Calculations through the Authority Proforma Tool (APT), subject to final amendments, are showing MFG affordable at 0.5% with minimal capping. There would, be no residual funding to allocate. Schools will all achieve increased rates where their pupil numbers have increased.

7.2.2 On 9 November 2023 Schools Forum, following consultation with all schools, voted against a 0.48% block transfer from the Schools block to the High Needs block. The Authority, in line with the Safety Valve Agreement, submitted a disapplication request to the DfE to request the transfer without Schools Forum approval and the DfE approved this request on 18 January 2024. The impact of the transfer is included in the DSG Management plan for 4 years, from 2024/25 although approval was only received for 2024/25 and subsequent years will require further approval. The transfer will be reflected in the APT submission.

7.3 High Needs Block

7.3.1 The £34.970m figure outlined above for the 2024/25 High Needs block reflects the increased DSG funding announced by the DfE and includes funding previously included as separate grants for pay award and pension increases, as in 2023/24. The £1.664m year on year increase is therefore covering these costs going forward. It also includes a deduction of £0.448m made by the Education Skills and Funding Agency for direct funding of places.

7.3.2 The Authority submitted the 2023/24 third and final monitoring report against the DSG Management Plan on 15th December 2023 to the Department for Education (DfE) and reported that it now has a slight pressure of £0.016m against the original budget. However the Authority is still confident that the High Needs block will reach a positive in year balance by the year end 2027/28.

7.3.3 The latest position as at 30th November is shown in table 4.

Table 4: Breakdown of High Needs Pressure at 30th November 2023

Provision	2023/24 Budget £m	November 2023 Forecast £m	Forecast Variance £m
Special Schools and PRU	22.388	22.898	(0.510)
ARPS /Mainstream Top-ups	6.065	6.058	0.007
NMSS/ISP	4.305	4.115	0.190
Commissioned Services / Other EOTAS	3.160	3.084	0.076
TOTAL	**35.918**	**36.155**	**(0.237)**
DSG High Needs Funding	(33.606)	(33.307)	(0.299)
In-Year Planned Deficit	**2.311**	**2.848**	**(0.536)**
2022/23 Balance B/F	10.112	9.592	0.520
Safety Valve Funding 23/24	(1.950)	(1.950)	0.000
Deficit C/F to 24/25	**10.474**	**10.490**	**(0.016)**

7.4 Early Years Funding for 2024/25

7.4.1 Cabinet will recall, that in the Governments 2023 Spring budget the Chancellor announced fundamental changes to expand the free childcare offer so that eligible working parents in England were able to access 30 hours of free childcare per week for 38 weeks per year from the term after their child turns 9 months to when they start school.

- From April 2024, working parents of 2-year-olds will be able to access 15 hours of free childcare per week (38 weeks a year),
- From September 2024 this will be extended to parents of 9 month to 3-year-olds, and
- From September 2025 working parents of 9 month to 3-year-olds will be able to access 30 free hours per week (38 weeks a year).

7.4.2 In December 2023 the Department for Education released the 2024/25 early years entitlement funding rates for local authorities. Schools Forum agreed the principles for allocation at its January meeting and funding increases have been shared with the sector. The Local Authority recommended option, based on the agreed principles is outlined in table 5.

Table 5: Proposed Early Years Funding Rates

		2023/24	2024/25
9 Month to 2 Year Old Entitlement (Working Parents)		New in 24/25	£9.00
2 Year Old Receiving Additional Government Support		£5.60	£7.30
2 Year Old Entitlement (Working Parents)		New in 24/25	£6.90
3 & 4 Year Old Hourly Base Rate		£4.64	£4.88
3 & 4 Year Old Hourly Deprivation Supplement	Quartile 1	£0.18	£0.20
	Quartile 2	£0.06	£0.06
3 & 4 Year Old Hourly Quality Supplement - Teachers Pay and Pension Grant Supplement *		£0.22	£0.33
Early Years Pupil Premium		£0.62	£0.68
Additional Payment to Maintained Nursery School		100% pass through of Maintained Nursery School rate allocated by DfE.	100% pass through of Maintained Nursery School rate allocated by DfE.
SEN Inclusion Fund (all age groups)		£8.26 per hour	£8.26 per hour
Disability Access Fund		£828	£910

* Available to provision who have confirmed that provision is led by a qualified teacher, who is paid according to national teacher pay scales and is a member of the teachers' pension scheme.

7.5 Central School Services Block Funding for 2024/25

7.5.1 Funding for the Central Schools Services block (CSSB) has been reduced by DfE in relation to historical funding by £0.127m, which represents a 20% reduction in funding for the historic commitments. Ongoing functions have had an increase of 7.01% as shown in table 6 below.

Table 6: Allocations for North Tyneside CSSB 2024/25

	2021/22	2022/23	2023/24	2024/25	Annual Change	
	£m	£m	£m	£m	£m	%
Historical Commitments	0.995	0.796	0.637	0.510	(0.127)	(20.0%)
Ongoing Functions	0.882	0.928	0.984	1.053	0.069	7.01%
Total	**1.877**	**1.724**	**1.621**	**1.563**	**(0.058)**	**(3.58%)**
Change from 2017/18 Baseline £m	(0.466)	(0.619)	(0.879)	(0.937)		
Change from 2017/18 Baseline %	(19.89%)	(26.42%)	(35.16%)	(37.48%)		
Change per Year £m	(0.174)	(0.153)	(0.103)	(0.058)		
Change per Year %	(8.48%)	(8.15%)	(5.97%)	(3.58%)		

7.5.2 The services provided via CSSB funding is listed in table 7. The net reduction in funding of £0.058m is identified in this table. Authorities can challenge the reduction in funding by providing relevant evidence to the DfE.

7.5.3 Following consultation with School Forum in January, the Authority will set the funding for these services as identified in table 6 below. The contribution to the Education Improvement Partnership has been reduced by £0.020m in line with previous years and there has been a £0.038m reduction to the Schools Support Service budget.

Table 7: Illustrative allocations for North Tyneside CSSB for 2024/25

Budgets which now form part of the CSSB	CSSB 2023/24 £m	CSSB 2024/25 £m
Budget to fund the Schools Support Service	0.415	0.377
Budget to support vulnerable schools.	0.052	0.052
Budget for the Education Improvement Partnership (secondary schools)	0.040	0.020
Budget to support the informational requests of the Schools Forum	0.030	0.030
Collective contribution to ongoing pension costs incurred when allowing teachers to leave schools prematurely	0.525	0.525
Schools admission service	0.141	0.141
Former Education Services Grant (Retained)	0.244	0.244
National Copyright Licences	0.174	0.174
Total CSSB Funding	1.621	1.563

7.5.4 The Authority will continue to work with Forum to identify any solutions to manage the long-term funding gap for service provision via other means, including but not limited to prioritising key outcomes and reviewing alternative funding such as under a service level agreement or similar.

7.6 <u>Timetable for Agreeing 2024/25 Distributions</u>

7.6.1 The key dates which must be met in setting 2024/25 school budgets are shown in Table 8 below. This report is requesting authorisation for the Head of Resources, in consultation with the Director of Children's Services, the Cabinet Members for Children, Young People and Learning and the Cabinet Member for Finance and Resources, to undertake resource allocations to schools to meet these deadlines.

Table 8: Remaining Key dates for 2024/25 School Budget-setting

Date	Activity
22 January 2024	Deadline for submission of final local School Allocations to DfE (the Authority Proforma Tool)
29 February 2024	Deadline for confirmation of schools' budget shares to maintained schools

8. Housing Revenue Account (HRA)

8.1 Introduction

8.1.1 The HRA is required to produce a 30-year Business Plan, however, a four-year Medium-Term Financial Plan (MTFP) for revenue has been produced along with a five-year Investment Plan to align with the General Fund.

8.1.2 Whilst the current economic situation presents significant challenges, the Authority is still able to produce an MTFP for the HRA, which enables over £337m of revenue spend over the next 4 years to manage and maintain the housing stock and meet the aspirations of Cabinet and tenants.

8.1.3 The HRA also represents a significant element of the Authority's overall Investment Plan. Over the next 5 years a total of £161.745m has been allocated to enable the existing stock to be maintained at the Decent Homes Standard. In addition, in line with the Mayor and Cabinet's Affordable Homes pledges, a total of £28.870m has been identified to fund the new build schemes identified in the Affordable Homes Plan.

8.1.4 The proposals to resource the revised MTFP and 30-year HRA Business Plan have been subject to the Council's full engagement process, and consultation over the choices available to ensure the objectives can be achieved.

8.1.5 Cabinet will also recall that the 2023/24 budget setting process included the creation of a £3m fund to support tenants during the cost of living crisis, through a range of tenancy sustainment measures, which is forecast to provide support during the three-year period from 2023/24.

8.2 Background and Policy Context

8.2.1 The Authority is responsible for managing just under 14,100 homes. Rents and service charges provide most of the resources available to the HRA, which is then used to fund the management and maintenance of the housing stock. The income and expenditure are accounted for in a ring-fenced account as required by law under the Local Government and Housing Act 1989. Although accounted for separately, the HRA forms an intrinsic part of the Authority's overall vision and Council Plan, and this report sets the context within which the HRA Financial Plan and Budget proposals are set.

8.2.2 In line with all areas of operation across the Authority, in response to the wider economic challenges referenced earlier in this report housing has continued to adapt and adjust to keep providing the most efficient services possible to tenants. Inflation rates peaking at over 10% and shortages in obtaining certain key materials through the supply chain continue to challenge the Authority's procurement and operational teams. The budget proposals for 2024/25, where relevant, have sought to ensure that service delivery can be maintained in essential areas and that resources are identified to cover increased supply chain costs where there may be material shortages and delays.

8.2.3 The Authority is still facing the impact of the continued roll-out of Universal Credit and other welfare reforms, which brings greater pressure on tenants and on the Authority's income collection teams who have a responsibility to try and help sustain tenancies, and help tenants manage their money so that they do not end up in financial hardship or significant arrears, all of which could have a direct impact on the HRA, and the quality of the services that are then provided.

8.2.4 It is the responsibility of the Authority to determine the level of any unsupported borrowing it wishes to undertake to fund capital investment, such as new build or decent homes work, in line with the Prudential Code, which means applying the key tests to ensure that any debt taken on is prudent, affordable and sustainable. The approach to debt management is reviewed yearly and is discussed in more detail below.

8.2.5 2023/24 has seen the continuation of a significant programme of works being delivered by Housing Property Services. This has included new challenges including the need for significant sustainability measures to be undertaken across our stock, to help tackle the climate emergency and address Cabinet's decarbonisation ambitions. These factors along with issues relating to pay awards, and the continued difficulties in sourcing certain materials have all been considered in refreshing the Authority's Housing Asset Management Plan. A full review of the Asset Management Plan has been undertaken, and further work is ongoing to continue to develop and improve the service, to enable it to best meet the ongoing needs of tenants and residents whilst delivering greater efficiency and improved value for money.

8.2.6 HRA tenants have been consulted on the initial proposals, and this annex presents Cabinet's final HRA Budget proposals for 2024-25. This meeting is being asked to approve the HRA Business Plan and Budget for 2024/25, including the housing rent, garage rent and service charge changes along with the Housing Capital Investment Plan.

8.3 Key Objectives and headline assumptions for the Housing Service

8.3.1 The overriding objectives for the housing service are in line with the agreed Housing Strategy and, as far as possible within financial constraints to achieve a balanced plan over 30 years, are to:

1. Ensure the application of the principles of economy, efficiency, and effectiveness;
2. Continue to invest in the existing stock to maintain the Decent Homes Standard;
3. Maintain and develop effective engagement with tenants;
4. Continually monitor the impact of changes such as Universal Credit and other welfare reform on tenants and ensure they have the appropriate support;
5. Work with private landlords to refurbish stock where appropriate;
6. Undertake environmental improvements to estates to ensure that they are clean and safe;
7. Support the delivery of Affordable Homes across the Borough;
8. Specifically increase the delivery of new-build homes where practicable;
9. Create sustainable tenancies and maximise rental income collection;
10. Undertake sustainability measures across the housing stock as appropriate and affordable to help address the Climate Change Emergency;
11. Continue to invest in the Authority's Apprenticeship programme to ensure that it develops the workforce to sustain and improve housing services in the future;
12. Continue to support the Working Roots programme to give some disadvantaged young people the chance to learn new skills, gain meaningful qualifications, and in some cases embark on a career.

8.3.2 In addition to the key objectives above, the HRA continues to allocate resources to support the Cabinet and Mayoral priorities of:

- Maintaining the tenants' priorities budget within repairs to focus on key areas of need, those initial areas of focus being pest control, empty homes standard and property health checks;
- Strengthening the resources available to support tenants in coping with the changes arising from welfare reform, the continued roll-out of Universal Credit and the deepening cost of living crisis. 2024/25 will be the second of a 3-year period during which £3m has been set aside to fund a range of tenancy sustainment measures, to alleviate pressures being faced at the current time.

8.4 Key Points for the 2024/25 HRA Budget

<u>Rent Policy</u>

8.4.1 Since April 2020 rent increases have been based on applying the Consumer Prices Index (CPI) plus 1% and this arrangement was confirmed for at least the next 5 years. However, for 2023/24 the Government implemented a cap on the maximum increase in rent that could be applied given the heightened inflation levels which would have resulted in a rent increase of 11.1%. As part of this decision, the Government also reserved the right to apply a cap for 2024/25.

8.4.2 When the initial budget proposals were agreed by Cabinet in November 2023, it was uncertain whether the Government would apply another cap on the maximum rent increase. However, it has since been confirmed that no cap will apply, and so the policy reverts to its original assumption ie that rent would increase by CPI + 1%, with the relevant CPI being from September of the previous year. In September 2023 the CPI rate was 6.7%, which applying existing Government policy means a 7.7% rent increase for 2024/25. The base assumption applied in refreshing the Business Plan for the November 2023 proposals was the assumption of a 7.7% rent increase, and so that is the basis of the final proposals being considered by Cabinet today.

8.4.3 These proposals lead to increased forecast rental income, helping to enable the HRA to fund significantly increased service delivery costs and continue to respond to challenges such as the Government White Paper regulations following the Grenfell disaster, craftworkers pay review and investment in decarbonisation measures.

Service Charges

8.4.4 As part of the 2023/24 budget setting process, Cabinet agreed that a review of service charges would be undertaken to inform the 2024/25 budget and ensure that the proposed charges reflected the cost of delivering the relevant services. For the majority of services the result of the review are that service charges for 2024/25 should be increased in line with the proposed rent increase (7.7%). However, there are some specific exceptions to this where additional increases are required to meet the true costs of service delivery, outlined below and summarised in Table 9:

1. Sheltered Housing Officer (SHO) charge – the charge levied for the presence of an SHO in every sheltered scheme and to a number of tenants in properties near those schemes;
2. Individual Heating Charges paid by NTL tenants – these charges have fallen well below the total energy costs being incurred;
3. Communal Heating Charge – each Sheltered tenant pays a communal charge which includes an element for heating and lighting of communal areas, with costs increasing significantly over the past two years.

Table 9 – Proposed changes to Service Charges 2024/25

Service Charge	Size	Weekly Charge (£)		Benefit Eligible	Potential 24/25 Weekly Impact (£)		
		23/24	24/25		Benefit Eligible	Tenant Pays	Protected
Sheltered Housing Officer	1 Bed	10.56	16.89	Y	6.33	0.81	5.52
Individual Heating	1 Bed	10.70	15.80	N	0.00	0.82	4.28
Individual Heating	2 Bed	11.80	17.42	N	0.00	0.91	4.71
Communal Heating	1 Bed	20.55	23.43	Y	2.88	1.58	1.30
Communal Heating	2 Bed	21.84	24.90	Y	3.06	1.68	1.38

8.4.5 Whilst the proposed changes are required to ensure the costs of providing the relevant services are recovered, it is recognised that the proposed increases could cause hardship for some of our tenants, particularly given that not all of the affected service charges are eligible for benefit. It is therefore proposed that transitional protection budgets will be introduced for all existing affected tenants to ensure that no tenant who is not eligible to claim benefit to cover the charges and hence has to pay directly, would be any worse off than if all the charges were just increased in line with the rent increase.

8.4.6 The protections would be in place for all existing tenants as of 31 March 2024. However, any new tenants from 1 April 2024 would be made fully aware of the applicable charges and would pay the correct charges with no transitional protection from that point.

8.4.7 It is recommended that garage rents will increase in line with the rent increase at 7.7% for 2024/25.

8.4.8 The Authority will continue to move to target rent when properties become empty.

8.4.9 The Authority also continues to monitor the impact of welfare reform changes. Service charges on affordable rent properties are not exempt, as the 80% of market rent calculation includes any service charges. The importance of ensuring that tenants continue to be kept fully informed of the requirements of the scheme is fully recognised and ensuring that they are supported in managing the impact of any further changes. In North Tyneside Universal Credit numbers continue to increase, at the end of March 2023 there were 3,949 tenants on Universal Credit with arrears totalling £3.210m, by the beginning of January 2024 this number had risen to 4,502 with total arrears of £3.792m.

8.4.10 The Authority has already allocated additional resources to support those tenants affected by the changes in previous year's Budgets. There is a continued focus on trying to ensure that tenants are getting the support they need, and the information they need in relation to avenues they can explore not just for managing their rent, but also for accessing other sources of help during the current cost of living crisis. The impact of the additional resources allocated in this area has been evidenced by a slow-down in the rate at which arrears have been increasing, albeit they are still increasing overall. Members will continue to be updated of any significant further welfare reform changes.

The Housing Capital Investment Plan 2024-2029

8.4.11 The Housing Capital Investment Plan has been refreshed based on the revised Asset Management Strategy, along with revised sums identified to fund new build proposals. The proposed five-year plan is included at Appendix D(ii).

8.4.12 The review of the Housing Investment Plan spend is based on maintaining Decent Homes and other core items included in the refreshed Asset Management Plan, and projects spend on existing stock of £161.745m over the next 5 years 2024-2029, plus investment in the new build programme of £28.870m as part of delivering Cabinet's overall Affordable Homes Strategy.

8.4.13 The Authority has been able to retain additional capital receipts that would usually have been paid over to Government under pooling arrangements to support investment in additional new build. For North Tyneside this means keeping an additional £3.748m, on condition that this delivers an additional £9.400m of new build spend by March 2029. The assumption that this will be undertaken and achieved has been reflected in the proposed Investment Plan. An update on the Affordable Homes Programme is due to be brought to Cabinet in February 2024, that report will give greater detail as to how the revised new build programme will be delivered for final approval.

8.4.14 These figures are based on maintaining the key principles of Cabinet's existing approach to debt management and self-financing.

Housing Repairs Budget 2024/25

8.4.15 Within the Tenant Priorities budget the following have been given priority over the last three years:

- Improving the Empty Homes standard;
- Free pest control service for tenants; and

- Property health checks (scheduled maintenance visits as opposed to reactive ones to properties identified as high maintenance).

8.4.16 These priorities have been well received by Tenants and it is recommended that these areas remain the focus of the tenant priorities budget for 2024/25.

8.4.17 In addition, funding of £0.300m has been approved under the Tenancy Sustainment Reserve towards the provision of a focussed damp & mould team.

8.4.18 As well as ensuring the budget refresh covers the resources required to continue to meet increased supply chain costs, it also provides for the assumption that all elements of the Craftworkers Pay Review will be agreed and implemented, along with required rebasing of staffing budgets required because the 2023/24 pay award offer was in excess of the sums provided in the 2023/24 budget.

<u>Unified Systems ICT Project</u>

8.4.19 In 2023/24 the Authority awarded the contract to deliver a Unified ICT System for Housing and related services to NEC Software Solutions UK (formerly Northgate Public Services). The Authority has been working with NEC to agree a revised timetable for implementation, and the HRA Business Plan identifies both the revenue and capital resources required to implement the system and deliver the changes to ensure the systems in place can support efficient and effective service delivery. This is an ongoing process which will lead to an anticipated go-live date of summer 2025.

<u>HRA Unallocated Working Balances</u>

8.4.20 Sustain unallocated working HRA balances at a minimum of £2.5m across the life of the 30-year Business Plan this stage.

<u>Right to Buy (RTB) Sales</u>

8.4.21 RTB sales have increased significantly since the start of self-financing at the end of 2011/12. The trend in RTB sales is reflected in the 30-year Business Plan.

Table 10: Right to Buy Sales 2011/12 to date

2011/12	30
2012/13	85
2013/14	122
2014/15	100
2015/16	135
2016/17	136
2017/18	158
2018/19	135
2019/20	120
2020/21	115
2021/22	169
2022/23	120
2023/24 (Dec)	70

8.4.22 As part of changes the Government introduced as part of the transition to self-financing, the Authority signed an agreement that allows RTB receipts above the levels assumed as part of self-financing to be retained if they are used to supplement Authority contributions to fund new build homes within an agreed timeframe. This agreement has seen an additional £9.669m of additional Capital Receipts retained to the end of 2022/23 (excluding the additional receipts offered by Government), which has helped deliver £24.850m of new build schemes.

Treasury Management Strategy (TMS) and HRA Borrowing

8.4.22 The HRA is an integral part of the Authority's overall Treasury Management Strategy. In line with General Fund principles, any decisions regarding borrowing must be sustainable and must balance both capital and revenue resources and delivery plans.

8.4.23 At the point of transition to self-financing in 2012/13, the share of the Authority's debt attributed to the HRA stood at £290.825m. Cabinet have previously agreed to set aside money where possible to repay debt each year however, the recommended strategy was not to seek to repay all debt held over the initial 30 years.

8.4.24 This approach has enabled revenue surpluses to be created, which have been utilised, in conjunction with retained capital receipts, to fund a programme of HRA new build spend totalling £24.850m to the end of 2022/23. By the end of March 2023, the Authority’s actual HRA debt stood at £242.005m and by March 2024 it is anticipated that the debt will drop further to £239.870m.

8.4.25 The 2024/25 draft Budget proposals are based on the existing Cabinet agreed policy approach to debt. Decisions to repay debt continue to be made as part of the Authority’s Treasury Management Strategy and 30-year business plan and consider the investment needs, maturity profile and interest rates. Based on the current approach to debt management it is estimated that up to a further £140.952m of debt could be repaid over the next 30 years.

8.4.26 The table below shows the reduction in HRA debt included in the current proposals.

Table 11 – Impact on HRA Debt 2024-54 of Revised Business Plan

Description	Debt Movement £m
Opening Self-Financing Debt	290.825
Opening HRA Debt 01/04/2023	242.005
Closing HRA Debt after 30 Years	101.052
Debt Repaid over 30 years	140.952
Debt Repaid from start of SF	189.773

<u>Depreciation</u>

8.4.27 Unlike the General Fund position, the depreciation charge represents an actual cost to the HRA. The Authority calculates depreciation in accordance with the CIPFA Code of Practice, considering the investment works, the value of the Authority’s properties and an estimate of the remaining lives. The level of depreciation calculated using this method will be able to be contained within the amounts currently budgeted in the 30-year HRA Business Plan, and these sums are allocated directly to fund the Housing Capital Investment Plan.

Reserves and Contingencies

8.4.28 Appendix C(ii) analyses the key changes between Pressures and Growth, Efficiencies and Reserves and Contingencies.

8.4.29 The latest 30-year HRA Business Plan for 2024-2054 reflects the budget monitoring position as of 30 November 2023, and the potential impact on HRA balances for this year. At that point, as is being reported to this meeting of Cabinet, the HRA is predicting an underspend of £0.070m against Budget for 2023/24, due to a combination of factors whereby improved rental income and interest on balances forecasts are covering pressures brought about by the proposed 2023/24 pay award and higher energy costs in particular. This means that the opening balances feeding into the Business Plan as of 31 March 2024 are forecast to be £3.002m as shown in Appendix C(ii).

8.4.30 Appendix C(ii) also reflects a proposed contribution from reserves of £0.163m for 2024/25. It is not proposed to adjust contingency budgets in 2024/25 following a review and revision of the levels held for the 2023/24 budget, with separate provision made for inflation and pay awards for 2024/25 (including rebasing for the additional costs of the 2023/24 pay award, as well as provision for increased material and subcontractor costs).

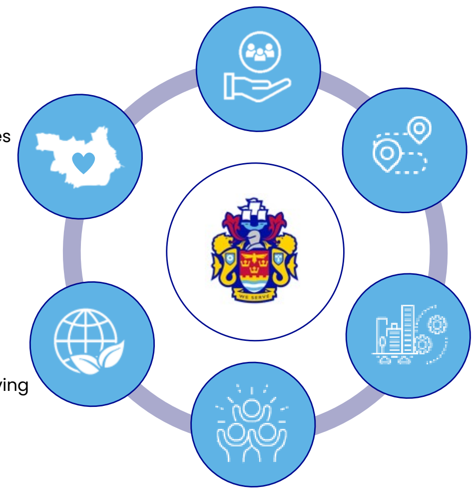
9. Cabinet’s initial Budget proposals for the 2024-2029 Investment Plan

9.1 Background

9.1.1 Capital investment generally relates to spending on physical assets that have a useful life of more than one year. This can be new assets, improvements to existing assets, or loans to third parties for a capital purpose.

9.1.2 By its nature, capital expenditure must demonstrate long-term benefits to the Authority. Planned capital investment therefore represents an important part of the Authority’s financial plans and the ability to achieve the strategic objectives set out in Our North Tyneside Plan.

Figure 1: Benefits of Capital Investment



9.1.3 A 10-year Capital Investment Strategy has been developed to help support the planned delivery of capital investment and ensure that the Investment Plan continues to build on previous success, with a strong focus on delivery of the Our North Tyneside Plan outcomes and achieving Our Ambition for North Tyneside. The Strategy provides a framework to enable projects to be developed and prioritised, helping to ensure that capital investment is affordable and sustainable. The Capital Investment Strategy is attached as Appendix D(iv).

9.1.4 The 2023-2028 Investment Plan totalling £312.34m was approved by Council on 16 February 2023. Delivery of projects within the plan and progress to date has been formally reported to Cabinet as part of the Performance and Financial Management reports and following a series of adjustments for reprofiling of the Investment Plan and acceptance of additional funding allocations, the approved plan as reported to Cabinet on 22 January 2024 (including 2023/24 spend plans) is currently £348.347m.

9.1.5 All proposals for capital investment follow a structured gateway process which considers the strategic alignment to Our North Tyneside Plan and are challenged by Members and senior officers as part of the Investment Programme Board (IPB), from the initial ideas stage, through to delivery and finally to post implementation to review the project outputs and ensure that lessons learned can help to inform future delivery plans.

9.1.6 The IPB meets on a monthly basis and as part of its monthly meetings receives an update on all projects included in the approved Investment Plan which considers risks relating to financial performance, delivery milestones and the achievement of planned outputs.

9.1.7 As part of considering the Authority's MTFP position, the existing Investment Plan has been reviewed to ensure this remains affordable and sustainable, challenging existing commitments as well as exploring opportunities for additional investment. The key constraint towards supporting capital investment is the revenue budget and the ability to meet the associated financing costs as well as any ongoing running costs.

9.2 <u>Investment Proposals</u>

9.2.1 A schedule of the individual projects included within the proposed Investment Plan is attached as Appendix D(i), with the development of these schemes subject to the Authority's governance process including the consideration of gateway forms and underlying project business cases to fully understand the direct financial implications and potential benefits and outputs.

9.2.2 In addition to the potential re-profiling and adjustment of schemes within the existing approved Investment Plan to reflect the latest delivery estimates, a number of emerging projects have also emerged for consideration as part of the Budget-setting process and these schemes have been reflected in the proposed Investment Plan.

9.2.3 The proposed additions to the Investment Plan requiring the use of the Authority’s resources include the following:

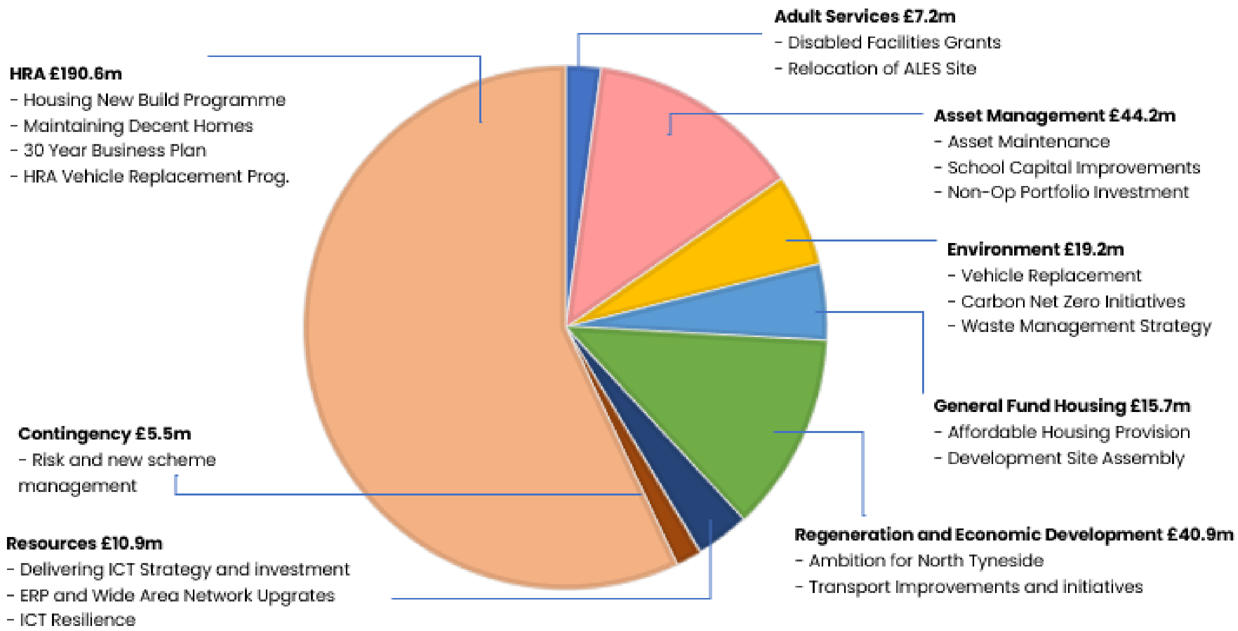
Allocation	Scheme
£4.0m	**Enterprise Resource Planning (ERP) System Upgrade** • Business critical system, with the existing system (BMS) now more than 10 years old and due to become obsolete • Opportunity to enhance both HR and finance systems and improve data analysis and security
£2.8m	**Killingworth Depot - Adult Loan Equipment Service** • Opportunity to relocate the service to the Authority’s own site • Ability to enhance service delivery for an important service which helps to support independent living
£2.75m	**Non-Operational Portfolio** • Improvements to enhance performance, standards and energy efficiency measures within the existing portfolio • Ability to generate additional income over the medium term
£1.65m	**Royal Quays Marina Barrage** • Proposed structural improvement works
£1.64m	**Food Waste Collection Infrastructure** • Confirmed grant funding to help fund the infrastructure required to support the introduction of food waste collection in line with Government policy
£0.95m	**ICT Infrastructure Upgrades** • Significant upgrades to the Wide Area Network (WAN) to enhance security and connectivity

9.2.4 Table 12 below shows a summary of the initial draft 2024-2029 Capital Investment Plan.

Table 12: Summary of the draft Capital Investment Plan 2024-2029

Spend	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£m	£m	£m	£m	£m	£m
General Fund	66.590	21.172	20.989	18.414	16.664	143.829
Housing	38.137	36.097	39.148	38.798	38.435	190.615
Total	**104,727**	**57,269**	**60,137**	**57,212**	**55,099**	**334.444**

Figure 2: Proposed Investment Plan: £334.4m



9.2.5 There are a number of different funding sources available to the Authority to support capital investment. These include the potential use of:

- *External grants* - either in response to specific bidding opportunities or those awarded by the Government for ongoing investment in areas such as transport infrastructure and schools;
- *External contributions* - such as those secured through the planning process including S106 agreements and Community Infrastructure Levy;
- *Revenue contributions* – through the use of specific reserve balances or available in-year budgets;
- *Capital receipts* - proceeds generated through the sale of the Authority's surplus assets;
- *Prudential Borrowing* – borrowing can be taken to fund long-term capital investment where it is demonstrated it is prudent, sustainable and affordable to do so which requires the need to make provision to fund the associated financing costs (repayment of principal and interest).

9.2.6 The Authority continues to pro-actively seek external funding to ensure that the use of the Authority's resources is minimised where possible. Table 13 below provides a summary of the proposed 2024-2029 financing:

Table 13: Summary of proposed Capital Financing 2024-2029

Investment Plan (£m)	2024/25	2025/26	2026/27	2027/28	2028/29	Total
General Fund						
Prudential Borrowing	30.487	13.329	13.450	10.950	9.200	77.416
Capital Receipts	0.630	0	0	0	0	0.630
Grants and Contributions	35.367	7.843	7.539	7.464	7.464	65.677
Revenue Contribution	0.106	0	0	0	0	0.106
Contribution from Reserves	0	0	0	0	0	0
Total General Fund	**66.590**	**21.172**	**20.989**	**18.414**	**16.664**	**143.829**
Housing Revenue Account						
Revenue / Major Repairs	34.083	31.488	34.279	35.350	37.035	172.235
Grants and Contributions	0.719	0	0	0	0	0.719
Contribution from Reserves	0.130	0.080	1.930	0.800	0.500	3.440
Capital Receipts	3.205	4.529	2.939	2.648	0.900	14.221
Total HRA	**38.137**	**36.097**	**39.148**	**38.798**	**38.435**	**190.615**
Total Investment Plan	**104.727**	**57.269**	**60.137**	**57.212**	**55.099**	**334.444**

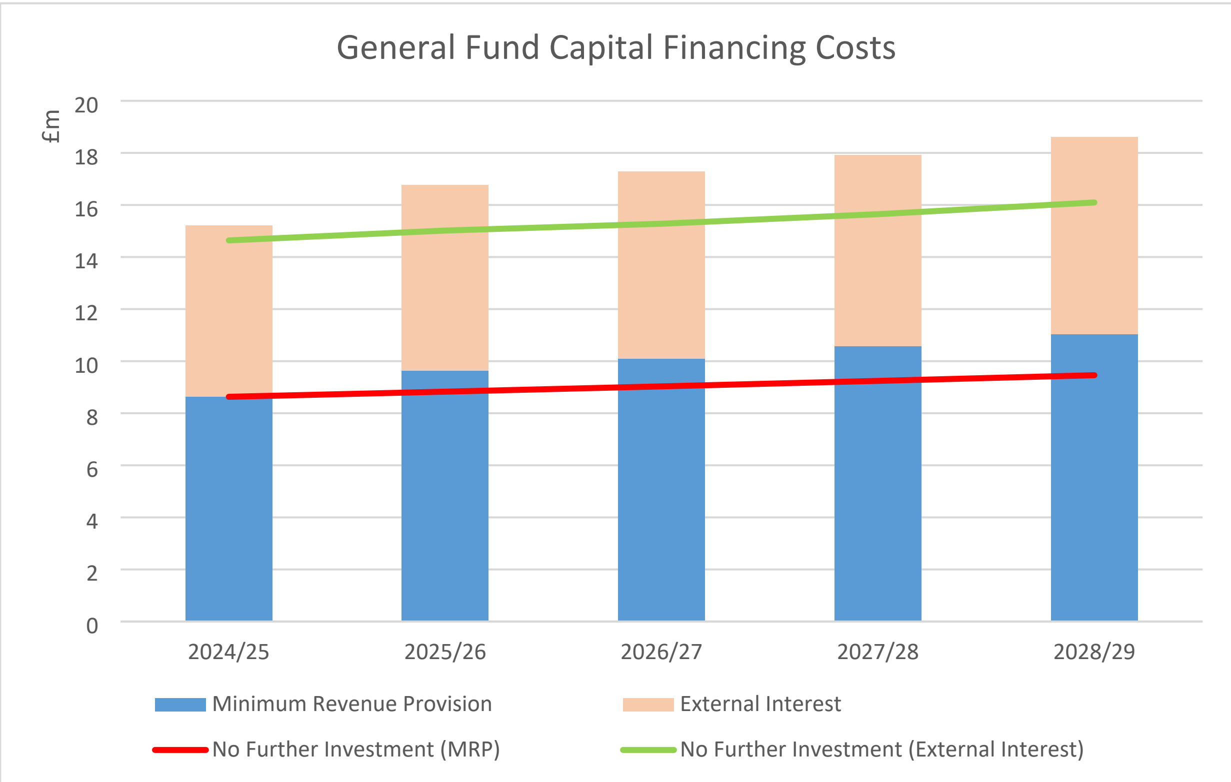
9.2.7 The proposed General Fund Investment Plan includes external grants and contributions of £65.7m, which is 45.6% of the total. Of this, £47.3m relates to schemes that are fully funded by external grants.

9.2.8 A number of capital allocations (grants) are announced by the Government as part of the Local Government Finance Settlement, including Capital Maintenance and Devolved Formula Capital from DfE, the Local Transport Plan and Disabled Facilities Grants (as part of the Better Care Fund). Figures for 2024/25 have not yet been announced in all cases and therefore indicative figures, based on previous allocations, have been included in the draft Plan. Once the allocations are formally announced, these figures will be updated and included in subsequent reports and investment programmes in these areas will be prioritised to reflect the available resources.

9.2.9 The proposed General Fund plan assumes £77.4m of prudential borrowing at this stage. In broad terms, every £1m of borrowing costs the Authority circa £0.1m per annum in revenue terms to meet the associated financing costs.

9.2.10 The Authority's General Fund capital financing costs, excluding PFI schemes, are projected to be £15.490m in 2024/25, the majority of which is related to historic capital investment. Based upon the draft Investment Plan, the annual revenue cost would increase to £18.133m by the end of the MTFP term in 2027/28, which is reflected in the current MTFP. If the Authority was to reduce the level of borrowing, either through reducing projects within the proposed Investment Plan or by generating additional capital receipts, then this would help to reduce the financing costs charged to the revenue budget. However, even if there was no new borrowing, capital financing costs would still increase under our MRP policy, which would potentially reach £16.159m by the end of the MTFP term.

Figure 3: General Fund Capital Financing Costs



9.2.11 The Authority's planned borrowing is primarily focussed on areas where external funding is not typically available, such as investment in improving the Council's own assets used to support service delivery such as Asset Planned Maintenance, ICT Strategy and vehicle replacement programmes. In addition, borrowing is also focussed on achieving specific policy decisions such as investment in mitigating the impact of climate change and ongoing highway improvement works to supplement government grants and help to prevent significant deterioration of the highway network.

9.2.12 The Authority currently holds £8.8m of General Fund capital receipts and £16.2m of HRA capital receipts. The use of these receipts is considered as part of developing the Investment Plan and can help to reduce the requirement to take prudential borrowing. In addition, as part of the Authority's MTFP and delivering the project workstreams the Authority is also considering the flexible use of capital receipts to fund transformational activity, in accordance with the Flexible Use of Capital Receipts Strategy at Appendix D(iv).

9.3 Annual Minimum Revenue Provision (MRP)

9.3.1 The Capital Finance Regulations require full Council to agree an annual policy for the Minimum Revenue Provision (MRP), the amount that is set aside to provide for the prepayment of debt (principal repayment). The Regulations require the Authority to determine an amount of MRP which it considers to be prudent. The broad aim of a prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

9.3.2 The 2024/25 policy is set out in full below:

(a) Supported borrowing: MRP will be charged at 2%;
(b) Unsupported borrowing: for all assets financed by unsupported borrowing, MRP will be charged over the estimated life of the assets, using the annuity methodology;
(c) Lease transactions treated as "on balance sheet": an element of the annual charge to the Authority for the lease will be treated as repayment of capital (i.e. repayment of principal and interest). The principal element is effectively the MRP charge for the year. This MRP charge will be equal to the element of the rent/service charge that goes to write down the balance sheet liability. This also includes PFI schemes;
(d) Loans made for capital purposes for which borrowing is taken out: MRP will be based on the actual principal repayment schedule relating to the loan provided;
(e) In accordance with the statutory guidance, the Director of Resources has the discretion to make additional voluntary provision, subject to affordability

considerations, which can then result in reductions to the MRP charge for future years.

9.3.3 An analysis of the projected General Fund MRP charge for 2024/25 over the different components is set out in the table below, which is consistent with the Project Brief on Accounting Treatment set out in section 6:

Table 14 – MRP Projections (General Fund)

Projected MRP Charge 2024/25		£m
Investment Plan	Supported Borrowing	3.104
	Unsupported Borrowing – Asset Life Method	5.587
Leases / PFI	Annuity Calculation	3.214
Loans to Trading Company	Annuity Calculation	0.008
Voluntary Provision	General Fund	0
Total Projected MRP Charge		**11.913**

9.4 Prudential Indicators

9.4.1 The Local Government Act 2003 requires authorities to comply with the 'CIPFA Prudential Code for Capital Finance in Local Authorities'. The Prudential Code requires authorities to develop a set of Prudential Indicators for capital as laid out in the Code. The proposed indicators for 2024-29 have been prepared using the current (2021) Code and are attached as Appendix D(iii).

10. 2024/25 Treasury Management

10.1 Background

10.1.1 The Authority is required to operate a balanced Budget, which broadly means that cash raised during the year will meet cash expenditure. A key part of the treasury management operation is to ensure that the cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Authority's low risk policy, providing adequate security and liquidity before considering investment return.

10.1.2 The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing needs of the Authority, essentially the longer-term cash flow planning to ensure that the Authority can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses.

10.1.3 The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or on larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available Budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of any sums invested, as a loss of principal will in effect result in a loss to the General Fund balance.

10.1.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities (arising usually from capital expenditure) and are separate from the day-to-day treasury management activities.

10.1.5 The Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that an organisation's treasury management policy statement adopts the following form of words to define the policies and objectives of its treasury management activities:

1 This organisation defines its treasury management activities as:
The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2 This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

3 This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

10.1.6 There are no policy changes to the Treasury Management Strategy Statement or Annual Investment Strategy which was last approved at Council on 16 February 2023 the latest Treasury Management Strategy Statement and Annual Investment Strategy have been included as Appendix C. The details in this report update the current Treasury position in the light of the updated economic position and budgetary changes already approved.

10.1.7 Since 1 April 2023 there have been two instances of a material exposure in excess of credit limits as per the Treasury Management Strategy Statement and Annual Investment Statement Credit Criteria. Both relating to unexpected income received after treasury activities for the day having been completed.

10.2 Treasury Management Reporting

10.2.1 In line with best practice, the Treasury Strategy including an Investment Strategy is considered as part of the Budget-setting process. The reporting framework covers the following key areas:

- **Annual Treasury Management Strategy**
  This outlines how investments and borrowings are to be organised, including treasury indicators (including Prudential indicators set out at Appendix B(iv)) and an investment strategy.

- **A Mid-Year Treasury Management Report**
  This will update Members as part of the Performance and Financial Management Report with the progress of the capital position, amending prudential indicators as necessary, and indicates whether the Authority is meeting the strategy or whether any policies require revision; and

- **An Annual Treasury Report**
  This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the Strategy.

10.3 Current Treasury Portfolio Position

10.3.1 The Authority's debt and investment position as at 31 December 2023 is set out in Table 15 below:

Table 15: Current Treasury Portfolio Position as at 31 December 2023

	Principal Outstanding	Average Rate
	£m	%
Fixed Rate Funding		
PWLB*	254.250	3.59
PWLB – (HRA Self-	128.193	3.49
Financing)	20.000	4.35
Market Loans	0.000	0.00
Temp Loans**	5.000	5.80
Total External Debt	**407.443**	
Less **Investments**		
(UK) DMO***	18.500	4.83
Other Local Authorities	5.000	4.00
Bank Deposits	4.258	5.09
Total Investments	**27.758**	
Net Position	**379.685**	

* Public Works Loan Board

** Loans from other local authorities

*** Debt Management Office

10.4 Prospects for Interest Rates

10.4.1 The Authority has appointed Link Asset Services as its external treasury advisor; part of their service is to assist the Authority to formulate a view on interest rates. Table 16 below sets out Link Asset Services' professional view of interest rates:

Table 16: Link Asset Services' forecast interest rates – 09 January 2024

LINK GROUP – JANUARY 2024

	End Q1 2024	End Q2 2024	End Q3 2024	End Q4 2024	End Q1 2025	End Q2 2025	End Q3 2025	End Q4 2025	End Q1 2026	End Q2 2026	End Q3 2026	End Q4 2026	End Q4 2026
Bank Rate	5.25%	5.25%	4.75%	4.25%	3.75%	3.25%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
5yr PWLB Rate	4.50%	4.40%	4.30%	4.20%	4.10%	4.00%	3.80%	3.70%	3.60%	3.60%	3.50%	3.50%	3.50%
10yr PWLB Rate	4.70%	4.50%	4.40%	4.30%	4.20%	4.10%	4.00%	3.90%	3.80%	3.70%	3.70%	3.70%	3.70%
25yr PWLB Rate	5.20%	5.10%	4.90%	4.80%	4.60%	4.40%	4.30%	4.20%	4.20%	4.10%	4.10%	4.10%	4.10%
50yr PWLB Rate	5.00%	4.90%	4.70%	4.60%	4.40%	4.20%	4.10%	4.00%	4.00%	3.90%	3.90%	3.90%	3.90%

10.5 Economic Update

10.5.1 The latest Monetary Policy Committee (MPC) on the 13th December 2023, sets out a view that short, medium, and long-dated interest rates will be elevated for some time, as the Bank of England try to reach their 2% inflation target, with a higher for longer narrative.

10.5.2 On 3 August 2023, Bank Base rate was raised to 5.25%, and held at 5.25% at the December meeting. This was the 3rd rate hold since consecutive hikes of Base rate since December 2021. Twelve-month Consumer Price Index (CPI) inflation rose by 3.9% in the 12 months to November 2023, down from 4.6% in October. The easing in the annual rate between October and November 2023 was a result of prices falling by 0.1%.

10.6 Non-Treasury Investments

10.6.1 The definition of an investment covers all the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit, for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations. The definition of an investment also covers loans made by a local authority to one of its wholly owned companies or associates, to a joint venture, or to a third party.

10.6.2 The Authority recognises that investments in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios. It is recognised that the risk appetite for these activities may differ from that for treasury management. The Authority maintains records of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.

10.6.3 At 31 March 2023, the Authority held the following investments on its balance sheet:

- Equity:

  Newcastle Airport Holding Company Ltd £9.825m (£9.825m 31/3/2022)
  North Tyneside Trading Company £12.424m (£10.508m 31/3/2022)
  LIFT Co £0m.

  The shares in Newcastle Airport are held primarily for economic regeneration. The cost of the original investment was £0.235m.
  The shares in North Tyneside Trading Company relate to two subsidiaries. The first, amounting to £10.424m, relates to investment in affordable homes in line with the Cabinet's priorities using section 106 funding. The second, amounting to £2.000m, relates to investment in Aurora Properties (Sale) Ltd for the provision of housing for sale on the open market.

- Loans:

  Sub ordinated debt – Dudley and Shiremoor Joint Service Centre (PFI Project) £0.160m (£0.160m 31/3/2021)
  Sub ordinated debt – Whitley Bay Joint Service Centre (PFI Project) £0.110m (£0.110m 31/3/2021)

10.6.4 The Authority's Investment Plan includes further planned investment in the Trading Company which includes a £12.5m long-term loan to fund the acquisition of additional affordable homes. Any dividends from the Trading Company over the MTFP period are not expected to be material.

10.6.5 There are currently no losses expected on any of the Authority's non-treasury investments or any indications that a loss may arise. However, this position is kept under constant review as market conditions are expected to remain very volatile.

11. Overview, Scrutiny Co-ordination and Finance Committee Recommendations

11.1 Summary

11.1.1 This section of the Annex considers the response required by Cabinet to recommendations made by the Overview, Scrutiny Co-ordination and Finance Committee (OSCFC) following its scrutiny and challenge of the 2024-2028 Financial Planning and Budget process.

11.1.2 The Budget Study sub-group met on 28 November, 5, 11 and 19 December 2023 and 15 January 2024 where Senior Officers presented information relating to Cabinet's Initial Budget Proposals.

11.1.3 In line with the statutory and constitutional requirements for preparing the annual budget the Budget Study sub-group is re-convening, along with members of OSCFC at an extraordinary meeting on 31 January 2024 to consider Cabinet's Final Budget Proposals.

11.1.4 Cabinet must formally respond to any recommendations made by OSCFC in considering its Final Budget Proposals. It is therefore proposed that Cabinet considers any recommendations in relation to the General Fund Budget, the 2024-2029 Investment Plan and the 2024/25 Treasury Management Statement and Annual Investment Strategy at its meeting on 5 February 2024.

11.2 Key Considerations

11.2.1 The sub-group agreed that the budget setting process was extremely challenging in light of the inflationary pressures, level of uncertainty and the timing of key information such as the Autumn Statement and Provisional Settlement.

11.2.2 The Budget Study Sub-group made the following observations and comments, for Cabinet to consider:

- Home to School Transport: whilst the need for change was acknowledged, the Budget Study Sub-group raised questions about whether the numbers of pupils affected by the proposed changes would deliver the required savings. It was recommended that Cabinet consider how the impact of the consultation on this topic would be monitored to ensure that the budget could be delivered as planned.

- Highways funding: whilst the additional funding included in the Investment Plan (£2m per annum) to supplement the Government grant was noted, there remained concerns about the condition of roads and pavements in the Borough in the context of the Authority's Highways Asset Management Plan (HAMP), so Cabinet were asked to consider future funding options.
- Rent rises: the Budget Study Sub-group noted that this could disproportionally affect those on Housing benefit, although officers highlighted the fact that a significant proportion of tenants receive housing benefit/universal credit support with their rent and that the £3m fund, established in the 2023/24 budget setting process, continues to support vulnerable tenants.
- Food Waste Collection funding: the Budget Study Sub-group noted the lack of firm figures from government, alongside the expectation of being fully funded, meant that any potential pressures could not accurately be gauged. This should continue to be an area of focus for Cabinet as additional information becomes available.
- Garden Waste collection: additional information on the assumptions used was requested. The Budget Study Sub-group noted the inherent uncertainty in forecasting take-up levels from residents and requested that in future years, information was provided to them in more granular detail to allow full scrutiny of the proposals. This level of detail should be provided for all Projects in future years.
- Future council tax support: it was noted that a year 3 proposal to remove the additional £1.520m council tax support was included. Whilst that proposal will be considered as part of the 2026/27 budget proposals, the Sub-group highlighted that the current budget process should not be taken as explicit agreement of this recommendation now.
- In view of the uncertainty of local government finance and the ongoing demands on children's services, that Cabinet be requested to consider introducing enhanced budget monitoring for 2024/25 to include in depth monitoring of the 13 Project Plans.

12. Provisional Statement to Council by the Chief Finance Officer

12.1 Background

12.1.1 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, Elected 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.

12.1.2 The Government has the power to impose a minimum level of reserves on any authority that it considers is making inadequate provisions.

12.1.3 In making the statement, the Chief Finance Officer necessarily places reliance on information provided to him by other officers of the Authority as part of the Financial Planning and Budget process. Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) in relation to the adequacy of reserves and balances will also be taken into account.

12.1.4 The intention is to make a full Statement as part of the report to the Council meeting on 15 February 2024, when all outstanding information should be available.

12.1.5 The 2024/25 Budget needs to be prepared with reference to the Financial Management Code (the FM Code) published by CIPFA. The FM Code provides guidance about the principles of good and sustainable financial management and requires authorities to demonstrate that processes are in place which satisfy these principles. It identifies risks to financial sustainability and sets out details of a framework of assurance which reflects existing successful practices across the sector. In addition, the Code establishes explicit standards of financial management and highlights that compliance with these is the collective responsibility of Elected Members, the Chief Finance Officer and the wider Senior Leadership Team.

12.2 Robustness of Estimates

12.2.1 In assessing the robustness of estimates, the Chief Finance Officer has considered the following issues:

- The general financial standing of the Authority;
- The underlying Budget assumptions from the Financial Strategy;
- Future Budget pressures and growth proposals, including the impact of prudential borrowing for the 2024-2029 capital Investment Plan;
- The adequacy of the budget monitoring and financial reporting arrangements in place;
- The adequacy of the Authority’s internal control systems, relying on the Assurance Statements provided as part of the Annual Governance Statement for the 2022/23 Statement of Accounts; and
- The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Authority.

12.2.2 Future pressures need to be considered and the Authority should not take decisions on 2024/25 in isolation to future years’ needs and pressures. Each year’s Budget must continue to be considered within the context of the 4-year MTFP, the 5-year Investment Plan, the Financial Strategy and the wider economic position prevailing.

12.3 Capital Investment Strategy

12.3.1 In line with the Prudential Code’s’ requirement, the Chief Finance Officer should report explicitly on the ‘deliverability, affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions’. All projects within the 2024-2029 Investment Plan follow the full gateway and governance procedure prior to inclusion on the Plan which ensures the deliverability, affordability and risk associated with each decision is fully understood prior to any decisions being made.

12.3.2 In terms of the overall investment position of the Authority, as set out above, a Capital Investment Strategy has been developed to help support the delivery of planned capital investment and ensure that the investment programme builds on previous success, with a strong focus on delivery of the Council Plan outcomes.

12.4 Adequacy of Financial Reserves

12.4.1 The level of un-ringfenced reserves remains of concern in this ongoing period of uncertainty. This year’s Performance and Financial Management reports to

Cabinet have highlighted areas of on-going financial pressure following several years of funding reductions, increased demand and uncertainty.

12.4.2 Since the development of the 2023/24 Budget and MTFP in February 2023, several further significant risks have emerged that are impacting on the 2023/24 budget position, as well as increasing the pressure identified for 2024/25.

12.4.3 The Authority bought forward General Fund reserves' balances of £59.596m into 2023/24, based on the latest forecast of planned usage, it is anticipated £18.271m will be drawn down in 2023/24 to support service delivery. This would result in a 2024/25 balance bought forward for reserves of £41.325m.

12.4.4 The planned usage does not incorporate the potential requirement of the Strategic Reserve to support the 2023/24 revenue budget pressure being forecast of £8.622m, as reported to Cabinet on 22 January 2024 in the Performance and Financial Management report.

12.4.5 The replenishment of the Strategic Reserve to its planned level of £10.000m over the medium term remains a key priority of the Financial Strategy and the MTFP.

12.4.6 Within the HRA, the Budget proposals ensure that a minimum of £2.500m is retained in HRA revenue balances each financial year to provide an element of contingency and financial stability.

12.4.7 Table 17 below shows the reserves as at the 31 March 2023 and the projected reserve levels over the period of the Financial Plan:

Table 17: Reserves and Balances as at 31 March 2023 and from 2023/24-2027/28

Reserves and balances	Opening Bal.	Projected Closing Balances				
	2023/24 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s	2027/28 £000s
Reserves						
General Fund ringfenced	36.380	26.208	24.772	23.361	22.425	22.869
General Fund unringfenced	10.277	6.477	6.477	6.477	6.477	6.477
General Fund grants	12.939	8.639	8.378	8.162	8.082	8.002
HRA (Inc Major Repairs Reserve)	24.813	20.929	18.401	18.447	16.826	16.266
Reserves Sub Total	**84.409**	**62.254**	**58.029**	**56.447**	**53.811**	**53.615**
Balances						
General Fund Balances	7.000	7.000	7.000	7.000	7.000	7.000
School Balances	(0.382)	(1.882)	(3.382)	(3.382)	(3.382)	(3.382)
Housing Revenue Account Balances	3.314	3.002	2.839	2.901	2.800	2.902
Balances Sub Total	**9.932**	**8.120**	**6.457**	**6.519**	**6.418**	**6.520**
Grand Total Reserves and Balances	**94.341**	**70.374**	**64.486**	**62.966**	**60.229**	**60.135**

13. Overall Financial Risk Assessment

13.1 Financial risks are driven by changes to Government policy and the national financial climate, issues arising throughout the year and reported as part of the financial management reporting process and those risks highlighted as part of the Authority's risk management procedures and monitored through the Authority's risk registers. As part of the monitoring process the Authority's Corporate Risk Register is monitored twice yearly by Cabinet.

13.2 Key Financial Risks

13.2.1 The key financial risks for the Authority (including the HRA), which have been considered as part of the Financial Planning and Budget process, are set out in the table below along with mitigating actions:

Table 18: Key Financial Risks and mitigating actions

Potential Risk	Initial Response
Long Term Financial Impact of COVID and the cost-of-living crisis: There is a risk that there may be long term impact on the ongoing income from Council Tax and business rates	Revenue monitoring to understand affected services and areas; Close monitoring of income levels compared to budget and regional/national comparators.
There is a risk of being unable to set a balanced budget for 2024/25 and over the period of the MTFP.	Managed during the budget setting for 2024/25 and robust budget challenge.
The significant impacts of the "cost of living" crisis, exceptional inflationary pressures and the wider impact of the global economy have the potential to drive additional budget pressures beyond those assumed in the MTFP.	Close monitoring of this position during 2023/24 and future years will be required to ensure the MTFP reflects any ongoing pressure and the impact assessment of the current economic situation.
Ongoing uncertainty around local government and wider public sector finances	The Authority will continue to take part in consultations on any funding reforms and will continue to lobby the Government for additional funding where necessary.
There is a risk that the levels of savings and income the Authority has	A robust challenge process will take place to ensure proposals can be

included in the Budget proposals are not fully deliverable.	delivered. All savings and income will be monitored throughout the year to identify any areas which are not delivering savings as planned so corrective action can be taken.
There is a risk that if the planned activity to manage the MTFP is not successfully implemented the Authority may be unable to deliver improved services and meet the increased demand for services within reducing resources.	Monthly Updates to the Senior Leadership Team are provided as part of the in-year performance and financial management process, which feed into bi-monthly Cabinet and OSC&FC reports.
There is a risk that the assumptions that have been made based on the provisional settlement up to and including 2027/28 may be wrong, resulting in changes to the current targeted savings for the General fund and for the HRA, which will be considered by Cabinet in January 2024.	Through a robust approach to financial management the Authority is in a position to respond to determine actions necessary if the assumptions that have been made prove to be incorrect. The Authority works closely with national, regional and sub-regional financial networks to help ensure that the Authority is informed and aware of any national developments. Being involved in the consultation process enables any issues or concerns specific to NTC to be highlighted before final decisions are made.
There is a risk that not all growth pressures have been identified in the 2024/25 proposed Budget.	Detailed proposals have been put forward by each Director of Service and challenged by the Senior Leadership Team, Cabinet Members and the Elected Mayor.
There is a risk that demand - led pressures exceed Budget provision.	Demand-led pressures continue in areas such as adults' and children's social care and the impact of the Living Wage on our care providers (and the price for services the Authority then has to pay) have been

	taken into consideration as part of these initial Budget proposals.
There is a risk that the in-year pressures being reported through the 2023/24 performance and finance monitoring impact on the deliverability of the 2024/25 budget.	As at 30 November 2023, a pressure of £8.622m was reported against the 2023/24 Budget. The 2024/25 proposals take into account known pressures and unachieved savings identified in the 2023/24 monitoring.
There is a risk that there are insufficient levels of reserves and balances.	A full review of reserves and balances is undertaken on a regular basis as part of both the in-year monitoring and planning processes.
There is a risk that the Authority will be unable to protect its housing assets and services to tenants as a consequence of reduced income to the HRA.	The budget-setting process incorporates a review of the HRA Business Plan to reflect known changes. The cost and quantity of work within the 30-year Investment Plan is revised annually to help mitigate the impact of changes. In addition, the Financial Inclusion Strategy sets out how the Authority and its partners will support its residents to better manage their finances and maximise their income. The HRA budget includes proposal to increase support to tenants in managing their ability to sustain their tenancies. The Authority has representation on the DLUHC and CIPFA HRA working groups. This enables specific issues to be raised and allows the Authority to comment and influence change on HRA regulation
There is a risk that there may be a significant financial impact on school resources if the number of schools requesting deficit continues to rise at its current rate.	The school deficit has been identified as a priority for the Authority, headteachers and governing bodies. A programme of work has been identified, working with schools to

This risk is currently driven in part by the number of surplus places at secondary schools.	improve the schools deficit position, as set to Cabinet in September 2023 in the Ambition for Education report.
There is a risk that the Authority may be unsuccessful in securing additional support from the ESFA to mitigate the pressures and current deficit position within the DSG	Internal Governance processes are in place to ensure close monitoring of the agreed Safety Valve/DSG Management Plan. Schools Forum is kept up to date with all plans that are included within the DSG Management Plan.
There is a risk that the DSG Deficit Statutory override will come to an end in 2025/26 leaving the Authority with a significant risk to its reserves if the level of deficit needs to be covered by General Fund Reserves	The Authority will continue to submit responses to consultations with the DfE and CIPFA highlight the significant risk this would be to financial sustainability for the sector.
There are an increasing number of councils facing equal pay claims, which could increase the likelihood of similar approaches to the Authority.	The national picture is being monitored closely and the Authority will continue to work with Trades Union colleagues to ensure that all parties understand the latest position and the potential impact in North Tyneside.

Our North Tyneside Plan

2021 TO 2025 | BUILDING A BETTER NORTH TYNESIDE

THE OUR NORTH TYNESIDE COUNCIL PLAN OUTLINES A VISION OF BUILDING A BETTER NORTH TYNESIDE LOOKING TO THE FUTURE; AND LISTENING TO AND WORKING BETTER FOR RESIDENTS.

The plan features five themes that reflect your priorities aimed at creating a North Tyneside that is **thriving**, **family-friendly**, **caring**, **secure** and **green**. Each of these five themes has a clear set of policy priorities.

Through this plan we will build on our excellent track record of delivery over the past eight years and address the key challenges we now face as a result of the COVID-19 pandemic.

It is a plan to build a better North Tyneside and to restore hope and confidence in the future where we tackle inequalities and discrimination and ensure that no-one is left behind.

It is a plan for a thriving North Tyneside – with regeneration across the whole of the borough, more good quality jobs, apprenticeships and access to skills training, support for businesses and keeping our libraries and leisure centres open as part of a vibrant cultural offer.

It is a plan for a family-friendly North Tyneside – with high-quality education, outstanding children's services and making sure our kids have the very best start in life.

We will also be making sure we are a caring North Tyneside – with great care to everyone who needs it and support for our brilliant local community groups and the essential work they do.

It is a plan for a secure North Tyneside – tackling anti-social behaviour, investing in our roads and pavements, providing affordable homes and tackling food poverty.

And we look ahead to the very longer term – to protect our borough for generations long into the future with a green North Tyneside – increasing what can be recycled, cracking down on littering, improving ways for safe walking and cycling and planning how to make North Tyneside carbon net-zero by 2030.

This is our plan for North Tyneside but we know the council cannot deliver it all on its own. We work in partnership with our residents, our businesses, our community and voluntary sector and other key organisations such as the NHS, the police, fire and rescue services.

Norma Redfearn.

Norma Redfearn CBE, Elected Mayor

North Tyneside Council

Our North Tyneside Plan

2021 TO 2025

BUILDING A BETTER NORTH TYNESIDE

A **thriving** North Tyneside

- We will regenerate the high streets of North Shields and Wallsend, and in addition to the Master Plan for North Shields, we will bring forward Master Plans for Wallsend and Whitley Bay town centre areas. We will also bring investment and improvements to the North West area of the borough and ensure that regeneration delivers ambition, opportunity and benefits for all of our residents;
- We will bring more good quality jobs to North Tyneside – by helping local businesses to grow and making it attractive for new businesses to set up or relocate in the borough
- We will invest in adult education and to support apprenticeships to make sure people have the right skills for the job
- We will keep our libraries and leisure centres open as part of a vibrant range of cultural and sporting activities to support the health and wellbeing of our residents;
- We will continue to be the destination of choice for visitors through the promotion of North Tyneside's award-winning parks, beaches, festivals and seasonal activities
- We will reduce the number of derelict properties across the borough
- We will review how the council purchases and contracts for goods and services to maximise value for money, social value and environmental sustainability

A **secure** North Tyneside

- Council wardens will work in partnership with Northumbria Police to prevent and tackle all forms of antisocial behaviour;
- We will continue to invest £2m per year in fixing our roads and pavements
- We will maintain the Council Tax support scheme that cuts bills for thousands of households across North Tyneside
- We will tackle health and socio-economic inequalities across the borough including through our Poverty Intervention Fund to tackle food poverty; and
- We will provide 5000 affordable homes

A **family-friendly** North Tyneside

- We will support local schools, making sure all children have access to a high-quality education with opportunities to catch up where needed after the pandemic
- We will provide outstanding children's services, events and facilities so North Tyneside is a great place for family life
- We will ensure all children are ready for school including through poverty proofing the school day – giving our kids the best start in life

A **caring** North Tyneside

- We will provide great care to all who need it, with extra support available all the way through to the end of the pandemic
- We will work with the care provision sector to improve the working conditions of care workers;
- People will be cared for, protected and supported if they become vulnerable, including if they become homeless
- We will support local community groups and the essential work they do
- We will work to reduce inequality, eliminate discrimination and ensure the social rights of the people of North Tyneside are key to council decision making

A **green** North Tyneside

- We will keep increasing the amount of waste that can be recycled and introduce food waste collections and deposit return schemes
- Council environmental hit squads will crack down on littering
- We will secure funding to help low income households to install low-carbon heating;
- We will increase opportunities for safe walking and cycling, including providing a segregated cycleway at the coast
- We will publish an action plan of the steps we will take and the national investment we will seek to make North Tyneside carbon net-zero by 2030

www.northtyneside.gov.uk

NTCouncilTeam

Appendix B (i)

2024-2028 - General Fund Medium-Term Financial Plan

General Fund Budget	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
General Fund Base Budget	182.458	189.292	194.934	197.496
Legislative / regulatory changes	0.101	0.111	(1.339)	0.101
Inflationary changes (pay and prices)				
- Pay award (Incl. pension)	3.414	2.055	7.843	2.138
- Energy Inflation	(1.721)	0.000	0.000	0.000
- Contractual Inflation	1.008	(0.137)	(0.084)	0.000
- Levies & Precepts	0.499	0.412	0.424	0.436
Commercial Pressures				
- Care Market	3.028	1.604	1.604	1.604
Corporate Pressures				
- Investment & cost of borrowing	(2.580)	2.630	0.924	0.674
- Corporate changes	2.857	4.288	(0.346)	(1.500)
MTFP Projects				
- PR01 – External Partnerships	0.000	0.000	0.000	1.020
- PR02 – Buildings & Asset Management	0.000	0.500	0.000	(0.250)
- PR03 – Public Sector Reform	0.000	0.000	0.000	0.000
- PR04 – Inclusive Education / SEND	1.291	0.000	0.000	0.000
- PR05 – Ambition for Education	0.151	0.000	0.000	0.000
- PR06 – Home to School Transport	1.500	0.000	0.000	0.000
- PR07 – Handling Childrens Finance	5.452	0.384	0.546	1.188
- PR08 – Climate & Waste	(0.700)	(0.111)	(0.023)	0.230
- PR09 – Great Landlord & Specialist Housing	(0.220)	0.070	(0.600)	(0.100)
- PR10 – Health & Social Care (Adults)	3.424	3.156	4.131	5.356
- PR11 – Financial Management	0.040	0.565	1.000	1.268
- PR12 – People & Workforce	0.000	0.000	0.000	0.000
- PR13 – Services to Schools	1.063	(0.214)	(0.230)	(0.247)
Total Net Growth / Pressures / Savings	**18.607**	**15.313**	**13.850**	**11.918**
Spend Requirement	**201.065**	**204.605**	**208.784**	**209.414**
Estimated Base Budget Carry Forward	(182.267)	(194.934)	(197.496)	(198.908)
Gap Before Settlement and Resources	**18.798**	**9.671**	**11.288**	**10.506**

Appendix B (i)

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
<u>Provisional Settlement 2024/25</u>				
New Homes Bonus	(0.036)	0.663	0.000	0.000
Fall Out of Services Grant	1.636	0.000	0.307	0.000
Increase to Social Care Grant for 2023/24	(3.122)	(2.286)	22.413	0.000
ASC Market Sustainability	(1.216)	0.000	2.934	0.000
ASC Market Sustainability – Workforce Fund	(0.881)	0.000	0.881	0.000
Ringfenced Discharge Support Grant	(0.895)	0.000	2.238	0.000
Improved Better Care Fund	0.000	0.000	9.579	0.000
Social Care Charging Reform Grant	0.000	0.000	0.696	0.000
Social Care Grants (New Adult Relative Needs Formulae Distribution)	0.000	0.000	(40.199)	(2.177)
Damping	0.000	0.000	3.877	2.321
Business Rates Multiplier Uplift	(1.301)	0.000	0.000	0.000
Council Tax Support Fund – Income	0.427	0.000	0.000	0.000
Council Tax Support Fund – Expenditure	(0.427)	0.000	0.000	0.000
RSG Movement	0.103	0.000	0.000	0.000
Business Rates Top-Up Movement	0.580	0.000	0.000	0.000
NNDR Cost of Collection	(0.002)	0.000	0.000	0.000
Total Change – Provisional Settlement	**(5.134)**	**(1.623)**	**2.726**	**0.144**
2.99% Council Tax	(3.568)	0.000	0.000	0.000
2% ASC	(2.387)	0.000	0.000	0.000
Increase in Council Tax Base	(2.831)	0.000	0.000	0.000
Collection Fund (CTax & NNDR) Changes	(4.878)	0.000	0.000	0.000
Total Change to Resources	**(13.664)**	**0.000**	**0.000**	**0.000**
Revised Gap	**0.000**	**8.048**	**14.014**	**10.650**
Cumulative Gap		**8.048**	**22.062**	**32.712**

2024-2028 - General Fund Budget Assumptions

Description (Amount)	Legislative/Regulatory related changes (£0.101m in 2024/25)
How have the above amounts been calculated?	The value in 2024/25 represents the reduction in the grant - Housing Benefit Admin Subsidy £0.101m.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Changes to Central Government external funding of grants or changes in regulations
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	Changes to Central Government funding and/or regulations
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the Budget that can absorb these pressures.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Authority will overspend its budget.

Description (Amount)	Pay award (£3.414m in 2024/25)
How have the above amounts been calculated?	The annual pay award, £3.414m, calculation is based on an award of 3.5% per employee (including salary, employer's national insurance, and employer's pension contributions).
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Annual pay award agreed by employers
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Impact of the 2023/24 award and assumption of a smaller % increase (3.5%) in 2024/25
Does the activity causing the cost pressure need to continue?	Yes, staff are involved in delivering a range of statutory and discretionary services, which are being reviewed as part of the budget setting process for 2024/25.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the Budget that can absorb this pressure.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Authority will overspend its budget.

Description (Amount)	Levies & Precepts (£0.499m in 2024/25)
How have the above amounts been calculated?	This cost pressure is based on increases in the levies & precepts for 2024/25 based on higher a property base & government direction
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Increase in the Council property base and government direction
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	Yes, precept levels are based on the taxable property base and government direction
Is there scope to fund this cost pressure from existing resources?	n/a
More generally, what is the impact of not agreeing funding for the cost pressure?	n/a

Description (Amount)	Energy Inflation (-£1.721m in 2023/24)
How have the above amounts been calculated?	Funding set aside in 2023/24 can be released with inflation rates reducing into 2024/25 suggesting the impact on the cost of energy for the Authority in 2024/25 will be lower.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Inflation on payments to providers
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Cost change is based on likely increases in rates with providers and has been calculated using rates provided by NEPO.
Does the activity causing the cost change need to continue?	Yes, energy required across the Authority's estate.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the Budget that can absorb this pressure.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Authority will overspend its budget.

Description (Amount)	Contractual (£1.008m in 2024/2025)
How have the above amounts been calculated?	The figures for the 2024/25 figure are based on the price increases set to be incurred in areas such as, External Audit Fees, Coroners Service and Workforce Development
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Price increases as a result of external market forces.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	Yes – the Authority is obligated to source disposal of the waste it collects from households.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the Budget that can absorb this pressure.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Authority will overspend its budget.

Description (Amount)	Care Market (£3.028m in 2024/25)
How have the above amounts been calculated?	This growth requirement is expected to be needed in 2024/25 onwards and is based on estimated client population growth along with known growth pressures for 2024/25 – relating to the Residential Care Market.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Increasing adult population (18+) with complex needs.
If the cost pressure is due to increased demand, what evidence exists to support this?	Future population projections and review of those clients or potential currently known to Adult Services.
What, if anything, can be done to mitigate the cost pressure?	Any savings from the services were set out in separate budget proposals.
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	Yes, activity is based on assessed need and is therefore a statutory duty.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the Budget that can absorb this pressure.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Authority will overspend its budget.

Appendix B (i)

Description (Amount)	Investment Cost of Borrowing (£-2.580m in 2024/25)
How have the above amounts been calculated?	Continued benefits from the Authority's Treasury Management Strategy and the application of the flexible use of capital receipts
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Interest costs to finance capital & revenue budgets.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	n/a
Is there scope to fund this cost pressure from existing resources?	n/a
More generally, what is the impact of not agreeing funding for the cost pressure?	n/a

Description (Amount)	Corporate changes (£2.849m in 2024/25)
How have the above amounts been calculated?	These are the adjustments required to cover the impact of other pressures coming from the Cultural Strategy, Environmental Estates Strategy, general inflationary pressures across the Authority and the replenishment of the Strategic Reserve.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	These are corporate changes required due to fall out of funding, increased costs pressures and the potential impact that risks crystalise and impact the position in 2024/25.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	n/a
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the Budget that can absorb this pressure.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Authority will overspend its budget.

Description (Amount)	Provisional Settlement changes (- £5.134m in 2024/25)
How have the above amounts been calculated?	Based on the Provisional Local Government Finance Settlement announced on 18 December 2023
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	This is not a cost pressure; it is a mixture of additional income or the reduction of income following grants falling out or being combined with other grants that forms part of the Provisional Settlement. The detailed breakdown is included in table 4 of the Cabinet cover report.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	n/a
Is there scope to fund this cost pressure from existing resources?	This is not a cost pressure it is income that forms part of the Provisional Settlement.
More generally, what is the impact of not agreeing funding for the cost pressure?	This is not a cost pressure it is income that forms part of the Provisional Settlement.

Description (Amount)	Resources changes (-£13.664m in 2024/25)
How have the above amounts been calculated?	Additional increases in the rate of Council Tax and Adult Social Care precept following announcements made in the Autumn Statement on 22 November 2023 and confirmed as the Government's expectations for Authorities in the Provisional Local Government Finance Settlement announced on 18 December 2023. Additional income generated following the completion of the Collection Fund budget for 2024/25.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	This is not a cost pressure; it is a mixture of additional income through Council Tax increases and resources following the completion of the Council Tax base estimate and the NNDR1 for 2024/25.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	n/a
Is there scope to fund this cost pressure from existing resources?	This is not a cost pressure it is income that forms part of the Provisional Settlement and Collection Fund.
More generally, what is the impact of not agreeing funding for the cost pressure?	This is not a cost pressure it is income that forms part of the Provisional Settlement and Collection Fund.

Project Summaries

Appendix B (ii)

Medium Term Financial Plan

January 2024

North Tyneside Council

Overview of this appendix

For each Project included in the MTFP, this appendix summarises the proposed approach on a consistent format setting out the following:

- **Issue** – an overview of the issue or challenge that the Project is aiming to address.

- **Solution** – an overview of the proposed action(s) to be taken to address the issue, driving service improvements, addressing growth requirements and/or identifying savings.

- **Financial impact** – includes both a summary statement of the key aspects of the financials related to the Project, together with a table summarising this in more detail. The financial impact includes both the growth/pressures arising from the Project, for example increased demand or cost of services based on current forecasts, as well as savings or additional income that is forecast to be delivered.

It should be noted that these Projects are not static and will continue to be developed during the current budget planning processes and into the medium-term. In particular, for years 2-4 of the MTFP, it is expected that further savings or income will be forthcoming, but as these cannot be forecast with certainty at this stage, they are not yet included. As the MTFP is developed, these financial improvements will allow the residual financial gap in the MTFP to be addressed.

P01 External Partnerships

Issue

Our two major partnership contracts (Equans and Capita) will expire in 2027.

Solution

Manage our contracts to make sure they represent good value for money and we are ready when they expire in 2027.

Financial Impact

Projected costs of c.£1.4m in 2027 relating to services delivered by Capita if no action is taken.

Savings of £0.4m are projected in 2027 relating to the services currently delivered by Equans.

		2024/25	2025/26	2026/27	2027/28
		£m	£m	£m	£m
Growth	**Capita**				
	Planning	0.000	0.000	0.000	0.305
	Engineering	0.000	0.000	0.000	0.655
	Property	0.000	0.000	0.000	0.460
	Equans				
	Revenues & Benefits	0.000	0.000	0.000	0.000
	Customer Services	0.000	0.000	0.000	0.000
	Savings on Contracts	0.000	0.000	0.000	(0.400)
	Total Growth	**0.000**	**0.000**	**0.000**	**1.020**
Savings	**Total Savings**	**0.000**	**0.000**	**0.000**	**0.000**
	Net Growth / (Savings)	**0.000**	**0.000**	**0.000**	**1.020**

P02 Buildings & Asset Management

Issue

We have a large estate which costs us more than the current budget to repair and maintain.

Solution

Assess whether we can make better use of our buildings, whether we need them all and if we can generate savings and capital receipts by selling assets we no longer need.

Financial Impact

Potential pressure of £0.5m p.a. based on existing performance and investment plans.

		2024/25	2025/26	2026/27	2027/28
		£m	£m	£m	£m
Growth	Repairs & Maintenance	0.500	0.500	0.000	0.000
	Total Growth	**0.500**	**0.500**	**0.000**	**0.000**
Savings	Use of Capital Receipts	(0.500)	0.000	0.000	0.000
	Additional Rental Income	0.000	0.000	0.000	(0.250)
	Total Savings	**(0.500)**	**0.000**	**0.000**	**(0.250)**
	Net Growth / (Savings)	**0.000**	**0.500**	**0.000**	**(0.250)**

P03 Public Sector Reform

Issue

The public sector is evolving, with local devolution and national policy changes. We need to respond to change and opportunity, to ensure long-term sustainability of services and achieve better outcomes.

Solution

Work differently, including improvements to our digital and customer service, manage demand and be in a proactive position for any new funding opportunities in line with ONTP priorities.

Financial Impact

The workstream will re-focus existing resources to ensure we are well placed to respond to external funding opportunities.

		2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Growth	Total Growth	0.000	0.000	0.000	0.000
Savings		0.000	0.000	0.000	0.000
	Total Savings	0.000	0.000	0.000	0.000
	Net Growth / (Savings)	0.000	0.000	0.000	0.000

P04 Inclusive Education / SEND

Issue

Despite securing £19.5m of funding, there are still pressures facing the General Fund given high numbers of Education Help and Care Plans (EHCP) and the rising cost of SEND provision.

Solution

Create a system that effectively meets need, whilst being more cost effective and managing demand.

Financial Impact

General fund base budget of £1.3m required.

Savings to the DSG of £4.9m over MTFP (£1.4m in 2024/25).

Funding of £9.8m over MTFP (£1.9m in 2024/25) if targets are met.

		2024/25	2025/26	2026/27	2027/28
		£m	£m	£m	£m
Growth	SV Programme Management	0.187	0.000	0.000	0.000
	Commissioned Services Review	0.083	0.000	0.000	0.000
	ARP Review & Whole School Audit	0.105	0.000	0.000	0.000
	Preparation for Adulthood Team	0.218	0.000	0.000	0.000
	Early Years Hub	0.490	0.000	0.000	0.000
	SEND Service	0.208	0.000	0.000	0.000
	Total Growth	**1.291**	**0.000**	**0.000**	**0.000**
		£m	£m	£m	£m
Savings	Preparation For Adulthood	(0.173)	(0.208)	(0.165)	(0.164)
	ARP Review	(0.342)	(0.386)	(0.280)	0.280)
	Early Years Assessments	(0.305)	(0.305)	(0.305)	(0.305)
	MH Support in Schools	(0.305)	(0.305)	(0.305)	(0.305)
	Commissioned Services & Other	(0.277)	(0.014)	(0.012)	(0.008)
	High Needs Block Savings	**(1.402)**	**(1.205)**	**(1.137)**	**(1.182)**
	DSG Safety Valve Funding	**(1.950)**	**(1.950)**	**(1.950)**	**(3.900)**
	Net General Fund Growth	**1.291**	**0.000**	**0.000**	**0.000**

P05 Ambition For Education

Issue

There are increasing levels of maintained school deficits. Without action, there is a risk we would need to absorb this debt, which is currently in excess of £13m.

Solution

Systematically review our education system across North Tyneside so that it supports educational and financial stability.

Financial Impact

Additional funding is needed (£0.15m) for staff to drive the agreed actions and mitigate the potential significant financial risk to the General Fund.

		2024/25	2025/26	2026/27	2027/28
		£m	£m	£m	£m
Growth	Project Team	0.151	0.000	0.000	0.000
	Total Growth	**0.151**	**0.000**	**0.000**	**0.000**

P06 Home To School Transport

Issue

Increase in numbers using service, directly linked to high numbers of EHCP, and rising delivery costs.

Solution

Proposing policy changes to ensure we meet need at a statutory level.

Financial Impact

With a current budget pressure of £3m, there is a need for short-term growth to help deliver longer-term savings (potential for £1.6m over MTFP).

	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)
Growth	1.500	0.000	0.000	0.000
Savings				
Consider Post 16 Arrangements	(0.046)	(0.004)	(0.003)	0.000
Review denominational bus passes	0.000	(0.032)	(0.023)	0.000
Review Statutory eligibility Special Schools	0.000	(0.058)	(0.042)	0.000
2 X Independent Travel Trainers	(0.083)	(0.110)	(0.110)	(0.110)
Revised Travel arrangements PRU	(0.046)	0.000	0.000	0.000
School Operated Option	(0.096)	0.000	0.000	0.000
Review of 2/3 mile criteria ARPs at mainstream schools	(0.043)	(0.043)	(0.043)	(0.043)
Offer bus permits instead of taxis (SEND)	(0.061)	(0.062)	(0.061)	(0.062)
Increase no. PTB'S	(0.047)	(0.047)	(0.047)	(0.047)
Impact of DSG Management Plan	(0.029)	(0.148)	0.000	(0.063)
Total Savings	**(0.451)**	**(0.504)**	**(0.329)**	**(0.325)**
Net Growth / (Savings)	**1.049**	**(0.504)**	**(0.329)**	**(0.325)**

P07 Handling Childrens Finance

Issue

Increase in both volume and complexity of needs compared to pre-pandemic creating budgetary pressures. Cost of external provision is rising significantly.

Solution

Expanding the system to meet the expected need and complexity, by having the right size team, placement mix and focussing on future sustainability.

Financial Impact

£10m of additional growth pressures over MTFP (£6.4m in 2024/25).

Potential to deliver savings of £2.5m over MTFP (£1m in 2024/25).

		2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Growth	External Inflation	1.493	1.055	1.097	1.141
	Children with Disabilities	0.500	0.000	0.000	0.000
	In-house Residential	0.500	0.000	0.000	0.000
	Children in Care (Growth)	2.688	0.176	0.138	0.047
	CwD Inhouse Respite	0.852	0.000	0.000	0.000
	Adoption & SGO's	0.400	0.000	0.000	0.000
	Total Growth	**6.433**	**1.231**	**1.235**	**1.188**
Savings	External Residential	(0.451)	(0.227)	(0.454)	0.000
	In-house Residential	(0.250)	(0.250)	0.000	0.000
	External Fostering	(0.090)	(0.090)	(0.045)	0.000
	External Supported Acc.	(0.190)	(0.280)	(0.190)	0.000
	Savings	**(0.981)**	**(0.847)**	**(0.689)**	**0.000**
Net Growth (Savings)		**5.452**	**0.384**	**0.546**	**1.188**

P08 Climate and Waste

Issue

Inflation, housing growth and sustainable waste management commitments, including the new government policy on food waste, are increasing our contracts cost and creating additional pressure during the MTFP.

Solution

Prepare for the new waste policy. Continue to work with residents on behavioural change to reduce waste and increase recycling. Introduce garden waste charges, in line with LA7, but at the lowest level.

Financial Impact

Growth of £3.8m over the MTFP, partly offset by expected Government funding.

Savings of £0.7m in 2024/25, including £0.6m from garden waste.

		2024/25	2025/26	2026/27	2027/28
		£m	£m	£m	£m
Growth	Waste Contracts	0.000	0.144	0.000	0.252
	Food Waste Collections – Implementation (Cap)	0.000	2.140	0.000	0.000
	Food Waste Collections – Implementation (Rev)	0.000	0.274	0.956	0.025
	Street Lighting PFI	0.000	0.000	0.120	0.100
	Total Growth	**0.000**	**2.558**	**1.076**	**0.377**
Savings	Food Waste – New Burdens	0.000	(1.274)	(0.956)	(0.025)
	EPR – New Income Stream	0.000	(0.100)	0.000	0.000
	Garden Waste	(0.600)	(0.075)	(0.063)	(0.042)
	Environmental Fees	(0.100)	(0.080)	(0.080)	(0.080)
	Total Savings	**(0.700)**	**(1.529)**	**(1.099)**	**(0.147)**
	Net Growth / (Savings)	**(0.700)**	**1.029**	**(0.023)**	**0.230**
	Net Growth (General Fund)	(0.700)	(0.111)	(0.023)	0.230
	Net Growth (Capital)	0.000	1.140	0.000	0.000

P09 Great Landlord & Specialist Housing

Issue

Specialist housing need is causing financial pressure (homelessness, bed and breakfast and children's residential homes).

Solution

Develop alternative delivery models, including a new extra care scheme, and exploring opportunities for the HRA & Trading Company to support our objectives.

Financial Impact

Limited growth required but potential for £1.2m savings over MTFP (£0.3m in 2024/25).

		2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Growth	Project Delivery	0.050	0.000	0.000	0.000
	Total Growth	**0.050**	**0.000**	**0.000**	**0.000**
Savings	No use of B&B	(0.170)	0.170	0.000	0.000
	New extra care (40 beds)	0.000	0.000	(0.500)	0.000
	UASC Accommodation	(0.100)	(0.100)	(0.100)	(0.100)
	Other new specialist accommodation	0.000	0.000	0.000	0.000
	Total Savings	**(0.270)**	**0.070**	**(0.600)**	**(0.100)**
	Net Growth / (Savings)	**(0.220)**	**0.070**	**(0.600)**	**(0.100)**

P10 Health & Social Care

Issue

Increase in both demand and complexity as well as significant inflationary pressures and recruitment challenges within the sector.

Solution

Review of discharge pathways, client contributions and developing market capacity to appropriately meet need and regular review of packages to ensure compliance with Care Act requirements.

Financial Impact

Additional growth of £23.7m over MTFP (£8.1m in 2024/25).

£7.7m of savings over MTFP (£4.7m in 2024/25).

		2024/25	2025/26	2026/27	2027/28
		£m	£m	£m	£m
Growth	Care Fee Inflation	3.646	2.796	3.096	3.296
	Older persons population increases	1.400	0.700	0.900	0.900
	Transitions and discharges from long stay NHS	1.950	1.500	0.975	1.000
	Staffing - Keeping up with demand	0.560	0.160	0.160	0.160
	Staffing - DoLs and AMHPs	0.518	0.000	0.000	0.000
	Total Growth	**8.074**	**5.156**	**5.131**	**5.356**
Savings	Client contributions policy	(0.700)	0.000	0.000	0.000
	Prevention	(1.300)	(0.500)	(0.250)	0.000
	Support planning	(1.200)	(0.500)	(0.250)	0.000
	Commissioning Changes	(1.200)	(0.500)	(0.250)	0.000
	Appropriate contributions from Health	(0.250)	(0.500)	(0.250)	0.000
	Total Savings	**(4.650)**	**(2.000)**	**(1.000)**	**0.000**
	Net Growth / (Savings)	**3.424**	**3.156**	**4.131**	**5.356**

P11 Financial Management

Issue

The financial management of our activities is appropriate and compliant with regulations, but could we support operational activity better?

Solution

Continue to regularly review the risk areas identified, and whether we are spending and saving in a way that supports our services, regulatory obligations, and ONT strategic plan best.

Financial Impact

Growth of £6.0m over MTFP (£3.0m in 2024/25).

Direct savings in 2024/25 of £2.9m with a further £8.3m of linked savings reported elsewhere in the MTFP.

		2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Growth	PFI	0.500	0.750	1.000	1.268
	Historical Income Pressures	2.448	0.000	0.000	0.000
	Project Growth	**2.948**	**0.750**	**1.000**	**1.268**
Savings	Prior MTFP Savings (2022-2026)	(0.208)	(0.185)	0.000	0.000
	Investment Plan Financing	(1.600)	0.000	0.000	0.000
	Savings on Travel	(0.100)	0.000	0.000	0.000
	Remove Contingency	(1.000)	0.000	0.000	0.000
	Project Savings	**(2.908)**	**(0.185)**	**0.000**	**0.000**
	Project Net Growth / (Savings)	**0.040**	**0.565**	**1.000**	**1.268**
Other Savings/ Council-wide items	Replenishment of Strategic Reserve	(1.500)	1.500	0.000	0.000
	MRP Saving Reversal	(4.098)	0.126	0.000	0.000
	Changes to Original Growth	**(5.598)**	**1.626**	**0.000**	**0.000**
	Treasury Management Strategy	(1.000)	0.250	0.250	0.000
	Reprofiling of Energy Growth	(1.721)	0.000	0.000	0.000
	Remove Council Tax Hardship	0.000	0.000	(1.520)	0.000
	Other Corporate Savings	**(2.721)**	**0.250**	**(1.270)**	**0.000**
	Net Growth / (Savings)	**(8.071)**	**2.626**	**(0.270)**	**1.268**

P12 People & Workforce

Issue

The Authority employs a large workforce and needs to ensure we have the right people with the right skills at the right time.

Solution

Review our workforce, including targeted voluntary redundancy where it is right to do so, with recruitment and retention activity helping to ensure we have an appropriate mix of staff.

Financial Impact

Deliver £1.1m of sustainable savings in 2024/25, achieving a carried forward prior year business case.

		2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Growth	Total Growth	0.000	0.000	0.000	0.000
Savings		0.000	0.000	0.000	0.000
	Total Savings	0.000	0.000	0.000	0.000
	Net Growth / (Savings)	0.000	0.000	0.000	0.000

P13 Services to Schools

Issue

National policy means our relationship with Schools is changing, therefore we need the charging policy to keep pace with that.

Solution

Adjusting the services we deliver to reflect the changing relationship, ensuring financial sustainability.

Financial Impact

Growth of £1.5m required to address residual catering pressure.

Additional income forecast to be £1.1m over MTFP (£0.4m in 2024/25).

		2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Growth	Catering Service Review	1.485	0.000	0.000	0.000
	Total Growth	**1.485**	**0.000**	**0.000**	**0.000**
Savings	Restate Baseline Costs	(0.114)	0.000	0.000	0.000
	Pay Allowance Recovery	(0.172)	(0.214)	(0.230)	(0.247)
	Overhead Inclusion	(0.136)	0.000	0.000	0.000
	Total Savings	**(0.422)**	**(0.214)**	**(0.230)**	**(0.247)**
	Net Growth / (Savings)	**1.063**	**(0.214)**	**(0.230)**	**(0.247)**

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<u>Housing Revenue Account Financial Plan, Reserves and Contingency Movement 2024-2028</u>

HRA Forecast Expenditure Plan	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Original Base Budget	0.383	0.163	(0.062)	0.100
<u>Add:</u>				
Pressures and Growth				
North Tyneside Living (NTL) – Unitary charge	0.114	0.118	0.120	0.123
Depreciation (formerly MRA)	0.499	0.515	0.533	0.553
Housing Investment Plan-revenue support	3.962	0.607	2.356	0.519
Pension Fund Deficit Funding	0.000	0.000	0.855	0.017
Revenue Repairs – 2024-25 Pay Award & Rebasing re 2023-24 Pay Award & Establishment	0.638	0.259	0.264	0.269
Revenue Repairs – Apprentices Succession Plans	(0.018)	0.031	0.021	0.021
Revenue Repairs – Additional White Paper Responsibilities	0.150	0.000	0.000	0.000
Revenue Repairs – Increased Material and Operational Costs	0.390	0.105	0.107	0.109
Increased Energy Costs – Communal Areas & Blocks	0.406	0.015	0.013	0.013
NTL – Sheltered Housing Officers – Job Evaluation & Rebasing	0.118	0.000	0.000	0.000
General Management 2024-25 Pay Award & Rebasing re 2023-24 Pay Award, Establishment and Price Inflation	0.735	0.238	0.237	0.242
ICT Strategy – Unified Systems Review Project Costs	0.119	(0.356)	(0.215)	0.000
Social Housing Regulator Fees	0.073	0.001	0.001	0.002
NTL PFI Contract Monitoring Costs	0.046	0.007	0.007	0.007

Transitional Protection – Rent and Service Charges	0.287	(0.010)	(0.010)	0.000
Bad Debt Provision	0.054	0.025	0.026	0.026
Total - Pressures and Growth	**7.568**	**1.555**	**4.318**	**1.901**

HRA Forecast Expenditure Plan	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Efficiency Savings				
Council Dwellings – Rebasing and Rent Increase	(4.711)	(1.846)	(1.922)	(1.976)
Temporary and Dispersed Accommodation – Rebasing & Rent Increase	(0.033)	(0.014)	(0.014)	(0.015)
Garage & Other Rents – Rebasing & Rent Increase	(0.050)	(0.017)	(0.018)	(0.027)
Interest on Balances	(0.225)	0.000	0.000	0.000
Service Charges – Furniture Packs – Rebasing & Rent Increase	(0.094)	(0.039)	(0.041)	(0.042)
Service Charges – Other – Rebasing & Rent Increase	(0.895)	(0.094)	(0.096)	(0.099)
Treasury Management – Existing Debt & DME	(0.153)	(0.112)	0.000	(0.108)
Treasury Management – Debt Set Aside (MRP Equivalent)	(1.262)	0.688	(1.180)	0.293
Treasury Management – New Debt Interest & Temp Borrowing	0.000	0.000	(0.039)	(0.032)
North Tyneside Living – contribution to/from Reserve Monitoring Costs	(0.064)	(0.065)	(0.067)	(0.069)
Repairs Budget–impact of stock reductions	(0.051)	(0.031)	(0.027)	(0.028)
Total – Efficiency Savings	**(7.538)**	**(1.530)**	**(3.405)**	**(2.103)**

Appendix C (i)

HRA Forecast Expenditure Plan	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Reserves & Contingencies				
General Management Contingency – Review-Tenancy Sustainment Repairs Contingency - Review	(0.250) 0.000	(0.250) 0.000	(0.750) 0.000	0.000 0.000
Total – Reserves & Contingencies	**(0.250)**	**(0.250)**	**(0.750)**	**0.000**
Revised Base Budget	**0.163**	**(0.062)**	**0.101**	**(0.102)**

HRA Revenue Balances	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Changes in Contingencies	0.000	0.000	0.000	0.000
Contribution to/(from) Balances	(0.220)	0.225	(0.162)	0.202
TOTAL	(0.220)	0.225	(0.162)	0.202

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Appendix C(ii)

Housing Revenue Account – Revised HRA Business Plan 2024-2028

	2023/24 Forecast Outturn	2024/25 Draft Budget	2025/26 Draft Budget	2026/27 Draft Budget	2027/28 Draft Budget
	£m	£m	£m	£m	£m
Rent, Garages and Service Charge Income	(67.229)	(72.752)	(74.761)	(76.852)	(79.002)
PFI Credits - North Tyneside Living	(7.693)	(7.693)	(7.693)	(7.693)	(7.693)
Rent from Shops, Offices etc.	(0.426)	(0.434)	(0.434)	(0.434)	(0.443)
Interest on Balances	(0.285)	(0.300)	(0.300)	(0.300)	(0.300)
Contribution from Balances	(0.313)	(0.163)	0.000	(0.101)	0.000
Total Income	**(75.946)**	**(81.342)**	**(83.188)**	**(85.380)**	**(87.438)**
Capital Financing Charges	11.074	9.679	10.255	9.036	9.189
Management Costs	12.085	13.189	13.094	13.138	13.400
Repair and Maintenance	14.869	15.975	16.339	16.704	17.076
PFI Contract Costs – North Tyneside Living	9.836	9.887	9.941	9.995	10.050
Revenue Support to Strategic Investment	11.609	15.550	16.155	18.512	19.032
Depreciation / Major Repairs Account (MRA)	14.220	14.719	15.234	15.767	16.318
Bad Debt Provision	0.773	0.827	0.852	0.877	0.904
Transitional Protection	0.030	0.316	0.306	0.296	0.295
Management Contingency	0.200	0.200	0.200	0.200	0.200
Tenancy Sustainment Fund	1.250	1.000	0.750	0.000	0.000
Pension Fund Deficit Funding	0.000	0.000	0.000	0.855	0.872
Contribution to Balances	0.000	0.000	0.062	0.000	0.102
Total Expenditure	**75.946**	**81.342**	**83.188**	**85.380**	**87.438**

Appendix C(ii)

HRA Balances £m	2023/24	2024/25	2025/26	2026/27	2027/28
Estimated HRA Balances Brought Forward	(3.315)	(3.002)	(2.839)	(2.901)	(2.800)
Contribution to/(from) HRA	0.313	0.163	(0.062)	0.101	0.102
Estimated HRA Balances Carried Forward	**(3.002)**	**(2.839)**	**(2.901)**	**(2.800)**	**(2.902)**

Project	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000	Financing type	Total £000
GENERAL FUND INVESTMENT PLAN								
BS026 Asset Planned Maintenance	4,280	2,000	1,750	1,750	1,750	**11,530**	Council Contribution	10,900
							Council Contribution - Capital Receipts	630
CO079 Playsites	294	257	75	0	0	**626**	Section 106	626
CO091 Neighbourhood Parks	90	100	0	0	0	**190**	Section 106	190
CO099 Rising Sun Country Park Improvements	44	0	0	0	0	**44**	Section 106	44
CO103 Rising Sun Farm Allotments	40	22	0	0	0	**62**	Section 106	62
DV064 Council Property Investment	500	0	0	0	0	**500**	Council Contribution	500
DV066 Investment in North Tyneside Trading Co	3,000	3,000	3,000	2,000	0	**11,000**	Council Contribution	11,000
DV073 Ambition for North Tyneside	3,376	0	0	0	0	**3,376**	Council Contribution	3,376
DV077 Tyne Brand Development Site	3,476	0	0	0	0	**3,476**	North of Tyne Combined Authority - Brownfield Housing Fund	3,476
DV080 Segedunum Roman Museum MEND	675	0	0	0	0	**675**	Council Contribution	150
							Revenue Contribution	106
							Arts Council Grant (MEND)	419
DV081 North Shields Cultural Quarter	250	0	0	0	0	**250**	Notca Cultural & Creative Zone Funding	250
DV082 Wallsend Town & High Street Programme	600	0	0	0	0	**600**	Wallsend Town & High Street Fund (Notca)	600
DV084 North West Waggonways/Parks	535	0	0	0	0	**535**	Section 106	535
ED075 Devolved Formula Capital	1,610	610	610	610	610	**4,050**	Education Funding Agency (Devolved)	4,050
ED132 School Capital Allocation	3,868	3,868	3,868	3,868	3,868	**19,340**	Education Funding Agency (SCA)	19,340
ED190 High Needs Provision Capital Allocation	5,206	0	0	0	0	**5,206**	Education Funding Agency (High Needs)	1,000
							Education Funding Agency (DSG Safety Valve Grant)	4,206
EV034 Local Transport Plan	2,552	2,986	2,986	2,986	2,986	**14,496**	Dept for Transport LTP ITA	6,874
							Dept for Transport LTP Maint	7,482
							Public Transport Funding	140
EV056 Additional Highways Maintenance	3,611	2,000	2,000	2,000	2,000	**11,611**	Council Contribution	10,000
							Dft Pothole Funding	1,611
EV069 Vehicle Replacement	1,676	1,123	3,000	1,500	1,500	**8,799**	Council Contribution	8,799
EV083 Street Lighting LED	2,101	0	0	0	0	**2,101**	Council Contribution	2,101
EV091 Other Initiatives Climate Change	2,029	1,250	750	750	1,000	**5,779**	Council Contribution	5,779
EV096 Highway Maintenance Challenge Fund - Tanners Bank	250	0	0	0	0	**250**	Dept for Transport - Highway Maintenance Challenge Fund	250
EV100 Active Travel 3 - Permenant Seafront Scheme	7,482	0	0	0	0	**7,482**	Dept for Transport Active Travel Fund Tranche 3	7,482
EV104 Bus Service Improvement Plan	639	0	0	0	0	**639**	Transport North East	639
GEN03 Contingencies	1,280	780	780	780	780	**4,400**	Council Contribution	4,400
GEN12 Local Infrastructure	100	100	100	100	100	**500**	Council Contribution	500
GEN13 Project Management	320	320	320	320	320	**1,600**	Council Contribution	1,600
HS004 Disabled Facilities Grant	4,447	0	0	0	0	**4,447**	Better Care Fund	4,447
HS051 Private Sector Empty Homes	205	206	0	0	0	**411**	Council Contribution	411
HS055 Home Upgrade Grant	310	0	0	0	0	**310**	Home Upgrade Grant (Govt)	310

IT020 ICT Strategy	1,950	1,250	1,250	1,250	1,250	**6,950**	Council Contribution	6,950
NEW - ALES Relocation	2,800	0	0	0	0	**2,800**	Council Contribution	2,800
NEW - ERP System Upgrade	4,000	0	0	0	0	**4,000**	Council Contribution	4,000
NEW - Royal Quays Marina Barrage	850	800	0	0	0	**1,650**	Council Contribution	1,650
NEW - Non Operational Portfolio	500	500	500	500	500	**2,500**	Council Contribution	2,500
NEW - Waste Collection Scheme	1,644	0	0	0	0	**1,644**	Dept for Environment, Food & Rural Affairs funding	1,644
Total Planned General Fund Investment	**66,590**	**21,172**	**20,989**	**18,414**	**16,664**	**143,829**		**143,829**

HOUSING REVENUE ACCOUNT (HRA) INVESTMENT PLAN

HS015 Refurbishment / Decent Homes Improvements	24,431	24,769	25,915	27,353	29,028	**131,496**
HS015 Climate Change and Decarbonisation Measures	3,259	3,035	3,126	3,815	3,537	**16,772**
HS017 Disabled Adaptations	1,599	1,315	1,328	1,341	1,355	**6,938**
HS039 ICT Infrastructure Works	585	112	113	114	115	**1,039**
HS044 New Build Programme	8,263	6,866	6,866	4,375	2,500	**28,870**
HS054 Vehicle Replacement	0	0	1,800	1,800	1,900	**5,500**
Total Planned HRA Investment	**38,137**	**36,097**	**39,148**	**38,798**	**38,435**	**190,615**
Total Authority Investment Plan	**104,727**	**57,269**	**60,137**	**57,212**	**55,099**	**334,444**
General Fund Financing						
Council Contribution	30,487	13,329	13,450	10,950	9,200	**77,416**
Council Contribution - Capital Receipts	630	0	0	0	0	**630**
Grants and Contributions	35,367	7,843	7,539	7,464	7,464	**65,677**
Revenue Contribution	106	0	0	0	0	**106**
Contribution from Reserves	0	0	0	0	0	**0**
Total General Fund Investment Plan	**66,590**	**21,172**	**20,989**	**18,414**	**16,664**	**143,829**
Housing Revenue Account Financing						
HRA Resources - MRR and Revenue	34,083	31,488	34,279	35,350	37,035	**172,235**
HRA - Grants and Contributions	719	0	0	0	0	**719**
HRA - Contribution from Reserves	130	80	1,930	800	500	**3,440**
HRA - Capital Receipts	3,205	4,529	2,939	2,648	900	**14,221**
Total HRA Investment Plan	**38,137**	**36,097**	**39,148**	**38,798**	**38,435**	**190,615**
Total Authority Investment Plan - Resources	**104,727**	**57,269**	**60,137**	**57,212**	**55,099**	**334,444**

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APPENDIX D(ii)- HOUSING INVESTMENT PLAN 2024-29

Project	Project Title	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000
	Housing						
HS002	HRA Schemes	**38,137**	**36,097**	**39,148**	**38,798**	**38,435**	**190,615**
	Made up of:-						
HS015	Decency Refurbishments	19,114	19,385	20,401	22,229	23,795	**104,924**
HS017	Disabled Adaptations	1,599	1,315	1,328	1,341	1,355	**6,938**
HS015	Climate Change / Decarbonisation Measures	3,259	3,035	3,126	3,815	3,537	**16,772**
HS015	Capitalisation of Major Repairs	1,296	1,308	1,322	1,335	1,348	**6,609**
HS015	Furniture Pack Scheme	526	531	537	542	547	**2,683**
HS015	Asbestos Works	318	322	325	329	331	**1,625**
HS015	Energy Efficiency & Environmental Improvements	214	216	218	220	221	**1,089**
HS015	Fencing / Walling / Offstreet parking / Landscaping	367	385	397	409	421	**1,979**
HS039	ICT Strategy (inclduding Unified Systems Project)	585	112	113	114	115	**1,039**
HS015	Garages (Renovation/Demolition)	128	135	139	143	147	**692**
HS015	Water Pipe Renewals/Fire Damage Reinstatement	137	139	140	141	143	**700**
HS015	Apprentice Costs & CLAs	534	579	614	651	682	**3,060**
HS015	Footpaths & Communal Areas & Fire Doors	845	780	803	829	852	**4,109**
HS015	Project Management Fee	481	495	510	525	541	**2,552**
NEW Code	Vehicle Replacement Programme	0	0	1,800	1,800	1,900	**5,500**
HS015	Stock Condition Programme	471	494	509	0	0	**1,474**
HS044	Potential New Build	8,263	6,866	6,866	4,375	2,500	**28,870**
	Total: Housing	**38,137**	**36,097**	**39,148**	**38,798**	**38,435**	**190,615**
	TOTAL	**38,137**	**36,097**	**39,148**	**38,798**	**38,435**	**190,615**

FINANCING

HOUSING

Council Contribution						
Capital Receipts	3,205	4,529	2,939	2,648	900	**14,221**
Vehicle Replacement Reserve	0	0	1800	600	500	**2,900**
Other Funds eg Green Fund, RTB Admin Surplus etc	130	80	130	200	0	**540**
Revenue Contributions	15,550	16,155	18,512	19,032	20,440	**89,689**
Total Council Contribution	18,885	20,764	23,381	22,480	21,840	**107,350**
Grant Contributions	719	0	0	0	0	**719**
Depreciation / Major Repairs Reserve	18,533	15,333	15,767	16,318	16,595	**82,546**

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Prudential Indicators

Appendix D (iii)

Medium Term Financial Plan

January 2024

North Tyneside Council

2024-2029 Prudential Indicators

Introduction

1.0 The Local Government Act 2003 requires the Authority to adopt the CIPFA Prudential Code and produce prudential indicators. The framework established by the Prudential Code is designed to support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital expenditure plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation. In exceptional cases the Prudential Code should provide a framework which will demonstrate that there is a danger of not ensuring this, so that the local authority concerned can take timely remedial action.

1.1 The Prudential Code indicators have been prepared in accordance with the principles outlined in the latest 2021 Prudential Code.

1.2 The Prudential Code requires authorities to consider capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the authority. Effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt. The Capital Investment Strategy is included as Appendix D (iv) to this report.

1.3 To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out the indicators that must be used, and the factors that must be taken into account. The Prudential Code does not include suggested indicative limits or ratios. These will be for the local authority to set itself. Each indicator either summarises the expected capital activity or introduces limits upon that activity and reflects the outcome of the Authority's underlying investment appraisal systems.

1.4 Within this overall prudential framework there is an impact on the Authority's treasury management activity as it will directly impact on borrowing and investment activity. The Treasury Management Strategy for 2024/25 is included as Appendix E (i) to this report.

1.5 The Prudential Code requires the following matters to be taken into account when setting or revising the prudential indicators:

a) Service Objectives – e.g. strategic planning for the Authority
b) Stewardship of assets – e.g. asset management strategy
c) Value for money – e.g. options appraisal
d) Prudence and sustainability – e.g. implications of external borrowing
e) Affordability – e.g. impact on Housing rents
f) Practicality – e.g. achievability of the forward plan

1.6 Matters of affordability and prudence are primary roles for the Prudential Code.

1.7 The revenue consequences of capital expenditure relating to the HRA must be paid for from HRA resources.

1.8 Capital expenditure can be paid for through capital receipts, grants etc, but if these resources are insufficient then any residual capital expenditure will add to the Authority's underlying borrowing need.

1.9 The key risks to the plans are that the level of funding, such as capital receipt levels or revenue contributions may change as capital receipts are reliant on an active property market.

1.10 The indicators cover:

- Affordability;
- Prudence;
- Capital expenditure;
- External debt; and
- Treasury management.

1.11 Prudential indicators are required to be set as part of the Financial Planning and Budget process. Any revisions must be reported through the financial management process.

1.12 The prudential indicators for the forthcoming and future years must be set before the beginning of the forthcoming year. They may be revised at any time, following due processes and must be reviewed, and revised if necessary, for the current year when the prudential indicators are set for the following year.

1.13 The following sets down the draft Prudential Indicators as calculated and proposed for North Tyneside Council for 2024–2029. The indicators include those for the Housing Revenue Account.

<u>Prudential Indicators for Affordability</u>

1.14 The fundamental objective in considering affordability of the Authority's Investment Plan is to ensure that the total capital investment of the Authority remains within sustainable limits, and in particular to consider the impact on the "bottom line" and hence Council Tax and for the HRA housing rents – both of which cannot be cross subsidised to support operations. Affordability is ultimately determined by a judgement on acceptable Council Tax or housing rent levels.

1.15 In considering the affordability of its Investment Plan, the Authority is required to consider all the resources that are currently available and estimated for the future, together with the totality of the Investment Plan, revenue income and revenue expenditure forecasts for the forthcoming year and following two years (as a minimum). The Authority is also required to consider known significant variations beyond this timeframe. This requires the development of rolling revenue forecasts as well as capital expenditure plans. In line with the Medium Term Financial Plan and the Investment Plan, five-year forecasts have been provided for the prudential indicators.

1.16 When considering affordability, risk is an important factor to be considered. Risk analysis and management strategies should be taken into account.

1.17 Looking ahead for a five year period, the following is a key prudential indicator of affordability:

- the ratio of financing costs to net revenue stream for both the General Fund and Housing Revenue Account (HRA).

<u>Ratio of financing costs to net revenue stream</u>

1.18 This indicator identifies the trend in the cost of capital (predominately external interest and MRP) as a proportion of the net revenue budget for the General Fund and housing income for the HRA and is shown in Table 1 below:

Table 1: Ratio of Financing Costs to Net Revenue Stream

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Est.	Est.	Est.	Est.	Est.	Est.
General Fund	10.89%	10.93%	11.40%	11.62%	11.95%	12.42%
HRA	23.68%	21.35%	21.70%	19.63%	19.37%	20.73%

1.19 The above indicator shows costs for all borrowing, both supported and unsupported. It also includes the financing costs of PFI schemes and leases. A new accounting standard for leasing (IFRS16) was due to come into force for Local Authorities from 1 April 2020 due to the Covid-19 pandemic this was further delayed until 1 April 2024. Under this new standard leases that have previously been treated as operating leases and expensed to the revenue account on an annual basis, will now be required to be added to the authority's balance sheet. Work is ongoing to calculate the actual impact of this change on the cost of borrowing, with an estimate of £5m assumed at this stage. It should be noted that there is not expected to be a bottom-line impact to the revenue budget as a result of this change.

1.20 To enhance the information available for decision-making we have also provided a local indicator to show the proportion of the budget that is spent on unsupported borrowing within the General Fund. This is shown in Table 2 below:

Table 2: Ratio of Financing Costs for prudential (unsupported) borrowing to Net Revenue Stream

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Est.	**Est.**	**Est.**	**Est.**	**Est.**	**Est.**
General Fund	5.90%	6.55%	8.02%	8.42%	8.76%	9.31%

1.21 The cost of capital related to past and current capital programmes has been estimated in accordance with proper practices. Actual costs will depend on the phasing of capital expenditure and prevailing interest rates and will be closely managed and monitored on an ongoing basis. Any reprogramming in the Investment Plan, whether planned or unplanned, may delay the impacts of debt financing costs to future years.

Prudential Indicators for Prudence

1.22 A key indicator of prudence is that, over the medium term, gross debt will only be used for a capital purpose. Under the Code the underlying need to borrow for a capital purpose is measured by the Capital Financing Requirement (CFR). Gross debt includes external borrowing and also other liabilities including PFI schemes and Finance Leases.

Gross debt and Capital Financing Requirement (CFR)

1.23 This key indicator shows that gross debt is not expected to exceed the total CFR including additional capital requirements for 2023/24 to 2028/29, for the General Fund and HRA combined.

1.24 The CFR can be understood as the Authority's underlying need to borrow money long term for a capital purpose. The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. The CFR will increase annually by the amount of capital expenditure which is not immediately paid for by grants, contributions, direct revenue funding or capital receipts. The General Fund CFR will also be reduced each year by the amount of Minimum Revenue Provision (MRP) that is set aside in the revenue budget. In addition, the CFR may be reduced by additional voluntary contributions in the form of capital receipts or revenue contributions. The HRA business plan includes provision to reduce the HRA CFR in this way.

1.25 The CFR also includes any other long-term liabilities eg PFI schemes and finance leases. As outlined in paragraph 1.19 above the new accounting standard for leasing (IFRS16) now comes into force for Local Authorities from 1 April 2024. This means that leases that have previously been treated as operating leases and expensed to the revenue account on an annual basis, are now required to be added to the authority's balance sheet. An initial estimate of the impact of this change (c.£80m) has been added to the CFR. Work is ongoing to confirm this estimate and the impact of this change on the CFR and this position will continue to be updated in readiness for its implementation.

Table 3: Gross external debt compared to CFR

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Est. £000s	Est. £000s	Est. £000s	Est. £000s	Est. £000s	Est. £000s
External Borrowing	418,863	415,913	393,443	384,868	380,599	372,599
Other Liabilities (including PFI and Finance Leases)	100,971	96,181	91,040	85,544	79,673	73,395
Total Gross Debt	**519,834**	**512,094**	**484,483**	**470,412**	**460,272**	**445,993**
Capital Financing Requirement	**602,419**	**617,557**	**613,954**	**611,738**	**605,760**	**595,562**

Prudential Indicators for Capital Expenditure

Estimate of capital expenditure

1.26 This indicator requires reasonable estimates of the total capital expenditure to be incurred during the current financial year and at least the following three financial years.

1.27 The proposed Investment Plan is included in the Annex to the report and the figures below are based on that report. A full breakdown of individual projects is shown in Appendix D (i).

Table 4: Capital Expenditure

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Est. £000s	**Est. £000s**	**Est. £000s**	**Est. £000s**	**Est. £000s**	**Est. £000s**
General Fund	70,654	66,590	21,172	20,989	18,414	16,664
HRA	32,420	38,137	36,097	39,148	38,798	38,435
Total	**103,074**	**104,727**	**57,269**	**60,137**	**57,212**	**55,099**

1.28 There is a risk of cost variations to planned expenditure against the Investment Plan, arising for a variety of reasons, including continued inflationary pressures, tenders coming in over/under budget, changes to specifications, slowdown/acceleration of project phasing. There is also the possibility of needing to bring urgent and unplanned capital works into the Investment Plan. These risks are managed by project officers on an ongoing basis, by means of active financial and project monitoring, they will be overseen by the Investment Programme Board and any changes will be made in accordance with Financial Regulations.

1.29 The availability of financing from capital receipts, grants and external contributions also carries significant risks. These risks are particularly relevant to capital receipts, where market conditions are a key driver to the flow of funds, causing problems in depressed or fluctuating market conditions. There is a much-reduced reliance on capital receipts in the proposed plan.

Estimate of Capital Financing Requirement (CFR)

1.30 In accordance with best professional practice the Authority does not associate borrowing with particular items or types of expenditure. The Authority has a number of daily cash flows, both positive and negative, and manages its treasury position in terms of its borrowing and investments in accordance with the approved Treasury Management Strategy. In day to day cash management no distinction can be made between revenue cash and capital cash. Over the long term external borrowing may only be incurred for capital purposes.

Table 5: Capital Financing Requirement

	2023/24 Est. £000s	2024/25 Est. £000s	2025/26 Est. £000s	2026/27 Est. £000s	2027/28 Est. £000s	2028/29 Est. £000s
General Fund	310,662	329,604	330,204	330,259	327,127	321,545
HRA	291,757	287,954	283,750	281,479	278,633	274,017
Total	**602,419**	**617,557**	**613,954**	**611,738**	**605,760**	**595,562**

1.31 The above indicator shows the total borrowing requirement, both supported and unsupported. To enhance the information available for decision-making we have provided a local indicator to show the Capital Financing Requirement for unsupported borrowing. This is shown in Table 6 below:

Table 6: Capital Financing Requirement for Unsupported Borrowing

	2023/24 Est. £000s	2024/25 Est. £000s	2025/26 Est. £000s	2026/27 Est. £000s	2027/28 Est. £000s	2028/29 Est. £000s
General Fund	175,909	197,867	201,690	205,190	206,740	208,090

Prudential Indicators for External Debt

Authorised limit for total external debt

1.32 For the purposes of this indicator the authorised limit for external debt is defined as the authorised limit for borrowing plus the authorised limit for other long-term liabilities.

1.33 This indicator requires the Authority to set, for the forthcoming financial year and following years, an authorised limit for total external debt, separately identifying borrowing from other long-term liabilities such as PFI and Finance Leases.

1.34 The authorised limit represents the maximum amount the Authority may borrow at any point in time in the year. It has to be set at a level the Authority considers is "prudent" and has to be consistent with the plans for capital expenditure and financing.

1.35 This limit is based on the estimate of the most likely, but not worse case, scenario with additional headroom to allow for operational management, for example unusual cash movements.

1.36 As outlined in paragraphs 1.19 and 1.28 above the new accounting standard for leasing (IFRS16) comes into force for Local Authorities from 1 April 2024. An uplift has been applied to the external and operational boundaries to allow for this change. Work is ongoing to calculate the actual impact of the change. This will be reported through the Financial Management reports to Cabinet.

1.37 Full Council will be requested to approve these limits and to delegate authority to the Chief Finance Officer, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities, in accordance with option appraisal and best value for money for the Authority.

1.38 Any such changes made will be reported to the Cabinet at its next meeting following the change.

Table 7: Authorised Limit for External Debt

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Est. £000s	Est. £000s	Est. £000s	Est. £000s	Est. £000s	Est. £000s
Borrowing	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Other Long-term Liabilities	235,000	210,000	210,000	210,000	210,000	210,000
Total	**1,235,000**	**1,210,000**	**1,210,000**	**1,210,000**	**1,210,000**	**1,210,000**

1.39 The Chief Finance Officer reports that these Authorised Limits are consistent with the Authority's current commitments, existing plans and the proposals in this 2023/24 budget report for capital expenditure and financing, and in accordance with its approved Treasury Management Policy Statement and Practices.

Operational Boundary for total external debt

1.40 The proposed operational boundary is based on the same estimates as the authorised limit. However, it excludes the additional headroom which allows for unusual cash movements.

1.41 The operational boundary represents a key management tool for in year monitoring by the Chief Finance Officer. Within the operational boundary, figures for borrowing and other long term liabilities are identified separately. Full Council will be requested to delegate authority to the Chief Finance Officer, within the total Operational Boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long-term liabilities, in a similar fashion to the Authorised Limit.

1.42 Any such changes will be reported to the Cabinet at its next meeting following the change.

Table 8: Operational Boundary for External Debt

	2022/23 Est. £000s	2023/24 Est. £000s	2024/25 Est. £000s	2025/26 Est. £000s	2026/27 Est. £000s	2027/28 Est. £000s
Borrowing	550,000	550,000	550,000	550,000	550,000	550,000
Other Long-Term Liabilities	185,000	185,000	185,000	185,000	185,000	185,000
Total	**735,000**	**735,000**	**735,000**	**735,000**	**735,000**	**735,000**

Prudential Indicators for Treasury Management

Adoption of the CIPFA Code of Practice for Treasury Management

1.43 The Authority has an integrated Treasury Management Strategy and has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. North Tyneside Council has, at any point in time, a number of cash flows, both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved Treasury Management Strategy and Practices.

Upper limits on interest rate exposure 2024-2029

1.44 Full Council will be requested to set an upper limit on its fixed interest rate exposures for 2024/25 through to 2028/29 of 100% of its net outstanding principal sums.

1.45 Full Council will be requested to set an upper limit on its variable interest rate exposures for 2024/25 through to 2028/29 of 50% of its net outstanding principal sums.

1.46 The proposals to set upper and lower limits for the maturity structure of the Authority's borrowings are as follows:

Table 9: Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate

	Upper Limit	Lower Limit
Under 12 months	50%	0%
12 months to 2 years	50%	0%
2 years to 5 years	50%	0%
5 years to 10 years	75%	0%
10 years to 20 years	100%	25%
20 years to 30 years	100%	25%
30 years to 40 years	100%	25%
40 years to 50 years	100%	25%

Liability Benchmark

1.47 The Authority estimates and measures the liability benchmark for the full debt maturity profile of the Authority. The benchmark maps the existing debt maturity profile and how minimum revenue provision (MRP) and other cash flows impact on the future debt requirement. The liability benchmark is not a single measure but presents as a chart of four balances as follows:

- Existing loan debt outstanding: the Authority's existing loans that are still outstanding in future years.

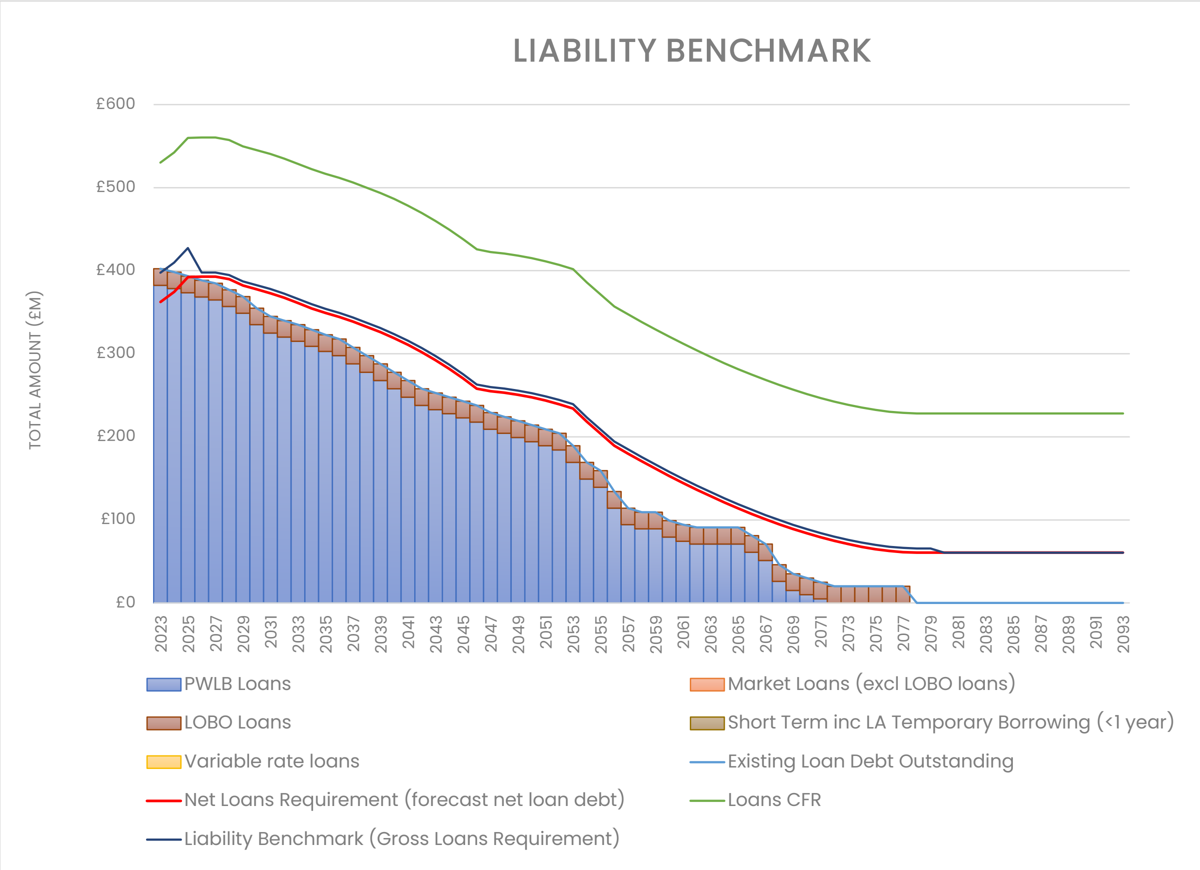
- Loans CFR: calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP, taking account of approved prudential borrowing.

- Net loans requirement: the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

- Liability benchmark (or gross loans requirement) equals net loans requirement plus short-term liquidity allowance.

1.48 The benchmark is to be analysed as follows; where actual loans are less than the benchmark indicate a future borrowing requirement; any years where actual loans outstanding exceed the benchmark represent an overborrowed position, which may result in excess cash requiring investment.

1.49 The Benchmark for North Tyneside Council demonstrates a long-term 'under borrowed' position. This aligns with the current strategy to minimise long-term external borrowing costs by using 'internal borrowing'.


LIABILITY BENCHMARK
TOTAL AMOUNT (£M)
£600
£500
£400
£300
£200
£100
£0
2023 2025 2027 2029 2031 2033 2035 2037 2039 2041 2043 2045 2047 2049 2051 2053 2055 2057 2059 2061 2063 2065 2067 2069 2071 2073 2075 2077 2079 2081 2083 2085 2087 2089 2091 2093
PWLB Loans
Market Loans (excl LOBO loans)
LOBO Loans
Short Term inc LA Temporary Borrowing (<1 year)
Variable rate loans
Existing Loan Debt Outstanding
Net Loans Requirement (forecast net loan debt)
Loans CFR
Liability Benchmark (Gross Loans Requirement)

Capital Strategy

2023 – 2033

Appendix D (iv)

North
Tyneside
Council

North Tyneside Council – Capital Strategy

1 Introduction

1.1 The Capital Strategy provides a high-level overview of how capital expenditure, capital financing and treasury management actively contribute to the infrastructure and provision of services for the benefits of North Tyneside's communities.

1.2 The overall aim of the Capital Strategy is to ensure that capital investment plans are affordable, prudent, and sustainable and they contribute towards the delivery of the Authority's strategic approach to building a better North Tyneside, outlined within Our North Tyneside Plan (Appendix 1).

1.3 Local Authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the Local Government Act 2003. The Prudential Code was updated by CIPFA in 2021 and provides a framework which supports local strategic planning, local asset management planning and proper option appraisal.

1.4 A key element of the Code is that Local Authorities should have a long-term capital strategy in place that sets out the long-term context in which capital and revenue decisions are made and gives appropriate consideration to both risk and reward and the impact on the achievement of priority outcomes.

1.5 The Authority's Capital Strategy takes a long-term view and covers the period from 2023 to 2033 and has been prepared to ensure compliance with the requirements of the Prudential Code, addressing the following key areas:

- Capital expenditure
- Debt, borrowing, investments and treasury management
- Investments for service of commercial purposes
- Other long-term liabilities
- Knowledge and skills

1.6 The Capital Strategy is under significant financial pressure as a result of market volatility following Brexit, COVID-19 and the conflict in the Ukraine. The extent of the impact and implications are still evolving, given pressures on supply chains which are impacting upon the delivery timing and costs of planned investment. The Strategy must therefore include an element of flexibility to respond to changes and risks within the market and manage resources effectively.

2 Objectives of the Capital Strategy

2.1 The Capital Strategy determines the Authority's approach towards developing the Investment Plan, helping to ensure that capital resources are used in an efficient and effective manner to achieve medium and long-term strategic objectives.

2.2 The Authority's Capital Strategy ensures that Environmental, Social and Governance (ESG) considerations are embedded within the decision-making process.

2.3 The Investment Plan represents a significant commitment of the Authority's resources to either purchase new assets or enhance existing assets to support the effective delivery of the Authority's services and promote wider economic and housing regeneration.

2.4 Key objectives include:

- Providing a framework within statutory legislation to support capital decision making and ongoing management and monitoring to ensure the Investment Plan remains affordable, sustainable, proportionate and prudent over the long-term;
- Outline the process to identify, programme and prioritise potential capital schemes;
- Providing a long-term view of capital expenditure plans and associated risks to the Authority;
- Consider resources and funding options over the longer term to minimise the impact upon the Authority's revenue budget.

3 Capital Expenditure

3.1 Capital expenditure is where the Authority spends money on assets, such as property or vehicles, that will be used for more than one year.

> *'Expenditure that results in the acquisition of, or construction of, or the addition of subsequent costs to assets (tangible or intangible) in accordance with proper practices'*
>
> *Local Government Act 2003 – Capital Expenditure*

3.2 To qualify as capital expenditure, expenditure must be directly attributable to an asset and:

- Results in the acquisition, construction or improvement of an asset
- Is separately identifiable and measurable
- Results in a measurable benefit to the Authority for a period of more than 12 months

3.3 In Local Government, this also includes spending on assets which may be owned by other bodies and loans or grants awarded to other bodies for capital purposes provided this is not an investment primarily to generate a yield for the Authority.

3.4 The Authority's Capitalisation Policy (set out in Appendix 2) is audited as part of the production of the Statutory Accounts.

3.5 The majority of the Authority's non-current assets are properties that are used to support service delivery. As at 31 March 2022 the Authority's land, buildings and infrastructure asset base of over 450 properties has a current use Balance Sheet value of approximately £241 million, approximately 945 kilometres of highways and bridges, subways, culverts and other structures with a historic value of £179 million, council housing stock comprising almost 15,000 properties with a balance sheet value of £675 million and ICT and other equipment with a balance sheet value of £15m. In addition the Authority has an interest in assets of companies in which the Authority has a financial interest in terms of equity and loans.

4. Strategic Priorities

4.1 All investment within the Investment Plan must be clearly aligned to the Authority's strategic approach to Building A Better North Tyneside. The Our North Tyneside Plan sets out the Authority's ambitions for making North Tyneside an even greater place to live, work and visit by 2025. The plan outlines a vision of building a better North Tyneside, looking to the future and listening to and working better for residents.

4.2 The Our North Tyneside Plan builds on the Authority's work over the last eight years and addresses the key challenges faced as a result of the COVID-19 pandemic. It is a plan to build a better North Tyneside and to restore hope and confidence in the future which seeks to tackle inequalities and discrimination and ensure no-one is left behind.

4.3 There are five key themes within the Our North Tyneside Plan, each with specific areas of work and clear priorities as set out in Appendix 1.

- A thriving North Tyneside
- A secure North Tyneside
- A family-friendly North Tyneside
- A caring North Tyneside
- A green North Tyneside

4.4 The Authority will continue to work collaboratively in partnership with our residents, our businesses, our community and voluntary sector as well as our regional partners, the North of Tyne Combined Authority and other key organisations like the NHS, the police, fire and rescue services to help deliver the Our North Tyneside Plan.

4.5 The development of the Investment Plan has clear links to the Authority's Medium Term Financial Plan and revenue budget. To ensure the Investment Plan remains affordable, sustainable and prudent over the long-term, the whole life capital and revenue implications of each capital project are considered prior to determining whether a scheme can be supported and accommodated from within the Authority's financial plans.

4.6 Within the Investment Plan, the key focus includes supporting schemes which:

- Deliver policy priorities
- Maintain existing assets
- Generate ongoing savings through invest-to-save initiatives
- Facilitate regeneration and enhance key strategic infrastructure
- Maximise the use of external funding

4.7 The Authority has a series of key strategies which support the delivery of the Our North Tyneside Plan and provides more detailed guidance and priorities for the development of specific projects, set out in the following table.

Our North Tyneside Plan	
Thriving	• Strategic Economic Plan • Employment and Skills Strategy • Inclusive Economy Strategy • Estates Strategy • Our Ambition for North Tyneside • North Shields Master Plan

Secure	• Local Plan and Master Plans
	• Transport Strategy
	    o Highways Asset Management Plan
	    o Network Management Plan
	• Housing Strategy
	    o Strategic Housing Market Assessment
	    o Strategic Land Availability Assessment
	    o Housing Revenue Account Business Plan
	    o Housing Revenue Account Asset Management Plan
	• Flood Alleviation
	    o Flood Risk Management Strategy
	    o Coastal Strategy

Caring and Family Friendly	• Joint Strategic Needs Assessment • Health and Wellbeing Strategy • Community Safety Strategy • Ambition for Education • Children and Young People Plan

Green	• Climate Emergency
	    o Climate Emergency Action Plan
	    o Low Carbon Plan 2016 - 2027
	• 10-Year Plan for Waste

Organisation	• Medium Term Financial Plan • Asset Management Plan • Treasury Management Strategy • ICT Digital Strategy

4.8 For any capital investment the Authority takes into consideration environmental, social and governance factors (ESG), which are embedded within the Authority's core strategies and reporting arrangements, with a view to influencing and delivering positive change within the Borough.

4.9 The Authority is committed to setting an example with regard to tackling climate change and reducing carbon emissions, which requires ongoing investment in a range of environmental and sustainable improvements including:

- Upgrading our buildings to improve their energy efficiency, including installing LED lighting, solar PV, replacing boilers and improving insulation measures
- Investing in our systems and infrastructure to support agile working and the growth of the digital economy
- Infrastructure improvements to support additional sustainable transport measures

4.10 The Authority provides a range of services with significant social value to the residents of the Borough, many of which require capital investment through the Investment Plan. This includes investment in areas such as the provision of social housing, schools, parks, playgrounds and green infrastructure as well as ensuring that the procurement approaches for major capital investment incorporate social value considerations. In addition, capital investment proposals also undertake Equality Impact Assessments as part of the decision-making process.

5. Investment Plan Governance

5.1 To ensure available resources are managed in the optimum way, the Authority considers and plans the Investment Plan as part of the service and revenue budget planning process within the Medium Term Financial Plan framework.

5.2 The Authority has a range of mechanisms in place to ensure the effective management of capital resources to deliver the Authority's strategic priorities including:

- Democratic decision making and scrutiny provide political direction and ensure accountability around investment decisions including:
    - *Full Council* – responsible for approving the Capital Strategy, Treasury Management Strategy and Investment Plan

  - *Cabinet* – responsible for setting the corporate framework and political priorities to be reflected in the Investment Plan, recommending projects for inclusion and monitoring delivery of the Investment Plan throughout the year
- Investment Programme Board – responsible for considering specific project proposals and recommending approval of schemes and variances to Cabinet
- Officer groups which bring together multi-disciplinary professional expertise from across the Authority helping to develop and scrutinise capital schemes, preparing business cases and to establish project boards for major and complex schemes as appropriate to ensure effective delivery.

5.3 Introducing schemes to the Investment Plan has a specific approved governance process which involves progressing through a series of Gateways, outlined in Appendix 3, which are considered by the Investment Programme Board.

5.4 As part of the approval process, all schemes will be required to develop a robust business case detailing full capital costs and full life revenue costs, including provision for ensuring that assets are maintained and that the financial implications are reflected in the Authority's financial plans. This will be provided as part of the Gateway 2 submission to the Investment Programme Board for approval prior to commencement of the scheme.

6. Setting the Investment Plan

6.1 The Investment Plan is set for a five-year period and reviewed annually alongside the development of the Authority's revenue budget. The review process considers the position on existing commitments, ensuring these remain a priority for the Authority, as well as considering the introduction of additional priority schemes. Any variation to the Investment Plan, including the introduction of additional schemes, will consider the resourcing implications and potential delivery arrangements.

6.2 The Authority manages the introduction of new capital schemes through the Gateway process, with the details of proposed schemes being outlined on Gateway forms supported by individual business cases which are considered by Officer groups and reported to Investment Programme Board in advance of progressing to Cabinet and Council for consideration.

6.3 Individual project proposals must demonstrate a strong alignment with the Authority's strategic priorities and consider the associated financial implications and risks, including an analysis of:

- Project delivery timescales and estimated cashflows
- Projected financial implications across the lifetime of the scheme (whole life costs)
- Projected outcomes, both financial and non-financial

6.4 The projected financial implications of any capital investment decision must be incorporated into the Authority's Capital Financing Requirement and Medium-Term Financial Plan to ensure that a scheme is affordable and sustainable.

6.5 A key principle is that all investment decisions should ensure that risks are fully understood, with appropriate strategies in place to manage risks effectively. All capital projects are required to align to the Authority's risk management framework.

6.6 During the year, Investment Programme Board consider requests to vary existing capital commitments and to introduce additional schemes, which follow the same assessment process and are considered by Cabinet for inclusion in the Investment Plan.

7. Monitoring the Investment Plan

7.1 Capital schemes within the Investment Plan are monitored by project managers, supported and co-ordinated by finance. This process considers delivery against the original programme, budget allocation, funding sources and agreed outputs.

7.2 Project managers are responsible for effective control and monitoring of their projects ensuring:

- Only genuine capital expenditure is charged to the project;
- Capital expenditure is properly attributable to the specific project;
- Capital expenditure is within the agreed budget, or approval is sought for any variations;
- Expenditure profiles are realistic and subject to regular review and formal approval is sought to adjust this where required;
- Risks relating to the project are considered, recorded, communicated and monitored;

- The projected outcomes of the scheme are achieved.

7.3 Where capital schemes are more complex, a multi-disciplinary project group may be established to oversee the effective delivery of the scheme. This may also be supplemented by external specialist advice where it is deemed this is necessary.

7.4 A formal monitoring report on the progress of schemes within the Investment Plan is taken to Investment Programme Board on a monthly basis, which provides information on delivery progress, risks and captures any potential changes. Any changes are underpinned by the Gateway governance process (Appendix 3) which formally records any variance to the existing approved schemes. Formal reports are also taken relating to the outturn ensuring that Investment Programme Board understand the impact of the capital investment and outputs that have been achieved in any particular year.

7.5 Cabinet receives bi-monthly monitoring reports and must provide formal approval to additional resource allocations, changes to existing schemes relating to amounts, financing arrangements, delivery timing or outputs.

8. Longer-Term Planning

8.1 The Investment Plan is based upon a five-year planning cycle, aligning with the Authority's medium-term financial plan. However, the Prudential Code requires a longer-term consideration of the Authority's capital investment requirements, acknowledging that this will involve a high degree of estimation at this stage and that specific proposals will evolve.

8.2 The Investment Plan, approved by Council in February 2022 covers the period to 2026/27 and amounts to almost £330m, with £173m of General Fund schemes and £157m within the Housing Revenue Account.

8.3 Potential additional capital projects will be identified through the Gateway process however there are elements of recurring capital investment which will be necessary to continue to ensure effective service delivery beyond the Investment Plan period. This includes investment in areas such as:

- Highways – improvement and maintenance of the Authority's highway assets including roads, bridges, footpaths and traffic signal equipment

- Property – improvement and maintenance of the Authority's operational buildings utilised to support service delivery
- Vehicles – acquisition of vehicles, including refuse collection vehicles, to support service delivery
- IT equipment and infrastructure – improvement and replacement of the IT infrastructure and devices to ensure effective and secure service delivery

8.4 This has resulted in the following projections for future capital investment programmes beyond the existing Investment Plan term:

Asset Group (£m)	Investment Plan	Years 6 – 10
Highways	10.0	10.0
Council Property	13.0	10.0
Vehicles	8.0	10.0
IT Infrastructure	6.0	10.0
Total Projected	37.0	40.0

9. Capital Funding Sources

9.1 There are a range of external and internal funding sources that the Authority considers to support the delivery of the Investment Plan. These primarily include:

- External grants and contributions
- Capital receipts generated from the sale of assets
- Contribution from revenue resources
- Prudential borrowing
- Institutional investment

External Grants and Contributions

9.2 The Authority actively explores external funding opportunities to support the delivery of priority schemes within the Investment Plan. This can include the use of grants awarded on a formula basis from Government departments or as a result of competitive funding applications to Government departments or other grant awarding bodies such as Heritage Lottery, Local Enterprise Partnerships or the North of Tyne Combined Authority.

9.3 As part of the Investment Programme Board governance the Authority reviews each external funding opportunity to understand the associated conditions and risks that may pass to the Authority to manage as part of scheme delivery.

9.4 The Authority receives significant contributions from Developers as part of the planning process to support additional development and mitigate the impact locally. This includes Section 106 contributions, Community Infrastructure Levy and Section 278 contributions towards highways improvements. Any associated conditions relating to these contributions are addressed when developing specific project proposals and monitored as part of the delivery of the Investment Plan.

Capital Receipts

9.5 The Authority has a significant property estate the majority of which is held for operational purposes to ensure the effective delivery of the Authority's core services. However, strategic reviews of the portfolio can result in identifying properties which are deemed surplus to requirements and can be sold.

9.6 The proceeds arising from the sale of the Authority's assets are used to support the Investment Plan to fund the delivery of the Authority's priorities. The Authority has a planned and structured approach towards managing the disposal of assets, overseen by the Strategic Property Group.

9.7 The Authority does not commit capital receipts in advance of realisation and does not ring-fence the use of receipts to specific schemes except where regulations may require this. Typically, the following options will be considered when determining the optimum allocation of receipts:

- Repayment of existing debt
- Mitigating the need for future borrowing requirements to deliver the Investment Plan
- Funding transformational projects which will deliver significant efficiency savings
- Funding additional capital investment

Revenue Contributions

9.8 Capital investment can be financed directly from the Authority's revenue budget. However, the current pressures on the Authority's revenue budget limit the extent of this type of funding in the General Fund.

9.9 The Housing Revenue Account business plan utilises significant revenue contributions to fund investment in the Authority's housing stock. These contributions are transferred via a ring-fenced Major Repairs Reserve.

Prudential Borrowing

9.10 Under the Prudential Code the Authority is able to borrow to fund capital investment provided it can be demonstrated that the borrowing is prudent, affordable and sustainable. The Authority is unable to utilise borrowing to support any investment which is primarily for yield.

9.11 The level of borrowing that can be supported is dependent on the availability of revenue resources required to fund the associated financing costs, with the need to identify a long-term source of revenue to meet these payments. This position is reviewed as part of developing robust business cases for each project, considering the ongoing revenue implications of every investment decision.

9.12 The Authority makes provision for the repayment of the principal element of the borrowing through the Minimum Revenue Provision (MRP) which is charged to the revenue budget each year. The Authority considers the MRP policy on an annual basis as part of setting the revenue budget, with the calculation aligned to the useful life of the assets to which the borrowing relates in accordance with the guidance.

9.13 As part of complying with the Prudential Code several indicators are considered by full Council, showing ratios of costs and levels of borrowing. These indicators are monitored on an ongoing basis and reported formally to Cabinet and Council to ensure investment plans remain within agreed parameters.

Institutional and Alternative Investment

9.14 Whilst not currently actively pursuing this type of funding arrangement, the Authority may also consider long-term financing arrangements as an alternative to the use of prudential borrowing as a means to facilitate additional regeneration within the Borough.

9.15 This type of funding, typically involving UK Pension Funds with strong Environmental, Social and Governance credentials, also requires a long-term revenue commitment which means the Authority must fully understand the risks involved and the likely performance of the underlying asset. Any decision to explore alternative investment opportunities would be subject to Cabinet approval as part of developing the specific project.

10. Asset Management

10.1 It is essential to understand the need, utilisation, condition and the investment and operating costs associated with the Authority's asset portfolio to ensure the effective use of the Authority's resources.

10.2 To ensure that capital assets continue to be of long-term use, the Authority has approved asset management plans in place for property assets with the intention to create a sustainable, efficient and fit-for-purpose portfolio of assets. A disposal strategy is also in place to find alternative beneficial uses for any assets which are deemed surplus to requirements.

10.3 The Authority also has asset management plans in place for highways and other infrastructure assets which guide investment decisions and seek to align spending plans with other key priorities as part of a co-ordinated and targeted approach to maximise value.

11. Debt, borrowing, investments and treasury management

11.1 CIPFA define Treasury Management in the Treasury Management Code of Practice as follows:

> *'The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with the activities; and the pursuit of optimum performance consistent with those risks'*
>
> *CIPFA – Treasury Management Code of Practice*

11.2 The Treasury Management role is to keep sufficient but not excessive cash available to meet the Authority's spending needs, while effectively managing the risks involved. Surplus cash is invested until it is required, while a shortage of cash will be met by borrowing to avoid excessive credit balances or overdrafts in the bank account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent and the Authority holds cash reserves. Revenue cash surpluses are often offset against capital cash shortfalls to reduce the overall borrowing requirement.

11.3 The Authority's Treasury Management Strategy specifies how the Authority manages its treasury activities and includes the Authorities borrowing and investment strategies as well as specifying the Authority's risk appetite.

Borrowing Strategy

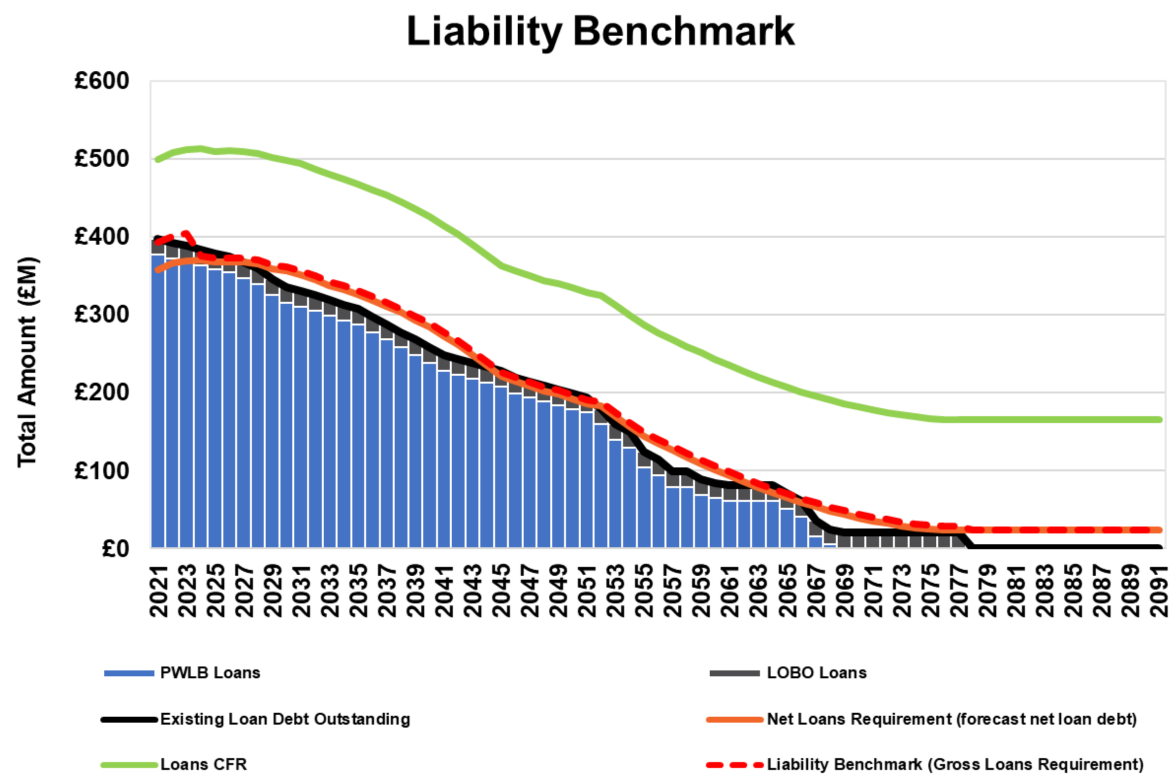
11.4 The borrowing strategy outlines the options available to fund the Capital Financing Requirement (CFR), which is the Authority's underlying need to borrow, and how the risks around borrowing will be managed. Prudential Indicators are set annually as part of the Authority's revenue budget and these help to ensure that the Investment Plan remains affordable, sustainable and prudent by setting maximum levels of borrowing, interest rates exposure and the total borrowing maturity exposure per period.

11.5 The following table shows the estimated net revenue cost of debt charges and future borrowing levels that will be required to meet the CFR over the 10-year timeframe of the Capital Strategy. This includes assumptions on longer-term investment requirements beyond the existing Investment Plan but does not include other long-term liabilities such as PFI schemes.

£m	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
Capital Financing Requirement (Excl PFI)	499.5	506.9	512.5	517.3	516.9	519.8	519.1	516.3	510.0	506.6
Existing External Debt	398.4	393.4	388.4	384.9	376.9	368.9	355.0	345.0	340.0	335.0
Additional External Debt Requirement	101.0	113.4	124.1	132.4	140.0	150.9	164.1	171.3	170.0	171.6
Net Debt Charges	12.8	13.4	13.8	14.2	14.7	15.1	15.4	15.7	16.0	16.4

Liability Benchmarking

11.6 To compare the Authority's actual borrowing to its underlying need to borrow a liability benchmark has been calculated using the Authority's loans and Capital Financing Requirement less its underlying cash investments.



11.7 The liability benchmark indicates that the Authority will be under-borrowed against its requirements. This will mean that additional borrowing will be required but the Authority will manage that by monitoring interest rates and identifying the optimum borrowing opportunities in accordance with its Treasury Management Strategy. There may be occasions when the Authority will opt to actively be under-borrowed to avoid excessive interest rate costs through the use of internal resources.

Borrowing Limits

11.8 The Authority sets an affordable borrowing limit (also known as the authorised limit for external debt) each year to comply with the Prudential Code. A lower operational boundary is also set as a warning level should debt approach the limit. An indication of these based on the Investment Plan is set out in the table below:

£m	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
Authorised Limit for External Debt										
Borrowing	1,040	1,020	1,010	1,000	980	960	940	920	900	880
PFI and Leases	135	235	235	235	235	235	235	235	235	235
Total	1,175	1,255	1,245	1,235	1,215	1,195	1,175	1,155	1,135	1,115
Operational Boundary for External Debt										
Borrowing	520	520	520	520	520	520	520	520	520	520
PFI and Leases	115	185	185	180	175	175	175	175	175	175
Total	635	705	705	700	695	695	695	695	695	695

12. Investments for service of commercial purposes

12.1 The Authority has not entered into any non-treasury financial investments which are purely to generate a commercial return. The Authority does own a portfolio of tenanted non-operational units, such as industrial units and retail units which generate a source of revenue income, however these have been held for a number of years and are retained primarily to support the Authority's priorities around local employment and regeneration. As such, the key risk exposure relates to void periods and reductions in rental income.

12.2 There are currently no plans to enter into a non-treasury financial investment primarily to obtain a revenue return. However, if the opportunity arose the long-term financial implications and potential risks would be assessed as part of the due diligence process and any arrangement would require Cabinet approval.

13. Other long-term liabilities

13.1 Local Authorities may take on liabilities and hold investments where this forms part of service delivery. Whilst these are not included within the Investment Plan they are included within the wider Capital Strategy to provide an overarching view of the Authority's financial position.

13.2 As at 31st March 2022 the Council held £105.361m long-term liabilities in respect of PFI schemes;

- Sheltered Accommodation £70.711m
- Schools £20.614m
- Joint Service Centres £10.115m
- Street Lighting £3.921m

14. Knowledge and skills

14.1 Officers and Councillors involved in the decision-making process regarding capital expenditure, borrowing and investment matters are required to have an appropriate level of skills and knowledge to make informed decisions.

14.2 The Authority employs experienced, professionally qualified officers which include qualified accountants from CIPFA, ACCA and CIMA with commitments to Continued Professional Development. In addition, the Authority ensures that key officers involved in the delivery of schemes within the Investment Plan from other disciplines also have the required professional standing and suitable experience to effectively manage risk.

14.3 The Authority also utilises Link Asset Services to provide additional advice and support regarding treasury management decisions and provide additional specialist knowledge.

14.4 Where individual capital schemes are complex or higher-risk in their nature the Authority will engage with specialist advisors where necessary to assist with the due diligence process which could include assisting with developing business cases, project appraisal or delivery advice and support. The outcome of this advice will form part of the reports to senior officers and Councillors as part of the decision-making process.

14.5 Treasury management and capital training is available to Officers and Councillors including formal training delivered by external advisors as well as in-house presentations and briefings on specific and relevant issues.

15. Conclusion

15.1 The Capital Strategy is a reporting requirement of the CIPFA Prudential Code, most recently updated in 2021, and this Strategy summarises how capital expenditure, capital financing and treasury management activity contribute towards the infrastructure and provision of services for the residents of the Borough.

15.2 The Capital Strategy takes account of the Authority's vision to build a better North Tyneside and helps to ensure that any new investment is considered within the context of growth in a financially and environmentally sustainable manner.

15.3 The Capital Strategy provides an overview of how associated risk is managed and the implications for future financial sustainability, ensuring that the impact of capital investment plans are aligned with the Authority's Medium Term Financial Plan and the ongoing financial challenges that the Authority faces.

Appendix 1 – Our North Tyneside Plan

Our North Tyneside Plan

2021 TO 2025

BUILDING A BETTER NORTH TYNESIDE

A thriving North Tyneside

- We will regenerate the high streets of North Shields and Wallsend, and in addition to the Master Plan for North Shields, we will bring forward Master Plans for Wallsend and Whitley Bay town centre areas. We will also bring investment and improvements to the North West area of the borough and ensure that regeneration delivers ambition, opportunity and benefits for all of our residents;
- We will bring more good quality jobs to North Tyneside – by helping local businesses to grow and making it attractive for new businesses to set up or relocate in the borough
- We will invest in adult education and to support apprenticeships to make sure people have the right skills for the job
- We will keep our libraries and leisure centres open as part of a vibrant range of cultural and sporting activities to support the health and wellbeing of our residents;
- We will continue to be the destination of choice for visitors through the promotion of North Tyneside's award-winning parks, beaches, festivals and seasonal activities
- We will reduce the number of derelict properties across the borough
- We will review how the council purchases and contracts for goods and services to maximise value for money, social value and environmental sustainability

A secure North Tyneside

- Council wardens will work in partnership with Northumbria Police to prevent and tackle all forms of antisocial behaviour;
- We will continue to invest £2m per year in fixing our roads and pavements
- We will maintain the Council Tax support scheme that cuts bills for thousands of households across North Tyneside
- We will tackle health and socio-economic inequalities across the borough including through our Poverty Intervention Fund to tackle food poverty; and
- We will provide 5000 affordable homes

A family-friendly North Tyneside

- We will support local schools, making sure all children have access to a high-quality education with opportunities to catch up where needed after the pandemic
- We will provide outstanding children's services, events and facilities so North Tyneside is a great place for family life
- We will ensure all children are ready for school including through poverty proofing the school day – giving our kids the best start in life

A caring North Tyneside

- We will provide great care to all who need it, with extra support available all the way through to the end of the pandemic
- We will work with the care provision sector to improve the working conditions of care workers;
- People will be cared for, protected and supported if they become vulnerable, including if they become homeless
- We will support local community groups and the essential work they do
- We will work to reduce inequality, eliminate discrimination and ensure the social rights of the people of North Tyneside are key to council decision making

A green North Tyneside

- We will keep increasing the amount of waste that can be recycled and introduce food waste collections and deposit return schemes
- Council environmental hit squads will crack down on littering
- We will secure funding to help low income households to install low-carbon heating;
- We will increase opportunities for safe walking and cycling, including providing a segregated cycleway at the coast
- We will publish an action plan of the steps we will take and the national investment we will seek to make North Tyneside carbon net-zero by 2030

Appendix 2 – Capitalisation Policy

Expenditure on the acquisition of a non-current asset, or expenditure that adds to rather than simply maintains the value of a non-current asset is capitalised on an accruals basis and classed as a non-current asset on the Authority's balance sheet provided that the benefits to the Authority and the services it provides will last for a period of more than one year.

Expenditure that should be capitalised will include expenditure on the:

- Acquisition, reclamation or enhancement of land;
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- Acquisition, installation or replacement of plant, machinery and vehicles;
- Replacement of a component of a non-current asset that has been treated separately for depreciation purposes and depreciated over its individual useful life.

In this context, enhancement means the carrying out of works that are intended to:

- Significantly lengthen the useful life of the asset; or
- Significantly increase the open market value of the asset; or
- Significantly increase the extent to which the asset can or will be used for the purposes of the Authority.

The Authority capitalises expenditure on developing and implementing computer software and licenses as an intangible asset, provided that the expected life exceeds one year.

The Authority capitalises dedicated Project Management costs where this is directly linked to the delivery of a major project included within the Investment Plan.

All capital expenditure creating or enhancing a non-current asset will be recorded in the Authority's Asset Register where the asset can be separately identified. Some expenditure may also relate to assets owned by a third party rather than the Authority and this is capitalised as Revenue

Funded from Capital under Statute (REFCUS) in accordance with accounting regulations.

The Authority's de-minimis level is £10,000 for land, buildings and infrastructure and £6,000 for equipment, except for certain external funding regimes where different levels of capitalisation are specified.

All expenditure is capitalised using capital accounts and is financed at the year-end, as long as the scheme has been approved through the Authority's Investment Plan. This includes programmes of spending such as purchase of fleet vehicles, ICT equipment, strategic maintenance or health and safety schemes, where individual project spend could be less than the current de-minimis level.

Appendix 3 – Investment Plan Governance: Gateway Process

Investment Programme Board The purpose of the Gateway process is to ensure that all necessary approvals are secured at all key stages of any Capital project – this also includes regional projects. Project Officers are responsible for the completion and submission of all Gateway Forms to the Strategic Investment and Property Team and must include sign off by the relevant Cabinet Member. The team will then ensure that all Gateway Forms are presented to IPB as required.	
Gateway 0 Strategic Fit	**Purpose:** A brief submission to demonstrate that a mandate exists, the project or programme has been prioritised and an outline business case has been developed. There is a requirement to convey how far the idea has been developed in terms of feasibility. **Role:** The submission will be scrutinised by the IPB in terms of strategic fit, corporate priorities, available capital resources and estimated revenue implications. This allows the Project Officer to commence the detailed feasibility stage.
Gateway 1 Feasibility	**Purpose:** This document constitutes a formal bid for capital investment for inclusion in the Investment Plan. It should provide sufficient information to enable effective financial and technical scrutiny ahead of further review at strategic and member level. Figures on cost and funding should be as accurate as possible. At Gateway 1 there is a focus on viability, affordability, procurement and delivery. The initial submission of the Gateway 1 form will be considered by a sub-group of IPB. This will ensure that all projects are aligned to the Authority's Our North Tyneside Plan and that any financial or other implications are addressed prior to consideration by the full IPB Board **Role:** The IPB will scrutinise the bid in terms of its financial and technical viability and management of risk. The IPB will be briefed on outcomes and recommended actions and may wish to prioritise, amend or modify the submission in light of these comments. The IPB provide recommendations to Cabinet to form part of the budget setting and financial management processes.
Gateway 2 Approval and Delivery	**Purpose:** This stage provides formal approval to spend the Authority's resources and must be secured before any capital expenditure is incurred on a programme / project. This template brings together all the information needed for an appraisal and approval to be given. If the request varies from the previous Gateway, either in terms of expenditure, funding or both then any variance must be explained and justified. In addition, this Gateway Form must provide information on the spend profile which will then be monitored as part of the overall investment plan.

	Role: Officers in both the Strategic Investment & Property Team and the Client Finance Team will complete final checks to confirm that relevant information has been submitted correctly and appears reasonable and in accordance with the business case.
Gateway 3 Exception Report	**Purpose:** This submission addresses variances from the approved position which could include project delays, financial concerns or new information that may now have an impact on the project. Information contained in this submission should provide the IPB with information on the project and the specific issues as to why the matter has been escalated to the IPB and must include a revised spend profile. A Gateway 3 submission may be required on more than 1 occasion subject to the issues / matters that may / may not be raised regarding a particular project. The relevant Project Officer responsible for the project will be expected to attend the IPB to present the Gateway 3 submission. **Role:** The submission will be scrutinised by the IPB in terms of the wider strategic fit, corporate priorities together with the associated implications for capital resources and revenue budgets, prior to submission to Cabinet or Council as required.
Gateway 4 Project Close	**Purpose of Document:** The purpose of this document is to confirm financial completion, transfer or the abandonment of a project and to report on the status of associated records. Completion of all relevant sections is mandatory to enable consolidated reporting on the Investment Plan, helping to confirm scheme outputs and any relevant lessons that have been learned and which can then inform the delivery of similar schemes in the future. **Role:** The Investment Programme Board will provide scrutiny and review this submission including for capital accounting and financial closure purposes.

Flexible Use of Capital Receipts Strategy
2023/24 – 2024/25

Appendix D(v)

North Tyneside Council

North Tyneside Council

Flexible Use of Capital Receipts Strategy

1. Introduction

1.1 This report provides background relating to the statutory guidance on the flexible use of Capital Receipts and its application within this Authority.

1.2 The use of capital receipts to fund the costs of service transformation expected to deliver a long-term benefit, rather than applying revenue resources or reserves, allows for available revenue resources to be directed to service areas to facilitate further service redevelopment and helps to mitigate the financial pressures of the Authority.

2. Background

2.1 Capital receipts can only be used for specific purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure and the use of capital receipts to support revenue expenditure is not allowed by the regulations.

2.2 The Secretary of State is empowered to issue Directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.

2.3 In February 2021, the Secretary of State confirmed that Authorities would have freedom to use capital receipts from the sale of their own assets (to entities outside of their Group structure) since 2016/17 to help fund the revenue costs of transformation projects. This flexibility was extended as part of the Local Government Provisional Settlement announced on 18 December 2023. The direction confirms that Local Authorities can treat as capital expenditure, expenditure which:

i. is incurred by the Authorities that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners; and

ii. is not incurred with respect to redundancy payments, except where such redundancy costs are necessarily incurred and limited to the amounts available as statutory redundancy payments.

2.4 To utilise this additional freedom, the Authority must act in accordance with the Statutory Guidance issued by the Secretary of State which requires the Authority to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy and to report on progress.

3. Flexible Use of Capital Receipts Strategy

3.1 The Authority is free to determine which projects will be most effective, with the guidance confirming that:

Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.

3.2 The guidance provides a range of example projects, including:

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Collaboration between local authorities and central government departments to free up land for economic use;

- Funding the cost of service reconfiguration, restructuring or rationalisation where this leads to ongoing efficiency savings or service transformation;
- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities;
- Aggregating procurement on common goods and services where possible;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others); and
- Integrating public facing services across two or more public sector bodies (for example children's social care or trading standards) to generate savings or to transform service delivery.

3.3 As part of developing the Authority's Medium Term Financial Plan (MTFP) a number of specific workstreams have been identified to tackle the areas of the highest pressures facing the Authority and to explore opportunities to be more efficient. Progress on these workstreams is overseen by the Authority's Senior Leadership Team and the agreed workstreams include the following key areas:

Project Ref	Project Title
PR05	Inclusive Education / SEND
PR06	Ambition for Education
PR07	Home to School Transport
PR08	Handling Childrens Finance
PR09	Climate and Waste
PR10	Great Landlord and Specialist Housing
PR11	Health and Social Care (Public Health and Adults)
PR13	Corporate Accounting
PR14	People Strategy
PR16	Schools SLAs

3.4 Within these workstreams the Authority has identified a number of opportunities which involve planned investment in 2024/25 which is expected to generate ongoing efficiency savings. These specific projects are summarised at Appendix A.

3.5 The list is not definitive and as work progresses on each of the workstreams then additional opportunities may be identified which will be reflected in an updated Strategy and reported as part of the existing Performance and Financial Monitoring reporting framework.

3.6 The Authority has a total of £8.8m of capital receipts available which have been generated since the flexibility has been available and the position will continue to be monitored during the term.

3.7 The Authority has not currently assumed the use of these capital receipts to fund existing planned capital investment, meaning there is no impact on the Prudential Indicators associated with the application of the capital receipts to be applied to meet transformational costs.

Appendix A – Proposed Projects

Project	Description	Service Transformation / Savings	Service	Cabinet Portfolio	Planned Use of Receipts (£'000)
In-house children's home	Pilot scheme to deliver in-house provision relating to Children with complex care needs rather than commissioning external placements.	£150k+ p.a. potentially if two children can be supported through in-house provision.	Children's Services	Supporting and Protecting Children	300
In-house residential provision	Pilot scheme to implement a new approach to staffing models to create a shared team resource and reduce the reliance on overtime.	Spend on overtime has exceeded £1m+ in recent years, placing significant pressure on the Authority's revenue budgets.	Children's Services	Supporting and Protecting Children	500
Case review team	Pilot scheme to introduce a case review team to undertake care package reviews, releasing capacity from social workers and ensuring care packages are aligned to specific needs.	Potential to generate savings of £400k+ by identifying and reducing over provision.	Adult Social Care	Adult Social Care	280

Project	Description	Service Transformation / Savings	Service	Cabinet Portfolio	Planned Use of Receipts (£'000)
Home to School Transport	Investment in a range of measures aimed at reducing direct service provision, including the provision of Independent Travel Trainers and expanded use of Personal Transport Budgets.	Potential to generate £100k+ of annual revenue savings	Commissioning and Asset Management		500

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Treasury Management Strategy, Annual Investment Statement and Credit Criteria

2024/25

Appendix E (i)

North Tyneside Council

1.0 Treasury Management Strategy for 2024/25

1.1 The proposed Strategy for 2024/25 in respect of the following aspects of the treasury management function is based upon treasury management officers' view on interest rates, supplemented with market forecasts provided by the Authority's treasury advisor, Link Asset Services. This strategy covers:

- Training;
- Use of External Advisors;
- The borrowing strategy;
- Policy on borrowing in advance of need;
- Debt rescheduling;
- The investment strategy;
- Creditworthiness; and
- Non-Treasury Investments

2.0 Training

2.1 The CIPFA Code requires the responsible officer to ensure that Officers and Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

3.0 Treasury Management Advisors

3.1 The Authority uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

3.2 Whilst the Authority has external treasury management advisors it recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of its external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, its treasury advisers.

3.3 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

4.0 Investment and Borrowing Rates

4.1 Markets remain volatile due to strong inflationary pressures. The Bank of England have been increasing rates to combat rising prices. On 3 August 2023, the Bank of England's MPC voted to raise rates to 5.25%, and rates have been held at 5.25% at the subsequent MPC meetings. The Bank's monetary policy committee meets every month to decide interest rate policy. The MPC continue to monitor closely indications of persistent inflationary pressures and resilience in the economy. Monetary policy aims to be sufficiently restrictive for sufficiently long to return inflation to the 2% target sustainably in the medium term, in line with the Committee's remit.

5.0 Borrowing Strategy

5.1 The Authority's capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent since 2019/20 as investment returns have remained low and counterparty risk is relatively high.

However, with interest rates on an upwards trajectory, the Authority has to review borrowing requirements whilst considering the risk of interest rates rising. Pushing up the cost of borrowing to the Authority.

5.2 The Authority's borrowing strategy will give consideration to new loans in the following order of priority:

- The cheapest borrowing and lowest risk approach is internal borrowing. By continuing to maintain a relatively low level of cash balances the risk of investment is reduced. However, in view of the overall forecast for long-term borrowing rates to remain stagnant over the next few years, consideration will be given to weighing the short-term advantage of internal borrowing against potential long-term costs if the opportunity is missed for taking loans at long-term rates which may be higher in future years;
- Temporary borrowing from money markets or other local authorities;

- Long-term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintain an appropriate balance between PWLB and market debt in the debt portfolio;
- PWLB borrowing for periods under ten years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt; and
- PWLB borrowing for periods of longer than ten years may be explored.

5.3 The principal risks that impact on the Strategy are the security of the Authority's investments and the potential for sharp changes to long and short-term interest rates. Officers, in conjunction with the Authority's treasury advisor, will continue to monitor the financial standing of banks and building societies, and the level of interest rates, both those prevailing and forecast.

5.4 Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Director of Resources will monitor the interest rates in financial markets and adopt a pragmatic approach to changing circumstances, reporting any decisions to Cabinet or full Council, as appropriate, at the next available opportunity. Such circumstances include a situation where:

- If it were felt that there was a significant risk of a sharp fall in long and short-term interest rates, then long-term borrowings will be postponed, and potential rescheduling from fixed rate funding into short-term funding will be considered; or
- If it were felt there was a significant risk of a much sharper rise in long and short-term rates than that currently forecast, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

6.0 Policy on borrowing in advance of need

6.1 The Authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.

6.2 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

7.0 Debt Rescheduling

7.1 As short-term borrowing rates will be considerably cheaper than longer-term interest rates, there may be potential opportunities to generate savings by switching from long-term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). Any position taken via rescheduling will be in accordance with the strategy position outlined above.

7.2 In order to generate the most attractive debt rescheduling opportunities, it is proposed that the strategy for 2024/25 should remain flexible. The reason for any rescheduling to take place may include:

- the generation of cash savings and / or discounted cash flow savings at minimum risk;
- to help fulfil the strategy outlined above; and
- to enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

7.3 All rescheduling will be reported to Cabinet as part of the next financial management report at the meeting following its action.

Annual Investment Strategy

8.0 Investment policy – management of risk

8.1 The Department for Levelling Up, Housing and Communities (DLUHC) and Chartered Institute of Public Finance and Accountancy (CIPFA) have extended the meaning of 'investments' to include both financial and non-financial investments. This section of the report deals solely with financial investments. Non-financial investments, essentially the purchase of income yielding assets, are covered later in the report.

8.2 The Authority's investment policy has regard to the following:

- DLUHC (formerly MHCLG's) Guidance on Local Government Investments;
- Treasury management in the public services, 2021 edition Code of practice and cross sectoral guidance notes;
- Treasury management in the public services, 2021 edition Guidance notes

8.3 The Authority's investment priorities are:

a) the security of capital;
b) the liquidity of its investments; and,
c) Yield (return).

8.4 The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are their short-term and long-term ratings;

2. Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its

advisors to maintain a monitor on market pricing such as credit default swaps and overlay that information on top of the credit ratings;

3. Other information sources used will include the financial press, share prices and other such information pertaining to the banking sector in order to establish a robust scrutiny process on the suitability of potential investment counterparties;

4. This Authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in within the Investments and Credit Criteria under the categories of 'specified' and 'non-specified' investments:

   - Specified investments are those with a high level of credit quality and subject to a maturity limit of one year; and
   - Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. The Authority has determined that it will limit the maximum total exposure to non-specified investments as being 25%;

6. Lending limits for each counterparty will be set through applying the matrix table within the Investments and Credit Criteria table;

7. Transaction limits are set for each type of investment in within the Investments and Credit Criteria table;

8. This Authority will set a limit for its investments which are invested for longer than 365 days;

9. Investments will only be placed with counterparties from countries with a specified minimum sovereign rating;

10. This Authority has engaged external consultants to provide advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year;

11. All investments will be denominated in sterling; and

12. Following the introduction of IFRS 9 as a result of the type of type of investments the Authority holds, there has been no material impact on the Authority's financial statements.

8.5 The Authority will pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

8.6 There have been no changes in risk management policy from last year, and the above criteria are unchanged.

9.0 Investment Strategy

9.1 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates. Greater returns are usually obtainable by investing for longer periods. While most cash flow balances are required in order to manage day to day cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed:

If it is thought that the Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as short-term or variable; or

Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

9.2 A prudent approach will be taken with all investments being made on a short-term basis; in the current economic climate. This will primarily be achieved through investing with selected banks and funds which meet the Authority's credit rating criteria, as set out in Appendix E.

9.3 At the end of the financial year, the Authority will report on its investment activity as part of its Annual Treasury Report.

10.0 Creditworthiness Policy

10.1 The Authority applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit default swaps (CDS) spreads to give early warning of likely changes in credit ratings; and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

10.2 The modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Authority to determine the suggested duration of investments.

10.3 The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system; it does not give undue preponderance to one agency's ratings.

10.4 The Authority is alerted to changes to ratings of all three agencies through its use of the Link Asset Services creditworthiness service:

- If a downgrade results in the counterparty no longer meeting the Authority's minimum criteria, its further uses as a new investment will be withdrawn immediately; and
- In addition to the use of credit ratings the Authority will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website. Extreme market movements may result in downgrade of an institution or removal from the Authority's lending list. Sole reliance will not be placed on the use of this external service. In addition, this Authority will also use market data and market information on any external support for banks to help support its decision-making process.

11.0 Investment Instruments and Credit Criteria

11.1 Investment instruments used for the prudent investment of the Authority's cash balances are listed below under the 'Specified' and 'Non-Specified' Investment categories.

11.2 Specified Investments are those investments offering high security and liquidity. All such investments will be in sterling, with a maximum maturity of one year, meeting the minimum 'high' rating criteria where applicable. Table 1 below shows the credit rating criteria used to select with whom the Authority will place funds.

11.3 The minimum credit ratings criteria the Authority use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available or other market information, to support their use.

11.4 Group Limit – A group limit is the maximum exposure that can be held in total across a group of entities which fall within a single parent. For example, Bank of Scotland PLC falls within the group of Lloyds Bank PLC, therefore no more than £10m can be invested across the group. A Group limit of £10m will not be exceeded.

11.5 Non-specified Investments - are all sterling denominated, with maturities in excess of one year. A maximum of 25% may be held in aggregate in non-specified investments. Table 2 below shows the counterparties with whom the Authority will place funds.

Table 1: Specified Investments and Credit Criteria

	Credit Criteria	Maximum Deposit	Maximum Period
UK Government Debt Management Office (DMADF)	N/A	£75m	6 months
UK Local Authorities	N/A	£10m each	1 year
UK Government Treasury Bills	UK Sovereign Rating	£10m	1 year
Term deposits with individual bank or building society entity	Blue /Orange Red Green No Colour	£5m each	12 months 6 months 100 days Not for use
Certificate of Deposits with banks and building societies	Blue /Orange Red Green No Colour	£5m each	12 months 6 months 100 days Not for use
Money Market Funds *(CNAV, LVNAV,VNAV)	AAA	£5m each	Liquid

*CNAV- Constant Net Asset Value
LVNAV- Low Volatility Net Asset Value
VNAV- Variable net Asset Value

Table 2: Non-Specified Investments

	Credit Criteria	Maximum Deposit	Maximum Period
UK Local Authorities	N/A	£5m each	3 years

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Treasury Management Practices

2024/25

Appendix E (ii)

North Tyneside Council

This section contains the schedules that set out the details of how the Treasury Management Practices (TMPs) are put into effect by this organisation.

Background

CIPFA recommends that an organisation's treasury management practices (TMPs) include those of the following that are relevant to its treasury management powers and the scope of its treasury management activities:

- TMP1 Risk management.
- TMP2 Performance measurement.
- TMP3 Decision making and analysis.
- TMP4 Approved instruments, methods and techniques.
- TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements.
- TMP6 Reporting requirements and management information arrangements.
- TMP7 Budgeting, accounting and audit arrangements.
- TMP8 Cash and cash flow management.
- TMP9 Money laundering.
- TMP10 Training and qualifications.
- TMP11 Use of external service providers.
- TMP12 Corporate governance.

This section contains the schedules which set out the details of how the Treasury Management Practices (TMPs) are put into effect by the Council. There are no major changes to practices from prior year.

TMP 1 – Risk Management

1.1 The Authority regards a key objective of its treasury management and other investments activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures covering all external investments including investment properties.

1.2 The Director of Resources (Section 151 Officer) will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the Authority's objectives in this respect, all in accordance with the procedures set out in TMP 6 Reporting Requirements and Management Information arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

[1] Credit and Counterparty Risk Management

1.3 Credit and counterparty risk is the risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current resources.

1.4 The Authority regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisation's with which funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP 4 Approved Instruments Method and Techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements. The Authority will also give regard to investments which relate to ESG (Environmental, Social and Governance), this is still a developing area and ESG investment will be reviewed on a case-by-case basis.

1.5 Further details of the Authority's credit and counterparty limits are available within the Authority's Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS).

[2] Liquidity Risk Management

1.6 Liquidity risk is the risk that cash will not be available when it is needed, that ineffective risk management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will therefore be compromised.

1.7 The Authority will ensure it has adequate, not excessive, cash resources, borrowing arrangements, overdraft, or standby facilities to enable it at all times to have the level of funds available to it which is necessary for the achievement of its business service objectives.

1.8 The Authority will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

1.9 The Treasury Management team shall seek to minimise the balance held in the Authority's main bank accounts at the close of each working. Borrowing or lending shall be arranged in order to achieve this aim.

1.10 A £1m overdraft at 2.5% over base has been agreed with Barclays Bank as part of the banking services contract. The overdraft is assessed on a group basis for all the Authority's accounts.

1.11 The Authority accesses temporary loans through brokers on the London Money Market, the Authority's own bank, banks and other local authorities.

[3] Interest Rate Risk Management

1.12 The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Authority's finances, against which the Authority has failed to protect itself adequately. The Authority will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary implications.

1.13 Consideration will be given to dealing from forward periods depending upon market conditions.

1.14 The Authority will use callable deposits as part of its Annual Investment Strategy (AIS). The credit criteria and maximum periods are set out in the Schedule of Specified and Non-Specified Investments appended to the Annual Investment Strategy.

[4] Exchange rate risk management

1.15 The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Authority's finances, against which the Authority has failed to protect itself adequately.

1.16 It will manage its exposure to fluctuations in exchange rates so as to minimize any detrimental impact on its budgeted income/expenditure levels.

[5] Inflation Risk Management

1.17 The Authority will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

[6] Refinancing Risk Management

1.18 The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the Authority for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

1.19 The Authority will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Authority as can reasonably be achieved in the light of market conditions prevailing at the time.

1.20 The Authority will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any source of funding if this might jeopardise achievement of the above.

1.21 The Authority will establish through the Prudential and Treasury Indicators the amount of debt maturing in any year/period.

1.22 Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous, and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reason for any rescheduling to take place will include;

- The generation of cash savings at minimum risk
- To reduce the average interest rate
- To amend the maturity profile and balance volatility of the debt portfolio

1.23 The Director of Resources (Section 151 Officer) will prepare a five-year plan for capital expenditure for the Authority. The investment plan will be used to prepare a five-year revenue budget for all forms of financing charges. The Director of Resources (Section 151 Officer) will also draw up a capital strategy report which will give a longer-term view.

1.24 The definition of capital expenditure and long-term liabilities used in the Code will follow recommended accounting practices as per the Code of Practice on Local Authority Accounting.

1.25 In consideration of affordability of its investment plans, the Authority will consider all the resources currently available for the future together with the totality of its investment plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax and housing rent levels. It will also consider affordability in the longer term beyond the three-year period.

[7] Legal and Regulatory Risk Management

1.26 The risk that the Authority itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Authority suffers losses accordingly.

1.27 The Authority will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties to whom it deals in such activities.

In framing its credit and counterparty policy it will ensure that there is evidence of counterparties' power, authority and compliance in respect of the transactions they may effect with the organization, particularly to duty of care and fees charged.

1.28 The Authority recognises that future legislative or regulatory changes may impact on its treasury management activities and will seek to minimise the risk of these impacting adversely on the Authority.

1.29 The treasury management activities of the Authority shall comply fully with legal statute, guidance, Codes of Practice, and the financial regulations of the Authority. These are listed as appendix 1 of this document.

1.30 The Authority's power to borrow and invest are contained in legislation.

- Investing: Local Government Act 2003, section 12
- Borrowing: Local Government Act 2003, Section 1

1.31 Schedule 1, provided as part of this document provides additional detail on the arrangement to achieve and manage the Treasury Management Practices detailed above.

TMP 2 - PERFORMANCE MEASUREMENTS

2.1 The Authority has a number of approaches to evaluating treasury management decisions;

- Periodic reviews carried out by the treasury team
- Reviews of our treasury management advisers
- Annual review at the end of the year as reported to Full Council
- Mid-year Treasury Management monitoring update to Cabinet

2.2 The treasury management team holds reviews with our consultants on a quarterly basis to review the performance of the investment and debt portfolio.

2.3 An Annual Treasury Report is submitted to Cabinet each year after the close of the financial year which reviews the performance of the debt/investment portfolios. The report contains the following:

- Total debt and investments at the beginning and close of the financial year and average interest rate
- Borrowing strategy for the year compared to actual strategy
- Investment strategy for the year compared to actual strategy
- Explanation for variance between original strategies and actual
- Debt restructuring done in year
- Actual borrowing and investment rates available through the year
- Compliance with Prudential and Treasury Indicators

2.4 When data becomes available, comparative reviews are undertaken to see how the performance of the Authority on debt and investments compares to other authorities with similar size portfolios. The Authority are part of Link Asset Services Benchmarking group. The Authority's investment performance is benchmarked against other Local Authorities.

2.5 Investment performance is reviewed on a weighted average basis against other Local Authorities.

2.6 Tenders are normally awarded on a 3-year basis with the option to extend for a further year. The process for advertising and awarding contracts will be in line with the Council's Contract Standing Orders.

2.7 Banking services will be retendered or renegotiated every 5 years with an option to extend for further years.

2.8 The Council will use money broking services in order to make deposits or to borrow and will establish charges for all services prior to using them.

2.9 The Authority's policy is to appoint professional treasury management consultants.

2.10 The Authority has not appointed external investment fund managers.

TMP 3 - DECISION-MAKING AND ANALYSIS

3.1 The Authority will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions for both learning and accountability.

3.2 Records to be kept

- The treasury section has a transaction register in which all investment and loan transactions are recorded. The following records will be retained;
- Daily cash balances
- Market rates
- Payment documents for all money market transactions
- Brokers confirmation for investment and borrowing transactions
- PWLB borrowing confirmations

3.3 Processes to be pursued.

- Daily cash flow analysis
- Debt and maturity analysis
- Ledger reconciliation

3.5 In respect of every treasury management decision made the Authority will;

- Above all be clear about the nature and extent of the risks to which the Authority may become exposed
- Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
- Be content that the documentation is adequate both to deliver the Authority's objectives and protect the Authority's interests, and to deliver good practice
- Ensure that third parties are judged satisfactory in the context of the Authority's creditworthiness policies, and that limits have not been exceeded
- Be content that the terms of any transactions have been fully checked against the market and have been found to be competitive.

3.6 In respect of borrowing and other funding decisions, the Authority will;

- Evaluate the economic and market factors that might influence the manner and timing of any decision to fund;
- Consider the alternative form of funding, interest rate bases available and the most appropriate periods to fund and repayment profiles to use;

- Consider the ongoing revenue liabilities created and the implications for the Authority's future plans and budgets.

3.7 In respect of investment decisions, the Authority will:-

- Consider the optimum period considering cash flow availability and prevailing market conditions;
- Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Authority to changes in the value of its capital;

TMP 4 - APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Approved Activities of the Treasury Management Operation

- Borrowing
- Lending
- Debt repayment and rescheduling
- Consideration, approval and use of new financial instruments and treasury management techniques
- Managing the underlying risk associated with the Council's capital financing and surplus funds activities
- Managing cash flow
- Banking activities
- Leasing

4.2 Approved Instruments for Investments refer to the current Annual Investment Strategy. The latest version is provided as part of the budget setting suite of documents or available from the Treasury Management Officer.

4.3 Markets in Financial Instruments Directive 2014, commonly known as MIFID II Requirements, since 3 January 2018, UK public sector bodies have been defaulted to "retail" status under the requirements of MIFID II. However, for each counterparty it is looking to transact with, (e.g. financial institution, fund management operator, broker), there remains the option to opt up to "professional" status, subject to meeting certain requirements specified by MIFID II and that it has the appropriate level of knowledge and experience and decision making processes in place in order to use regulated investment products.

4.4 MIFID II does not cover term deposits so local authorities should not be required to opt up to professional status. However, some non-UK banks do not have the necessary regulatory permissions to deal with retail clients, so opting up to professional status would be required.

4.5 For investing in negotiable investment instruments, money market funds and other types of investment funds, which are covered by MIFID II, a schedule is maintained of all counterparties that the treasury management team are authorised to place investments with. This specifies for each investment instrument and for each counterparty, whether the authority has been opted up to professional status.

4.6 A file is maintained for all permissions applied for the received for opt ups to professional status specifying name of the institution, instrument, date applied for the and date received.

4.7 A separate file is maintained for confirmations that there is an exemption from having to opt up to professional status for the regulated investment.

4.3 Approved Techniques

- The use of structured products such as callable deposits
- Forward dealing
- LOBOs – lenders option, borrower's option borrowing instrument

4.4 Capital finance will only be raised in accordance with the Local Government and Housing Act, 2003, and within this limit the Council has a number of approved methods and sources of raising capital finance. These are:

On Balance Sheet	**Fixed**	**Variable**
PWLB	✔	✔
Market (long-term)	✔	✔
Market (temporary)	✔	✔
Local Authorities	✔	✔
Overdraft		✔
Internal (capital recepts & Revenue balances)	✔	✔
Leasing	✔	✔
Municipal Bond Agency	✔	✔

4.5 Other Methods of Financing

- Government and EC Capital Grants
- Lottery monies

- PFI/PPP
- Operating Leases

4.5 Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Director of Resources has delegated powers in accordance with Financial Regulations, Standing Orders, and the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

4.6 The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

4.6 Borrowing Limits are detailed within the current Treasury Management Strategy Statement and Prudential and Treasury Indicators.

TMP 5 – ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

5.1 Treasury Management activities will be properly structured in a clear and open method and a rigorous discipline of segregation of duties will be enforced to ensure effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance.

5.2 The principles on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

5.3 Council will receive and review reports on treasury management activities, the annual treasury management strategy and the annual treasury management report.

5.4 The Director of Resources will be responsible for amendments to the organisations adopted clauses, treasury management policy statement and treasury management practices.

5.5 Council will consider and approve the treasury management budget as part of the overall budget setting process for the Authority.

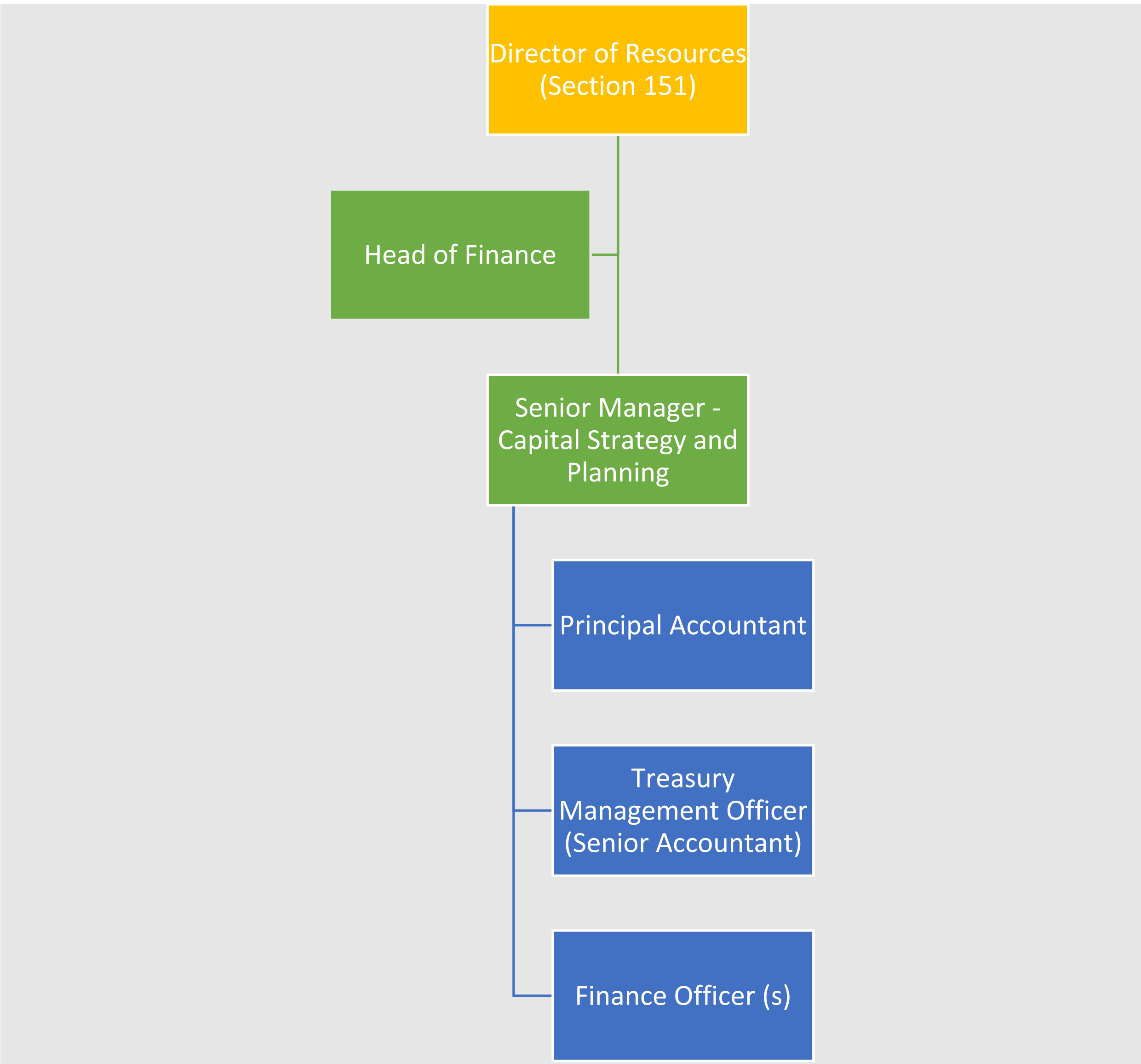
5.6 The Director of Resources will approve the segregation of responsibilities.

5.7 The Director of Resources will receive and review external audit reports and put recommendations to the Audit Committee.

5.8 The Director of Resources in accordance with Financial Regulations will decide approving the selection of external service providers and agreeing terms of appointment.

5.9 The Director of Resources has delegated powers to take all decisions on borrowing, investment, financing and banking and all activities in this respect will be carried out by suitably trained staff.

5.10 Treasury Management Organisation Chart



5.11 The Director of Resources may delegate powers to borrow and invest to members of staff. The Treasury Management Officer will conduct all dealing transactions, the Principal Accountant and Finance Officer(s) act as temporary cover for leave/sickness.

5.12 Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the Director of Resources to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations.

5.13 A list of brokers is maintained within the Treasury Team and a record of all transactions recorded against them.

5.14 The Authority rotates business between brokers.

5.15 It is not the Authority's Policy to record brokers conversations

5.16 Preliminary instructions are given by telephone followed by email confirmation, a payment transfer will be made online in Barclays.net to be completed by 1700 on the same day.

5.17 For each deal undertaken with brokers, a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

TMP 6 - REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

6.1 The Authority will ensure that regular reports are prepared and considered on the implementation of the treasury management policies

6.2 Annual reporting requirements before the start of the year: -

- Review of the organisation's approved clauses, treasury management policy statement
- Treasury Management Strategy report on proposed treasury management statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement
- Capital/Treasury Strategy to cover the following:-
  - Give a longer-term view of the capital programme and treasury management implications thereof beyond the three year time horizon for detailed planning;
  - An overview of treasury and non-treasury investments to highlight the risks and returns involved in each and the balance between both types of investments;
  - The Authorities risk appetite and specific policies and arrangements for non-treasury investments
  - Schedule of non – treasury investments.
- Mid-year review
- Annual review report after the end of the year

6.3 The Treasury Management Strategy sets out the expected treasury activities for the forthcoming financial year. This strategy will be submitted to Cabinet for approval before the commencement of each financial year.

6.4 The formulation of the Annual Treasury Management Strategy involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter-term variable interest rates. For instance, this organisation may decide to postpone borrowing if fixed interest rates are expected to fall or borrow early if fixed interest rates are expected to rise.

6.5 The Treasury Management Strategy Statement is concerned with the following elements:

- Prudential and Treasury Indicators
- Current Treasury portfolio position
- Prospects for interest rates
- Borrowing requirement
- Borrowing strategy

- Policy in borrowing in advance of need
- Debt rescheduling
- Investment strategy
- Creditworthiness policy
- MRP policy
- Policy on use of external providers
- Extraordinary treasury issue

6.6 The Treasury Management Strategy will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable) and highlight sensitivities to different scenarios.

6.7 The outcome of debt rescheduling undertaken and reported to Cabinet as soon as possible after completion of the exercise.

6.8 At the same time as the Council receives the Treasury management Strategy Statement it will also receive a report on the Annual Investment Strategy which will set out the following;

- The Council's risk appetite in respect of security, liquidity and optimum performance
- The definition of high credit quality to determine what are the specified investments as distinct from non-specified investments.
- What specified and non-specified instruments the Council will use
- The Authority's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthiness counterparties for its approved lending list
- Which credit rating agencies the Authority will use
- How the Authority will deal with the changes in ratings, rating watches and rating outlooks
- Limits of individual counterparties and group limits
- Interest rate outlook

6.9 The Annual Minimum Revenue Provision Statement. This statement will set out how the Council will make revenue provision for repayment of its borrowing using the four options and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

6.10 The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.

6.11 The responsible Officer is responsible for incorporating these limits into the Annual Treasury management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to full Council.

6.12 Treasury management activities will be reviewed on a six-monthly basis. This review considers the following;

- Activities undertaken.
- Variations from agreed policies
- Interim performance report
- Regular monitoring
- Monitoring of treasury management indicators for local authorities

6.13 An annual report will be presented to Cabinet at the earliest practicable meeting after the end of the financial year. This report will include the following;

- Transactions executed and their revenue effects
- Report on risk implications of decisions taken and transactions executed
- Compliance on agreed policies and practices, and on statutory/regulatory requirements
- Performance report
- Compliance with CIPFA Code recommendations
- Monitoring of treasury management indicators

6.14 Reports will be published online on the Authority's website in accordance with each meeting agenda.

TMP 7 - BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices.

7.2 The Council has also adopted the principles set out in CIPFA's 'Treasury Management in the Public Services – Code of Practice', together with those of its specific recommendations that are relevant to this Council's treasury management activities.

7.3 Strategic Finance will prepare an annual budget for treasury management, which will bring together all the costs involved in running the function, together with associated income.

7.4 The Council will ensure that its auditors, and those charged will regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

7.5 List of information requirements of External Auditors

- Reconciliation of loans in the financial ledger to treasury management records
- Maturity analysis of loans outstanding
- Certificates for new long-term loans taken out in the year
- Reconciliation of loan interest, discounts received, and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Interest accrual calculation
- Principal and interest charges report from the treasury management workbooks
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Calculation of Minimum Revenue Provision

TMP 8 CASH AND CASH FLOW MANAGEMENT

8.1 Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this Council will be under the control of the responsible officer and will be aggregated for the cash flow and investment management purposes.

8.2 Cash flow projections will be prepared on a regular and timely basis. The annual and monthly cash flow projections are prepared from the previous year's daily cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

8.3 The Authority has access to all its daily banking transactions via the online Banking System. All transactions are checked to source data. A formal bank reconciliation is undertaken daily by Income Management colleagues.

TMP 9 - MONEY LAUNDERING

9.1 Money Laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are;

- Concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- Being concerned in an arrangement which a person knows, or suspects facilitates the acquisition, retention, use or control of criminal property
- Acquiring, using or possessing criminal property

9.2 These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include;

- Failure to disclose money-laundering offences
- Tipping off a suspect, either directly or indirectly
- Doing something that might prejudice an investigation – for example, falsifying a document

9.3 The Terrorism Act 2000, act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment.

9.4 The Money Laundering Regulations 2012, 2015 and 2017 require organisations pursuing relevant business are required to do the following;

- Identify and assess the risks of money laundering and terrorist financing
- Have policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified through the risk assessments
- appoint a nominated officer
- implement internal reporting procedures;
- train relevant staff in the subject;
- obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken;
- report their suspicions.

9.5 Local Authorities and Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and may commit most of the principal offences under to POCA but are not legally obliged to apply the provisions of the Money Laundering Regulations 2012, 2015 and 2017. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly, the Authority will do the following;

- evaluate the prospects of laundered monies being handled by them;
- determine the appropriate safeguards to be put in place;
- require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
- make all its staff aware of their responsibilities under POCA
- appoint a member of staff to whom they can report any suspicions
- in order to ensure compliance is appropriately managed, this Authority will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for

monitoring compliance with procedures and method of communicating procedures and other information to personnel

- the officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures shall be a requirement that all services and departments implement this corporate policy and procedures.

9.6 The Council is alert to the possibility that it may become the subject of an attempt to involve it in transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staff involved in this are properly trained. A copy of the Council's anti money laundering policy is available on the Council's intranet site and from Legal Services.

9.7 The Authority does not accept loans from individuals.

9.8 All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FCA website on www.fca.gov.uk

9.9 When repaying loans, the procedures in 9.10 will be followed to check the bank details of the recipient.

9.10 In the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on the approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FSA register can be accessed through their website on www.fsa.gov.uk.

9.11 All transactions will be carried out by BACS or CHAPs for making deposits or repaying loans. Counterparty repayment details will be checked on kept on file.

TMP 10 – STAFF TRAINING AND QUALIFICATIONS

10.1 The Authority recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals: -

- Treasury management staff employed by the Authority
- Members charged with governance of the treasury management function

10.2 All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a Professional Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

10.3 Training may also be provided on the job and it will be the responsibility of the Treasury Management Officer to ensure that all staff receive the level of training appropriate to their duties. This will also apply to staff who from time to time cover for absences from the treasury management team.

10.4 Details of staff training needs will be identified, as part of the training needs analysis undertaken during staff Individual Performance Review.

10.5 Treasury Management seminars will be attended as appropriate.

10.6 Where the Chief Finance Officer is a member of the CCAB accountancy body, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained. Other staff involved in treasury management activities who are members of CIPFA must also comply with the SOPP.

10.7 Members charged with governance also have a responsibility to ensure that they have the appropriate skills and training for their role. Treasury Management will ensure relevant members have training available regularly.

TMP 11 - USE OF EXTERNAL SERVICE PROVIDERS

11.1 The Authority will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

11.2 It will also ensure that the skills of the in-house treasury management team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

11.3 Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press
- Market data
- Information on government support for banks, and
- The credit rating of that government support

11.4 The Authority's banking provision is provided by Barclays Bank PLC. Contactable at; Barclays Bank PLC, Newcastle City, Newcastle upon Tyne, NE1 7AF. Tel: 0345 734 5345

11.5 The contract commenced November 2016 and ran for 5 years until November 2021. Due to COVID-19 the Authority has exercised an option to extend the contract until November 2024 whilst a Banking framework is developed and implemented by a Procurement Agency.

11.6 The Council will use money brokers for temporary borrowing and investment and long-term borrowing. It will seek to give an even spread of business amongst the approved brokers, however will prioritise value for money provided by the broker.

11.7 List of brokers used by the Authority;

- Martin Brokers (UK) plc
- Tradition UK Limited
- Icap Tullett Probon

- BCG/Sterling
- King & Shaxton
- Imperial Treasury Services

11.8 The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on the approved lending list etc.

11.9 The supplier of external treasury advisory service is Link Treasury Services. Their address is: 65 Gresham Street, London, EC2V 7NQ

11.10 The contract commenced 1st March 2023 for 24 months until 28 February 2025 any option to extend will be inline with the terms agreed within the contract.

11.11 Cost of the current service is maintained within the Treasury Team.

11.12 The Authority receives a credit rating service through the treasury management consultants, the cost of which is included in the consultant's annual fee.

TMP 12 – CORPORATE GOVERNANCE

12.1 The Authority is committed to the pursuit of proper corporate governance throughout its business and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

12.2 The Council has adopted and implemented the key recommendations of the CIPFA Code of Practice on Treasury Management. This is considered vital to the achievement of proper corporate governance in treasury management and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

12.3 The following documents are published as part of the budget setting process and documents available on the Authority's website.

- Treasury Management Policy Statement
- Treasury Management Strategy Statement
- Annual Investment Strategy

- Minimum Revenue provision policy statement
- Annual Treasury Review Report
- Annual accounts and financial instruments disclosure notes
- Annual budget
- Capital Plan
- Minutes of Council/Cabinet/Committee meetings
- Capital Strategy

Schedule 1 – Compliance arrangements

S.1 The Authority gives consideration to the latest Prudential Code (2021 Edition) with regards to debt for yield.

S.2 It will make available the scheme of delegation of treasury management activities which states which officers carry out these duties and also a copy of officer's authorised signatories.

S.3 Lending shall only be made to counterparties on the Approved Lending list. The list has been compiled using advice from the Authority's treasury advisers based upon credit ratings supplied by Fitch, Moody's and Standard & Poor's, and live market data.

S.4 The responsible officer shall take appropriate action with the Council, the Chief Executive Officer and the Leader of the Council to respond to and manage appropriate political risks such as change of majority group, leadership in the Council, change of Government and any other necessary risks.

S.5 The Monitoring Officer is the Head of Legal; the duty of this officer is to ensure that the treasury management activities of the Authority are lawful.

S.6 The Chief Finance Officer (Section 151 Officer) is the Director of Resources; the duty of this officer is to ensure that the financial affairs of the Authority are conducted in a prudent manner and to report to Council any concerns as to the financial prudence of its actions or its expected financial position.

S.7 The Authority will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements.

S.8 The Authority will;

- Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimise such risks.
- Staff will not be allowed to take up treasury management activities until they have received training in procedures and are then subject to an adequate and appropriate level of supervision.
- An up-to-date record of all transactions, limits etc must be maintained by the treasury function.

S.9 The Authority will demonstrate compliance with statutory power and regulatory requirements for all treasury activities, if required to do so, to all parties with whom it deals on such activities.

S.10 The Scheme of Delegation to Officers sets out the delegation of duties to officers. All loans and investments are negotiated by the responsible officer or authorised persons.

S.11 A detailed register of loans and investments is maintained in the treasury section. This is checked to the ledger balances online (Barclays.net) and balance sheet reports.

S.12 Cash flow forecasting records are maintained and support the decision to lend or borrow.

S.13 Dealing confirmations are received and checked against the dealer’s record for the transaction.

S.14 Transactions placed through the brokers are confirmed by the brokering deal confirmation showing details of the loan/investment arranged. Written confirmation is received and checked against the dealer’s record for the transaction.

S.15 The loans register is updated to record all lending and borrowing.

S.16 The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Authority internally.

S.17 Workbooks maintained and updated by Treasury colleagues for the purpose of PWLB loan management calculates periodic interest payments of PWLB and other long-term loans.

S.18 The Treasury Management cashflow workbook prompts the Treasury Officer that money borrowed, or lent is due to be repaid.

S.19 All lending is only made to institutions on the Approved List of Counterparties.

S.20 All loans raised and repayments made go directly to and from the bank account of approved counterparties.

S.21 Counterparty limits are set for every institution that the Authority invests with.

S.22 There is a separation of duties in the section between dealers and the checking and authorisation of all deals.

S.23 The Authority's bank has a list of Council officials who are authorised signatories for treasury management transactions as well as those authorised to contact Barclays.

S.24 No member of the treasury team is an authorised signatory.

S.25 The on-line banking system can only be accessed by a password and use of an authentication reader or use of the 'Barclays App'.

S.25 There is adequate insurance cover for employees involved in loans management and accounting.

S.26 The bank reconciliation is carried out, which reconciles the daily balance from the bank statement to the financial ledger.

S.27 The treasury management workbook balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end.

S.28 Working papers are retained for audit inspection.

S.29 We have complied with the requirements of the Code of Practice on Local Authority Accounting and will account for the fund as Fair Value through Profit and Loss. As a result, all gains and losses and interest (accrued and received) will be taken to the Comprehensive Income and Expenditure Statement.

S.30 The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the Authority's treasury management workbooks.

S.31 The treasury management workbooks automatically calculate periodic interest payments of PWLB and other term loans. This is used to check amounts paid to lenders.

S.32 Average weighted capital loans fund interest rates and debt management expenses are calculated using information from the financial ledger and treasury management workbooks

S.33 Key treasury management colleagues have been provided with business continuity plan (BCP) contingencies.

S.34 All computer files are backed up as necessary, the core banking system is accessible remotely as well as without need to access the server.

S.35 The Authority has 'Fidelity' insurance cover with Maven Public Sector. This covers the loss of cash by fraud or dishonesty of employees.

S.36 The Annual Investment Strategy manages the risk of adverse market fluctuations may have on the value of the principal sums an organisation borrows and invests. This is through the setting of limits on investment instruments where the principal value can fluctuate.

APPENDIX 1

References to Relevant Statutes and Regulations

Statutes

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- S.I. 2004 no. 3055 The Local Authorities (Capital Finance and Accounting) (Amendment) (England) (No. 2) Regulations 2004
- S.I. 2006 no. 521 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006
- S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- S.I. 2008 no. 414 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- S.I. 2009 no. 321 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2009
- S.I. 2009 no. 2272 The Local Authorities (Capital Finance And Accounting) (England) (Amendment) (No.2) Regulations 2009
- S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Localism Act 2011
- S.I. 2012 no. 265 Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012
- S.I. 2012 No. 711 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 2) Regulations 2012

- S.I. 2012 No. 1324 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No.3) Regulations 2012
- S.I. 2012 No. 2269 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) (No. 4) Regulations 2012
- S.I. 2013 no. 476 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2013
- S.I. 2015 no. 234 Accounts and Audit Regulations 2015
- There has not been an issue of a Local Authorities (Capital Finance and Accounting) (England) Regulations statutory instrument in 2005, 2011 and 2016
- S.I. 2017 no. 536 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2017
- S.I. 2018 no. 1207 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2018
- Statutory Guidance on Investments 2018
- Statutory Guidance on MRP 2018
- 2019 No. 394 Exiting the European Union financial services: The Money Market Funds (Amendment) (EU Exit) Regulations 2019
- S.I. 2019 no. 396 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2019

Guidance and codes of practice

- CIPFA Local Authority Capital Accounting - a reference manual for practitioners latest year Edition
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2021,
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2021
- CIPFA Prudential Code for Capital Finance in Local Authorities – guidance notes for practitioners 2021

LAAP Bulletins

- IFRS - Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice

PWLB circulars on Lending Policy

- The UK Money Markets Guide. (was formerly known as the Financial Conduct Authority's Code of Market Conduct
- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations
- The Council's Scheme of Delegated Functions

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Appendix F

Budget Engagement

Overview

This year's budget engagement ran from 29 November 2023 until 21 January 2024.

There have also been two consultations running in parallel to this engagement which concern two of the project proposals in the budget:

- Adult Social Care review of charges (consultation ran from 29 November 2023 to 7 January 2024 and had 425 responses, the results are being presented to Cabinet on 29 January 2024)
- Review of home to school transport policy and post 16 transport (consultation is running from 14 December 2023 to 8 February 2024 and there have been 190 responses up to 23 January 2024)

The Authority has been able to offer a wide range of ways for residents and key stakeholders to get involved and have their say on the budget proposals. An overview of the methodology used and the responses received is set out below.

Methodology

There has been a mix of face to face and on-line or digital engagement in order to maximise the ways in which people and stakeholders can have their say. This has included:

- Online survey via the Council website (237 responses).
- Face to face engagement via 14 focus groups and meetings involving 536 people.
- Email communications to 600 community groups and organisations, the Business Forum, 768 members of Our North Tyneside Voice (a group of residents and tenants) and all North Tyneside Council staff
- Digital communications via North Tyneside Council social media channels, website and local news media (with an estimated reach of 8,273 people).
- Posters and printed surveys on display at the Have Your Say display boards in all four Customer First Centres (Whitley Bay, Wallsend, North Shields and the White Swan Centre in Killingworth), along with the Oxford Centre in Longbenton and the John Willie Sams Centre in Dudley.
- Printed surveys went to 25 North Tyneside Living schemes and were sent directly to 43 members of Our North Tyneside Voice who do not use digital means of communication. Printed surveys were also delivered to residents who requested paper copies. 17 of these were returned.

- Posters were displayed in libraries and leisure centres.
- Information to promote the engagement was included in the winter edition of Our North Tyneside magazine, delivered to 97,527 households.

Feedback from face-to-face engagement

People are more aware this year of the financial pressures facing councils generally. They were generally supportive of the budget proposals but had some concerns about rising living costs in the context of a rise in Council Tax. People were concerned about those struggling with the cost of living and there was a real emphasis on the need to support people and organisations through change.

Feedback from the survey

There were 237 responses received to the budget engagement survey.

Respondents were asked whether the Authority's focus on the thirteen areas it has identified savings can be made to help achieve a balanced budget is reasonable.

- 67% of respondents agreed that the approach is reasonable.
- 13% disagreed.
- 20% said they did not know.

Those respondents who did not believe the approach was reasonable were asked what alternatives they would suggest. Only 19 responses were received. They focused on areas such as: reserving Council Tax increases for those who were more financially well off than others (2 responses); reducing the creation of cycle lanes (2 responses); reducing spend on a range of different areas (each one only received 1 response).

Respondents were also asked whether or not the proposal to raise Council Tax was reasonable.

- 58% of respondents agreed that the proposal was reasonable.
- 34% disagreed.
- 8% did not know.

Those who said it was not reasonable were asked to make alternative suggestions. 61 comments were received, the majority of these focused on: not raising Council Tax, reviewing and reducing staffing, reducing spend on certain services or projects.

Finally, respondents were asked to outline any other actions they thought the Authority should take to help balance its budget for 2024/25.

152 respondents contributed their views, generating 198 separate comments. The majority of these centred on: reducing unnecessary spending, staffing efficiencies, reducing the number of councillors, reducing certain projects and reducing the number of council buildings.

Survey respondent profile – while balanced for sex, ethnicity and religion, people aged 45 years and over, and those with disabilities were more likely to have participated.

Reserves and Balances Policy
2024/25

Appendix G

Date: 29 January 2024 **Version:** V1 **Author:** Jon Ritchie

North Tyneside Council

1.0 Reserves and Balances

1.1 The Reserves and Balances Policy represents good financial management and should be followed as part of the annual Financial Planning and Budget process, Budget Monitoring and Final Accounts.

2.0 Application

2.1 The general principles set out in this Reserves and Balances Policy apply to North Tyneside Council's General Fund and to the Housing Revenue Account.

3.0 The Existing Legislative/Regulatory Framework

3.1 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

3.2 The Local Government Finance Act 1992 and Local Government Act 2003 set out a range of safeguards to mitigate against local authorities over-committing themselves financially. These include:

- the balanced budget requirement;
- Chief Finance Officers' section 114 powers;
- the external auditors' responsibility to review and report on financial standing;
- the requirement for the Chief Finance Officer to report to full Council on the robustness of budget estimates and the adequacy of reserves in the Authority balance sheet; and
- the requirement for the Authority to regularly monitor its budget.

3.3 Generally, the balanced budget requirement is sufficient discipline for the majority of local authorities. This requirement is reinforced by section 114 of the Local Government Finance Act 1988 which requires the Chief Finance Officer in England and Wales to report to all the authority's councilors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year. The issue of a section 114 notice by the Chief Finance Officer cannot be taken lightly and has serious operational implications. Indeed, the authority's full council must meet within 21 days to consider the section 114 notice and during that period the authority is prohibited from entering into new agreements involving the incurring of expenditure.

3.4 Local Authority Accounting Practice (LAAP) Bulletin 99 (released July 2014) sets out guidance to local authority chief finance officers on the establishment and maintenance of reserves and balances. The Bulletin states that its guidance "represents good financial management and should be followed as a matter of course". The guidance covers the legislative and regulatory framework relating to reserves; types of reserves; the principles to be used to assess the adequacy of reserves and the Chief Finance Officer's advice to full Council.

3.5 Guidance on specific levels of reserves and balances is not given in statute, the published guidance or by the Chartered Institute of Public Finance and Accountancy (CIPFA) (the recognised accountancy body for local government finance) or the Audit Commission. There is no statutory minimum level of reserves. It is up to local authorities themselves to set their own level of reserves and balances on the advice of the Chief Finance Officer.

4.0 The Role of the Director of Resources (Chief Finance Officer)

4.1 Within the existing statutory and regulatory framework, it is the responsibility of the Director of Resources (in his role as Chief Finance Officer) to advise the Authority about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use.

4.2 The Authority then, acting on the advice of the Chief Finance Officer, must make its own judgements on the level of reserves and balances taking into account all the relevant local circumstances. These include the operational and financial risks, and the arrangements in place to manage them, including adequate and effective systems of internal control. The duties of the Chief Finance Officer in relation to the level of reserves are covered by the legislative framework described in 3 above. Under the Local Government Act 2003, the Chief Finance Officer must report to the full

Council on the adequacy of reserves (section 25) and reserve transactions must be taken account of within the required budget monitoring arrangements (section 28).

5.0 Types of Reserves

5.1 Reserves can be held for four main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
- a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities; and
- A reserve in respect of grants.

5.2 In addition, since 2003/04 the Authority has held a Strategic Reserve in its balance sheet. This has been used to manage significant financial pressures which can arise in year, or between years, for example to manage the significant pressures arising from equal pay settlements and costs of non statutory redundancy payments. The reserve has also been used to support the General Revenue budget in periods where the Authority's finances are in transition.

5.3 The Authority also holds a pensions reserve as required under International Accounting Standard 19 – Employee Benefits. This is a specific accounting mechanism used to recognise the Authority's share of pension fund liabilities in its balance sheet. As this is a reserve which arises from an accounting standard it is not available to finance expenditure of the Authority.

5.4 For each reserve held by the Authority there should be a clear protocol setting out:

- the reason for/purpose of the reserve;
- how and when the reserve can be used;
- procedures for the reserve's management and control; and,

- a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

5.5 This Reserves and Balances Policy ensures that when establishing reserves, North Tyneside Council complies with the Code of Practice on Local Authority Accounting in the United Kingdom (The Code) and in particular the need to distinguish between reserves and provisions.

6.0 Policy and Principles to Assess the Adequacy of Reserves

6.1 The principles used by the Chief Finance Officer to assess the adequacy of unallocated general reserves when setting the budget ensure that account is taken of the strategic, operational and financial risks facing the authority.

6.2 Setting the level of reserves is just one of several related decisions in the formulation of the financial strategy and the budget for a particular year. This is carried out as part of the Authority's Financial Planning and Budget Process. Account is taken of the key financial assumptions underpinning the budget alongside a consideration of the authority's financial management arrangements. In addition to the cash flow requirements of the authority the following factors are considered:

- The treatment of inflation and interest rates;
- Estimates of the level and timing of capital receipts;
- The treatment of demand led pressures;
- The treatment of planned efficiency savings / productivity gains;
- The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital investment developments;
- The availability of other funds to deal with major contingencies and the adequacy of provisions; and
- The general financial and economic climate in which the Authority operates.

6.3 The Authority holds two types of reserves:

- General unearmarked reserves (the Authority's General Fund Balances); and
- Earmarked reserves held for specific purposes.

6.4 It is the current policy of North Tyneside Council for the *General Fund unearmarked reserves* (the General Fund Balances) to be held at a level of at least £7.000m. This is reviewed at least annually, during the setting of the budget. Factors which are taken into account during the review include; the level of balances as a percentage of the net revenue requirement, budget management and monitoring procedures, risk levels and financial projections for future years.

6.5 The level of each *earmarked reserve* is assessed separately with reference to the specific liabilities that the reserve represents. This is done in consultation with relevant officers. Individual earmarked reserves are assessed to ensure their adequacy in relation to factors that have become known since the previous year. It is the policy of North Tyneside Council to ensure that the Financial Planning and Budget Process takes account of any need to increase particular reserves due to factors which may arise and to fully account for these factors.

6.6 As one of the Authority's earmarked reserves*, the Strategic Reserve* is a significant part of the Authority's strategic financial management, often used to finance large pressures which can arise outside of the Authority's regular budget setting and financial management processes. As such, it has been used to address major spending issues and it is therefore the objective of the Authority to maintain the Strategic Reserve at a level of £10.000m over the medium term. The Revenue Budget Outturn for 2022/23 was reported to the Cabinet in June 2023, and represented a net overspend on the cost of services of £6.081m. The Strategic Reserve was utilised to fund that overspend, reducing the remaining balance to £6.345m. This resulted in the Strategic Reserve balance falling below the level of £10.000m at the start of 2023/24. The Medium-Term Financial Plan for 2024-2028 contains planned replenishments to bring the reserve back to this level.

6.7 The use of the Strategic Reserve to balance budgets (either revenue or capital) should be very closely considered in line with LAAP (Local Authority Accounting Practice note) 99, which states that, although "balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option. It is not normally prudent for reserves to be deployed to finance recurrent expenditure". In principle, although the Strategic Reserve may, under certain circumstances, be used to balance the budget of the Authority, it should not be used as a year-on-year measure to support ongoing revenue spend. The level of the Strategic Reserve and the potential calls against it will therefore be reviewed on a continuous basis, and in the context of the overall financial planning process of the Authority.

6.8 Unless expressly agreed by Cabinet as part of the Budget process, the level of balances and reserves will be reviewed by the Chief Finance Officer and Deputy Chief Finance Officer during the final accounts process in consultation with the Elected Mayor, Cabinet Member for Finance and Resources and relevant officers. In addition, the regular budget monitoring process carried out by the Authority throughout the year will report on any changes in the level of balances or reserves. In-year and year-end transfers either into or out of a reserve must be authorised by the Chief Finance Officer and Deputy Chief Finance Officer in consultation with the Elected Mayor and Cabinet Member for Finance and Resources. Full documentation should be retained for all movements into and out of the reserves and balances.

6.9 The Reserves and Balances Policy is set in the context of the Authority's Financial Planning and Budget Process and does not focus exclusively on short-term considerations. Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option. However, in the longer term it is not prudent for reserves to be deployed to finance recurrent expenditure: and where such action is being taken this will be made explicit and an explanation given as to how the recurrent expenditure will be funded in the longer term. Advice will be given by the Chief Finance Officer on the adequacy of reserves over the lifetime of the financial plan. This is addressed in the Financial Planning and Budget Process.

7.0 The Reporting Framework

7.1 The Chief Finance Officer has a fiduciary duty to local taxpayers, and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds. Compliance with this Reserves and

Balances Policy assists in allowing the Chief Finance Officer to be satisfied that there is proper stewardship of public funds.

7.2 The level and utilisation of reserves is determined formally by the full Council at its meetings to approve the annual budget and the final accounts. These decisions are informed by the advice and judgement of the Chief Finance Officer.

7.3 The Reporting Policy of North Tyneside Council is:

- The Financial Planning and Budget process report to the full Council, which sets the Authority budget for the following year, includes a statement showing the proposed use of, or contribution to, general and earmarked reserves for the year ahead. Reference should be made as to the extent to which such reserves are to be used to finance recurrent expenditure.

- In addition, as part of the budget report to full Council the Local Government Act 2003 requires the Chief Finance Officer to make a statement to full Council on the robustness of the budget estimates and the adequacy of reserves in relation to the forthcoming financial year and the period of the authority's financial strategy (the four-year Financial Planning and Budget Process). Where reserves are being used to finance recurrent expenditure, this will be made explicit, and an explanation given as to how such expenditure will be funded in the medium to long term. Advice should be given on the adequacy of, and expected need for, reserves over the lifetime of the financial strategy.

- The Authority's annual statement of accounts includes a required note on the level of reserves in the balance sheet, showing opening balance, net movement in year and year-end balance. Significant reserve movements are explained in the Chief Finance Officer's foreword to the accounts and the covering report to full Council which accompanies the presentation of the accounts. In addition, the performance and financial management outturn report for the year, which is presented to Cabinet for approval, and subsequently to the Overview and Scrutiny Co-ordination and Finance Committee

(OSC&FC), includes a full listing of all reserves and an explanation of any significant movements in individual reserves.

- The regular in-year performance and financial management reports to Cabinet and OSC&FC include details of any transactions affecting the Authority's reserves.

8.0 Good Governance

It is essential that the Authority takes responsibility for ensuring the adequacy of reserves and provisions when they set the budget. This will be subject to the advice of the Chief Finance Officer and the arrangements for reviewing and reporting on the level of reserves and balances as set out above.

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2024-2028 Financial Planning and Budget Process

Timetable of Key Milestones for 2024/25

Date / Meeting	Detail
27 November 2023 **Cabinet**	Cabinet considers its 2024-2028 initial Budget proposals in relation to General Fund, Schools, Housing Revenue Account & Investment Plan for 2024-2029.
28 November 2023	Notice of Objection process for the 2023/24 Budget commences.
28 November 2023	Budget and Council Plan engagement process begins. Ends in January 2024.
28 November 2023 **Scrutiny Process**	Scrutiny of the 2024-2028 Financial Planning and Budget process.
11 December 2023 **Overview & Scrutiny Co-ordination and Finance Committee**	Overview & Scrutiny Co-ordination and Finance Committee consider Cabinets Initial Budget Proposals for 2024-2028 Financial Planning and Budget and Council Plan process.
Mid December 2023	Estimated timing of the 2024/25 Provisional Local Government Finance Settlement.
15 January 2024 **Overview & Scrutiny Co-ordination and Finance Committee**	Overview & Scrutiny Co-ordination and Finance Committee considers the results of its review of the 2024-2028 Financial Planning and Budget and Council Plan process.
22 January 2024 **Cabinet**	2024/25 Council Tax Base agreed by Cabinet

Date / Meeting	Detail
29 January 2024 **Cabinet**	Cabinet approves the final proposals in relation to the 2024/25 Housing Revenue Account budget and associated Business Plan, including an assessment in relation to the current year's budget monitoring information (2023/24). In addition, Cabinet will agree the Annual Housing Rent policy for 2024/25.
29 January 2024 **Cabinet**	Cabinet considers its Budget proposals for 2024-2028 in relation to General Fund Revenue, Schools & Investment Plan for 2024-2029, taking into account feedback received as part of Budget Engagement and any recommendations from Overview and Scrutiny and Policy Development Committee.
30 January 2024 **Overview & Scrutiny Co-ordination and Finance Committee**	Overview & Scrutiny Co-ordination and Finance Committee/Budget Study Group as appropriate considers Cabinet's final Budget proposals.
5 February 2024 **Cabinet**	Cabinet meeting to consider any recommendations of the Overview and Scrutiny Budget Study Group following its review of the Cabinets 2024/25 Budget and Council Tax proposals.
13 February 2024	4pm deadline for responses to the Authority's Notice of Objection
15 February 2024 **Council**	Cabinet submits to the Council its estimates of amounts for the 2024-2028 Financial Plan and 2024/25 Budget & Council Tax levels.
19 February 2024 (if required) **Cabinet**	Cabinet Meeting to consider any objections to Cabinet's Budget and Council Plan proposals.

Date / Meeting	Detail
	The Cabinet meeting on 19 February 2024 is now a scheduled meeting with other items of business and will proceed even where no objections are approved.
29 February 2024 (if required) **Council**	Council meeting to agree the Budget for 2024/25, the Council Tax level for 2024/25 and the Investment Plan for 2024-2029 The Council meeting on 29 February 2024 is now a scheduled meeting with other items of business and will proceed even where no objections are approved.

Appendix I

Overview and Scrutiny Co-ordination & Finance Committee

15 January 2024

Budget Sub-group report

Author:	Budget Study Sub-group
Wards:	All

Purpose of Report

To inform Overview & Scrutiny Co-ordination & Finance Committee (OSCFC) of the work undertaken by the Budget Study Sub-group in scrutinising the 2024/25 Financial Planning and Budget Process: Cabinet's Initial Budget proposals, and to agree the recommendations to be referred to Cabinet at its meeting on 29 January 2024.

Recommendations

1. The OSCFC is recommended to refer the report of the Budget Study Sub-group to Cabinet for consideration as part of the 2024/25 budget setting process at its meeting on 29 January 2024.

2. That the Budget Study Sub-group be delegated to make any further recommendations and/or views on behalf of the OSCFC to Cabinet at its meetings on the 29 January 2024 and 5 February 2024.

Background

The Council's constitution places a duty on the OSCFC to examine and contribute to the formulation of the Cabinet's budget and strategic planning proposals.

Invitations were extended to all non-executive members of the Council to seek volunteers to serve on the Budget Study Sub-group, which would undertake the detailed work on Cabinet's proposals. The following Members served on the group:

Councillor Jim Montague (Chair)	Councillor John Johnsson
Councillor Liam Bones	Councillor John O'Shea
Councillor Cath Davis	Councillor Bruce Pickard
Councillor Judith Wallace	Councillor Willie Samuel
Councillor Louise Marshall	Councillor Andrew Spowart
Councillor Pam McIntyre	

The group met on the 28 November, 5, 11 and 19 December 2023 where Senior Officers presented information relating to Cabinet's Initial Budget proposals.

At its meeting on the 11 December 2023, further information was requested on a number of areas of the budget, including the implications of the Local Government Provisional Settlement. The Budget Study Sub-group is meeting again (15 January 2024) to consider this further and, therefore, it should be noted that the draft report may be amended by OSCFC (at today's meeting) before submission to Cabinet for consideration.

The OSCFC, along with members of the Budget Study Sub-group, is scheduled to reconvene and consider Cabinet's Final Budget Proposals for 2024/25 and Medium-Term Financial Plan (MTFP) at an extraordinary meeting on Tuesday 31 January 2024.

Refreshed Our North Tyneside Plan and Budget Engagement

The Our North Tyneside Plan 2021 – 2025 sets the vision and policy context that the MTFP, Project Briefs and Budget proposals will operate in and continues to drive the development of the budget. Within Cabinet's proposals were 13

Projects, which represent the key areas of significant focus. These were not exhaustive and will continue to evolve as work is still progressing in these and other areas over the medium term.

The aim of each Project is to present the issues and potential solutions identified, and frame options and choices on service delivery. The Budget Study Sub-group was given the opportunity for in-depth discussions around each project's detailed summaries with project leads and Directors.

As with the previous year, the plan maintains the five themes that reflect priorities aimed at creating a North Tyneside that is thriving, family-friendly, caring, secure and green. All five themes have a clear set of associated policy priorities.

This year's budget engagement is taking place from 29 November 2023 until 21 January 2024, and in line with engagement in previous years the Budget Engagement strategy for 2024/25 included a combination of activity, which involved face to face events with residents, publishing the proposals online via the Council's website and at front line locations, including the four Customer First Centres.

Feedback was provided by residents and others via a questionnaire accessed either on-line or a paper copy at these front-line locations. The Authority also holds a database of over 800 residents (Our North Tyneside Voice) who have signed up to receive information on any consultation opportunities, they were emailed directly about the consultation with a link to the survey at its start and also received several reminders.

This was supported by communications activity via an article in the November issue of Our North Tyneside magazine and subsequent articles in the digital Our North Tyneside e-bulletin, posters in key Council facilities, the media and social media to ensure that people knew how they could get involved. At the time of this meeting, the budget engagement is still on-going and the information included in this report is therefore only a point a time update (8 January 2024), with the final update to be included in the 29 January 2024 Cabinet report.

The aim of the budget engagement strategy was to reach different sectors of the population through an approach that included engagement with residents as a whole and customers/users of services as well as particular groups of people, including those with protected characteristics. Information on the consultation was also sent to VODA for inclusion in their newsletter, as well as some voluntary and community sector group chief executives asking them to share it with their networks.

Along with the budget survey, there are two additional surveys running in parallel which are linked to two specific proposals in the budget (home to school transport and adult social care charges).

As at 8 January 2024:

- Budget engagement survey: 186 responses received
- Adult social care review of charges survey: 412 responses received
- Review of home to school transport policy and post-16 transport statement: 122 responses received

2024/25 Budget & 2024-28 Medium-Term Financial Plan

The MTFP for 2024 to 2028 was considered at the Cabinet meeting on 27 November 2023. In that report (Section 1.6) it was noted that there was a residual gap of £3.667m for 2024/25 based on the assumptions set out in that report, which reflected the information available at that time. Notably, the report was issued before both the Autumn Statement and the Local Government Finance Provisional Settlement.

In reaching this residual gap, it was noted that the robust approach to financial planning in North Tyneside had continued to serve its intended purpose. The report set out how the starting point for the 2023/24 budget was the MTFP agreed by Council in February 2023, which projected a £7.575m gap, and that, had no new pressures had occurred, the residual gap for 2024/25 would have reduced to £2.265m.

However, the group was informed that a number of significant pressures had emerged which were impacting on the 2023/24 in-year position, as well as increasing the budget required for 2024/25 and beyond. The net impact of these additional pressures, taking into account actions by Cabinet and senior officers to mitigate these pressures, was an additional pressure of £12.209m.

The report also updated the funding assumptions from Government and the impact of an increase in council tax in line with Government assumptions. Taken together, this resulted in a residual gap for 2024/25 of £3.667m.

Review of assumptions and Projects

The Budget Study Sub-group sessions included a detailed review of the updated assumptions used to reach the residual gap of £3.667m, along with sessions with each lead Director for the 13 Projects, considering a range of project documents provided (on a confidential basis) to provide further detail on Cabinet's proposals.

As part of this scrutiny, a range of additional information was requested from service areas, which was provided during December and early January.

Housing Revenue Account

Members were reminded that the Financial Planning for the Housing Revenue Account (HRA) would set a Budget and updated four-year MTFP, supported by the updated 30-year Business Plan.

The Authority follows the Government's social housing rent policy, under which rent increases are based on the Consumer Prices Index (CPI) rate, as of September, plus 1%. The CPI rate for September 2023 was 6.7% which led to a proposed rent increase for 2024/25 of 7.7%.

In line with previous years, the sub-group was informed that due to the cost-of-living crisis and the current high rates of inflation being experienced, additional support was being provided to tenants. For 2024/25, this included transitional support for existing tenants for service charges, which had risen due to inflationary pressures (notably around utility costs for communal areas).

2023-2028 Investment Plan Considerations

The 2023-2028 Investment Plan proposed approximately £320m over the next five years. New schemes presented to the Sub-group which were agreed to were:

- An upgrade of the Enterprise Resource Planning (ERP) system;
- Moving the Adult Loan Equipment Service to Killingworth depot;
- Improvements to enhance performance, energy and rental income for the Non-Operational buildings portfolio;
- Structural improvement works to Royal Quays Martina Barrage; and
- ICT Infrastructure upgrades.

Treasury Management

Treasury management continues to be underpinned by CIPFA guidance and codes of practice that ensure security of capital, the liquidity of investments and returns a yield.

The approach to be taken was the same that had been successful in previous years to maintain low-cost balances, invest longer and securely whilst taking advantage of very low borrowing rates from temporary borrowing markets.

Some members of the Sub-group suggested that, when opportunities arise, consideration be taken to ensure the principles of the investment/borrowing body are aligned to that of the Authority and its green agenda.

Conclusion

The Budget Study Sub-group agreed that the budget setting process was challenging, especially in light of the inflationary pressures and the level of unknown factors, including the timing of the Autumn Statement and the Provisional Settlement.

The Budget Study Sub-group concluded that the main issues of concern with the budget proposals were as follows, which are raised for Cabinet to consider:

- Home to School Transport: whilst the need for change was acknowledged, the Budget Study Sub-group raised questions about whether the numbers of pupils affected by the proposed changes would deliver the required savings. It was recommended that Cabinet consider how the impact of the consultation on this topic would be monitored to ensure that the budget could be delivered as planned.
- Highways funding: whilst the additional funding included in the Investment Plan (£2m per annum) to supplement the Government grant

was noted, there remained concerns about the condition of roads and pavements in the Borough in the context of the Authority's Highways Asset Management Plan (HAMP), so Cabinet were asked to consider future funding options.

- Rent rises: the Budget Study Sub-group noted that this could disproportionally affect those on Housing benefit, although officers highlighted the fact that a significant proportion of tenants receive housing benefit/universal credit support with their rent and that the £3m fund, established in the 2023/24 budget setting process, continues to support vulnerable tenants.
- Food Waste Collection funding: the Budget Study Sub-group noted the lack of firm figures from government, alongside the expectation of being fully funded, meant that any potential pressures could not accurately be gauged. This should continue to be an area of focus for Cabinet as additional information becomes available.
- Garden Waste collection: additional information on the assumptions used was requested. The Budget Study Sub-group noted the inherent uncertainty in forecasting take-up levels from residents and requested that in future years, information was provided to them in more granular detail to allow full scrutiny of the proposals. This level of detail should be provided for all Projects in future years.
- Future council tax support: it was noted that a year 3 proposal to remove the additional £1.520m council tax support was included. Whilst that proposal will be considered as part of the 2026/27 budget proposals, the Sub-group highlighted that the current budget process should not be taken as explicit agreement of this recommendation now.
- In view of the uncertainty of local government finance and the ongoing demands on children's services, that Cabinet be requested to consider introducing enhanced budget monitoring for 2024/25 to include in depth monitoring of the 13 Project Plans.

It was acknowledged that the current levels of risk and uncertainty, due in part to the delay in the Provisional Settlement, increases the difficulty for Local Government to plan effectively. However, the Sub-group noted that the outcome of the proposed 2024/25 Budget would be balanced and would be in line with the agreed Our North Tyneside Plan.

There was acknowledgement that the Budget Engagement Strategy should change each year in line with how the Authority's differing communities can and wish to engage.

Presenting Officers

The following officers presented to the sub-group:

Eleanor Binks - Director of Adult Social Care
Wendy Burke - Director of Public Health
Julie Firth - Director Children's Services
Jacqueline Laughton – Assistant Chief Executive
Sam Dand – Director of Environment
Mark Longstaff - Director of Commissioning and Asset Management
Peter Mennell – Director of Housing and Property Services
John Sparkes – Director of Regeneration and Economic Development
Jon Ritchie – Director of Resources
Haley Hudson - Head of Customer Experience and Public Service Reform
David Mason - Head of Finance (Deputy S151 Officer)
Paul Nelson - Head of Environmental Sustainability
Darrell Campbell - Senior Finance Business Partner
Jane Cross - Senior Finance Business Partner
David Dunford - Senior Finance Business Partner
Kirsty Parsons – Senior Manager – Strategy and Transformation
Sue Graham – Health and Social Care Integration Manager

Member attendance

Councillor Jim Montague (Chair)	2
Councillor Liam Bones	5
Councillor Cath Davis	3
Councillor Judith Wallace	3
Councillor John Johnsson	1
Councillor John O'Shea	5
Councillor Bruce Pickard	5
Councillor Willie Samuel	4
Councillor Andrew Spowart	4

Councillor Louise Marshall	5
Councillor Pam McIntyre	1

Background Information

The following documents have been used in the compilation of this report and may be inspected at the offices of the author (please note the Project Briefs are confidential documents):

2024-2028 Financial Planning and Budget Process: Cabinet's Initial Budget proposals

Project Brief 1: Review of External Partnerships
Project Brief 2: Review of Buildings and Asset Management
Project Brief 3: Public Sector Reform
Project Brief 4: Inclusive Education / SEND
Project Brief 5: Ambition for Education
Project Brief 6: Review of Home to School Transport
Project Brief 7: Handling Children's Finance
Project Brief 8: Waste
Project Brief 9: Great Landlord and Specialist Housing
Project Brief 10: Health & Social Care
Project Brief 11: Financial Management
Project Brief 12 People and Workforce
Project Brief 13: Review of School's SLAs

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Glossary of Terms

Asset Management Strategy	Asset Management Strategy is a high-level document that guides the overall investment in existing and new assets within an organisation. Being a strategy, it explores long term issues and ensures that the overall plan is linked to the key "strategic" priorities of the organisation.
Authorised Limit	Borrowing is prohibited beyond this limit. This limit reflects the level of borrowing that, while not desired or sustainable, could be required with some headroom for unexpected cash flow movements. It includes both temporary borrowing for cash flow purposes and long-term borrowing to finance capital expenditure.
Balances	The reserves of the Authority, both revenue and capital, which represent the accumulated surplus of income over expenditure on any of the funds.
Bank Rate	The Official Bank rate paid on commercial bank reserves i.e. reserves placed by commercial banks with the Bank of England as part of the Bank's operations to reduce volatility in short-term interest rates in the money markets.
Better Care Fund (BCF)	A pooled Budget arrangement between the Authority and the regional Intergrated Care System (ICS), which aims to bring greater integration between health and social care.
B/Fwd	The balance in the Statement of Accounts that has been brought forward from the previous period, normally the previous financial year.
Borrowing	Refers to external borrowing.
Budget	A plan of expected expenditure and income over a set period of time for example the Authority's revenue budget covers a financial year.
Budget Holder	A nominated officer in a Service area who has responsibility for the control and monitoring of a particular Budget.
Budget Manager	A nominated officer in a Service area who has responsibility for the control and monitoring of the budgets within a service area.
Budget Monitoring	The analysis and reporting of expenditure/ income against budget. Budget monitoring is carried out by Service area alongside the Finance Service on a monthly basis.
Budgetary Control	The use of budget monitoring information to manage the Budget and bring spend in on target for the year.

Business Rates	Business Rates also known as Non Domestic Rates (NDR) is a charge levied upon all non-domestic properties. The rateable value of non-domestic premises is determined by the Valuation Office Agency (part of the Inland Revenue). This rateable value is multiplied by a national multiplier (set each year by central Government) to arrive at the gross annual amount each business must pay. This can be reduced by reliefs, dependent on the size and circumstances of the business, to arrive at the net amount payable. Business Rate Retention Regulations were introduced in April 2013. These determine the proportion of Business Rates retained by Local Authorities and its preceptors or transferred to Central Government.
Capital Financing	The resources required to fund capital payments e.g. • borrowing • the application of useable capital receipts • a direct charge to revenue • the application of a capital grant or contribution.
Capital Financing Requirement (CFR)	This measures the Authority's underlying need to borrow for a capital purpose. It is a calculation of capital costs less funding from capital receipts, grants, and contributions to give the balance to be funded by borrowing. The Authority needs to ensure that over the medium-term net borrowing does not exceed the CFR. The capital financing requirement is one of the indicators that must be produced as part of the CIPFA prudential code.
Capital Investment / Expenditure	The total amount spent on capital including all those items capitalised under statute e.g. equal pay and grants to third parties.
C/Fwd	The balance in the Statement of Accounts that is "carried forward" to a future period, normally the next financial year.
CIPFA	Chartered Institute of Public Finance and Accountancy, which is the leading accountancy body for public services.
ICS (previously CCG)	Intergrated Care System – a regional NHS body which commissions community and hospital-based healthcare for a local area. Previous local Clinical Commissioning Group's combined to form a regional ICS.

Consumer Price Index (CPI)	The index has been designed as a macro-economic measure of consumer price inflation. The official measure is calculated each month by taking a sample of goods and services that a typical household might buy, including food, heating, household goods and travel costs. It forms the basis for the Government's inflation target, which the Bank of England's Monetary Policy Committee is required to achieve.
Contingencies	Sums set aside as a provision for liabilities which may arise in the future, but which cannot be determined in advance.
Cost Centre	A code created in the General Ledger to record expenditure and income for a particular activity. For example, a library or a school.
Council Tax	The main source of local taxation for local authorities. It is a banded property tax (using 1 April 1991 property values), which is levied on households within its area by the billing authority and is set annually for the properties in its area. Council Tax income is paid into the billing authority's Collection Fund for distribution to precepting authorities and for use by the billing authority's own General Fund.
Counterparty	The organisations responsible for repaying the Authority's investment upon maturity and for making interest payments.
Credit Default Swap (CDS)	These contracts reflect the market perception of an institution's credit quality unlike credit ratings, which often focus on a longer-term view. CDS contracts can be compared with insurance, as a buyer of a CDS pays a premium insuring against a debt default.
Credit Rating	This is a scoring system that lenders use and publish to determine how credit worthy individuals and businesses are.
DLUHC	Department for Levelling Up, Housing and Communities.
Debt	The sum of borrowing and other long-term liabilities.
Debt Management Office (DMO)	Debt Management Office (DMO) is the executive agency responsible for carrying out UK Government's debt management.
Depreciation	The gradual conversion of the cost of an asset into an operational expense over the asset's estimated useful life. Depreciation reflects a reduction in the book value of the asset due to obsolescence or wear and tear and it spreads the purchase cost proportionately over a fixed period to match the income generated by the asset.

DfE	Department for Education.
DWP	Department for Work and Pensions.
External debt	All borrowing, whether for capital or revenue purposes.
Fees and Charges	Income arising from the provision of a service.
Financial Regulations	Rules that set out the financial policies of the Authority and help to ensure that the assets of the Authority are protected and properly deployed.
Financial Year	1 April to 31 March.
Forecast Out-turn	A prediction of the final income and expenditure based at the year-end.
General Ledger (GL)	The prime financial record for the Authority. The General Ledger records all the expenditure incurred and all the income generated by the Authority.
Gilts	The UK Government issues gilts in order to finance public expenditure. They are generally issued for a set period and pay a fixed rate of interest for this period.
Holding Accounts	These are accounts within the General Ledger relating to a specific building or service (internal to the Authority) where costs are collected then shared out to the users of the building or service.
Housing Revenue Account (HRA)	Those authorities with a council-owned housing stock have a duty to maintain an additional account called the Housing Revenue Account (HRA). The HRA specifically accounts for spending and income relating to the management and maintenance of the council-owned housing stock. By law it must be kept separate from other Authority accounts.
IFRS	International Financial Reporting Standards – the basis on which the Authority's accounts are prepared from 2010/11 onwards.
IBCF	Improved Better Care Fund is a Grant paid directly to Local Authorities as part of their main Local Government Finance Settlement to support Adult Social Care in ways which also benefit Health.
Journal Transfer	A journal transfer is used to correct miscoded transactions or to allocate costs/income within or across Service areas in the General Ledger.

Lenders Option Borrowers Option (LOBOs)	A form of long-term borrowing where loans run at a fixed rate of interest for a fixed period, after which the Lender has the option to ask for repayment or change the interest rate on pre-determined dates. If the Lender decides to exercise the option to change the interest rate, the borrower can then decide whether to accept the new terms or repay the loan.
LGPS	Local Government Pension Scheme.
Local Government Finance Settlement	The Local Government Finance Settlement is the annual distribution of funding determined by the Government and debated by Parliament. It has two key elements: 1. A Provisional Local Government Finance settlement, which is normally received in December. This is then subject to a specific Government Consultation. 2. A Final Local Government Finance settlement that is normally received in late January / early February after the government has had time to consider the representations made to the Provisional Local Government Finance Settlement.
Long Stop Control	The Secretary of State may, by direction, set limits in relation to the level of borrowing of money by a particular local authority to ensure that the authority does not borrow more than it can afford.
Long term	A period of one year or more.
Major Repair Allowance (MRA)	Before Self Financing was introduced in April 2012, the rent payable across to Central Government as part of subsidy was calculated taking into account several factors including a major repairs allowance, which was intended to ensure that councils retained sufficient money to be able to maintain their housing assets.
Maturity	The date when an investment or loan is repaid, or the period covered by a fixed term investment or loan.
Monetary Policy Committee (MPC)	This is a body set up by the Government in 1997 to set the repo rate (commonly referred to as being base rate). Their primary target (as set by the Government) is to keep inflation within plus or minus 1% of a central target of 2% in two years' time from the date of the monthly meeting of the Committee. Their secondary

	target is to support the Government in maintaining high and stable levels of growth and employment.
Money Market	This is where financial instruments are traded. Participants use it as a means for borrowing and lending in the short term, with maturities that usually range from overnight to just under a year.
Minimum Revenue Provision (MRP)	Minimum Revenue Provision (MRP) is statutory requirement to make a charge to the Council's General Fund to make provision for the repayment of the Council's past capital debt and other credit liabilities
National Living Wage	The National Living Wage is an obligatory minimum wage payable to workers in the United Kingdom aged over 25, which came into effect on 1 April 2016.
Net Revenue Stream	This is the net revenue Budget.
Operational Boundary	This is the most likely, prudent view of the level of gross external indebtedness. External debt includes both borrowing and long-term liabilities (e.g. finance leases and PFI), with separate boundaries having to be identified for each of these. It encompasses all borrowing, whether for capital or revenue purposes.
Other Long-Term Liabilities	The sum of the amounts on the face of the Balance Sheet that are classified as liabilities and are for periods in excess of 12 months, other than borrowing repayable within a period in excess of 12 months e.g. finance leases, PFI and Longbenton transferred debt.
“Pay to stay”	Pay to Stay was the name of a government policy in the United Kingdom whereby council tenants earning £30,000 (£40,000 in London) would have to pay "market or near market rents".
PFI	The private finance initiative is a way of creating "public–private partnerships" by funding public infrastructure projects with private capital.
Precept	The levy determined by precepting authorities on billing authorities. It requires the billing authority to collect income from council taxpayers on their behalf. In the case of North Tyneside Council, the precepting authorities are the Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority.

Profiling	A method by which budgets are spread across the year to reflect patterns of spend.
Projections	A forecast of expenditure and income to the year-end based on known commitments and trends.
Prudential Borrowing	See Unsupported borrowing.
Prudential Code	The current system of financial controls for capital financing introduced on 1 April 2004 that local authorities are required to operate within.
Public Works Loan Board (PWLB)	Part of the Government's Debt Management Office, making long-term funds available to local authorities on prescribed terms and conditions.
Quantitative Easing	The printing of money by the country's central bank in order to increase the supply of money.
Reprogramming	Refers to changes to the timing of projects in the Investment Plan between years.
Reserves	Amounts which are set aside in the accounts to meet expenditure which the Authority may decide to incur in a future period, but which are not allocated to specific liabilities that are certain or very likely to occur. Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves are often described as 'balances', and usually arise as unplanned surpluses of income over expenditure. This will include the House Building Fund, Strategic Reserve, Insurance Reserve and the Support Change Fund Programme.
Revenue Expenditure	Expenditure on the day-to-day running costs of a service for example employees and transport.
Revenue Support Grant (RSG)	A central government grant paid to each local authority to help to finance its general expenditure, as opposed to specific grants.
Right to Buy	The Right to Buy scheme is a policy in the United Kingdom (with the exception of Scotland since August 1st 2016) which gives secure tenants of councils and some housing associations the legal right to buy, at a large discount, the council house they are living in
RPI – Retail Price Index	The Retail Price Index (RPI) is published on a monthly basis, and it shows the changes in the cost of living. It reflects the movement of prices in a representative sample of goods and services used regularly, such as food, housing, clothing,

	household goods and transport. Items considered the most important are given a higher weighting in the overall index.
S256 agreements	Legal agreements that allow Health to transfer money to Local authorities using powers listed under Section 256 (S256) of the Health & Social Care Act
Self-Financing	Housing Revenue Account (HRA) self-financing commenced in April 2012. Local housing authorities from this date were able to fully retain the money they received in rent in order to plan and provide services to their current and future tenants and in return took on a level of historical debt.
SEN	The term 'special educational needs' has a legal definition, referring to children who have learning problems or disabilities that make it harder for them to learn than most children of the same age.
Service Area	Groups of related cost centres.
Settlement Funding Assessment	For individual local authorities, this comprises of the Revenue Support Grant for the year in question and the Baseline Funding Level.
Short-term	A period of less than one year.
SLT	Senior Leadership Team – this includes the Chief and Deputy Chief Executive and all Heads of Service.
Subjective	A subjective is a code within the General Ledger that indicates the type of expenditure incurred, for example basic pay. A subjective can also be used to record the type of income generated, for example rents and fees.
Supported Borrowing	This is borrowing to fund expenditure in the Investment Plan where the annual financing costs of such borrowing are supported by government through formula grant. No new supported borrowing has been awarded since 2010/11.
Trading Account	These accounts within the General Ledger hold the values of both the cost and income of a traded or recharged service e.g. cleaning or transport. Customers can be internal or external to the Authority.
Transitional Protection	North Tyneside agreed that for those tenants who were already residents of an NTC sheltered property at the point of the Sheltered Housing PFI works would have their rent held at the level they paid before the investment.
Treasury Management	The management of the Authority’s cash flows, its banking, money market and capital market transactions; the effective

	control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
Unitary charge	A PFI contract bundles the payment to the private sector as a single ('unitary') charge for both the initial capital spend and the ongoing maintenance and operation costs.
Universal Credit	Universal Credit is a social security benefit in the United Kingdom introduced in 2013 to replace six means-tested benefits and tax credits: income-based Jobseeker's Allowance, Housing Benefit, Working Tax Credit, Child Tax Credit, income based Employment and Support Allowance and Income Support.
Unsupported Borrowing	This relates to borrowing to fund expenditure where the annual financing costs have to be met from the Authority's own revenue resources. This is also known as prudential borrowing.
Variance	The difference between net budgeted expenditure and income compared to net actual expenditure and income i.e. the actual or predicted overspend or underspend against Budget.
Virement	A transfer of budgets from one area of the Budget to another.
Yield	Return on an investor's capital investment.
Yield Curve	Graph plotting the yield of all bonds of the same credit quality with maturities ranging from the shortest to the longest available. If the resulting curve shows that short-term yields are lower than longer-term yields, then it is called a positive yield curve. If short-term yields are higher than longer-term yields it is called an inverted yield curve. If there is little difference between short and long-term yields, then it is a flat yield curve.

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Change Equality Impact Assessment (EqIA)

1. Proposal details		
Name of the policy/project/process being assessed (subsequently referred to as project)	North Tyneside Council Budget Engagement	
Purpose of project	The purpose of the budget engagement is to reach different sectors of the population through an approach that encompasses engagement with residents as a whole and customers/users of services, as well as particular groups of people, including those with protected characteristics. The approach also ensures reach with particular interest groups, such as businesses, and children and young people. This will allow as wide a range as possible to have the opportunity to comment on the budget proposals and put forward their views for consideration. Engagement will be via digital, online, in-person and printed material.	
Who is the project intended to benefit?	Residents of the borough and stakeholders.	
What outcomes should be achieved?	Residents and stakeholders will gain an understanding of the council's budget setting process and have the opportunity to share their views on the council's budget proposals for 2024-25.	
Version of EqIA	1.0	
Date this version created	27/10/2023	
Confidential	no	
Directorate	Corporate Strategy and Customer Services	
Service	Participation, Advocacy and Engagement	
	Name	Service or organisation
Principal author	Angela Melvin	North Tyneside Council
Additional authors	Marie Stern-Peltz	North Tyneside Council

2. Groups impacted

Does the project impact upon?		If yes, what is the estimated number impacted and the level of impact this will have on the group (high, medium, low)?
Service users	yes	There are approximately 209,000 residents in the borough the majority of whom are service users (medium).
Carers or family of service users	yes	Our residents include carers and they will be invited to have their say as part of the overall engagement programme. Some budget proposals may affect users of specific services (medium).
Residents	yes	The budget engagement programme will encourage as many residents (approx. 209,000 people live in the borough)as possible to participate (medium).
Visitors	no	
Staff	yes	Council staff (over 3,000 people) will be invited to share their views as part of the overall budget engagement programme (medium).
Partner organisations	yes	Partners and key stakeholders will be invited to take part in the budget engagement programme, this will include VCS organisations (medium).

3. Evidence gathering and engagement		
	Internal evidence	External evidence
What evidence has been used for this assessment?	Feedback from previous general engagement, including Big Community Conversation 2023. Feedback from previous budget engagement programmes. Profile of the borough population, available via https://my.northtyneside.gov.uk/category/1114/population	
Have you carried out any engagement in relation to this proposal?	yes	

If yes of what kind and with whom? If no, why not?	Two focus groups with residents and tenants who are members of Our North Tyneside Voice. They gave specific feedback on the materials and information used in last year's budget engagement.	
Is there any information you don't have?	no	
If yes, why is this information not available?		

4. Impact on groups with different characteristics			
Legally protected characteristics	Potential positive impact identified	Potential negative impact identified	Description of the potential impact and evidence used in the assessment (mitigations are not included here)
Age	yes	yes	Based on previous engagement: • We understand that some older people may need information provided in accessible formats. • People of an age likely to have childcare responsibilities can experience barriers to engagement due to time/availability. • People of working age may not be able to attend daytime sessions; or older people may not wish to attend night time sessions. • Children and young people will require information presented in an accessible way to aid understanding. • Young adults will be encouraged to take part if the engagement materials are relatable to them.

<table>
<tr><td>Disability</td><td>yes</td><td>yes</td><td>Based on previous engagement activities, we understand there are a range of mobility and sensory disabilities, along with neurodiverse or learning needs, which would affect someone’s ability to take part in engagement activities.
For example, access to a building where in-person sessions take place – either due to transport access or physical access to the building.
People with neurodiverse or learning needs may require support to travel to an in-person session or participate during it. Information will need to be presented in a clear and accessible way.</td></tr>
<tr><td>Gender reassignment</td><td>yes</td><td>yes</td><td>People undergoing gender reassignment may feel barriers to participation at some venues, for example if they have previously been used for activities which are not welcoming, or supportive of people with this characteristic.</td></tr>
<tr><td>Marriage & civil partnership</td><td>no</td><td>no</td><td>N/A</td></tr>
<tr><td>Pregnancy & maternity</td><td>yes</td><td>yes</td><td>People with this characteristic may find it difficult to find time to participate, eg due to timing of activities.</td></tr>
<tr><td>Race</td><td>yes</td><td>yes</td><td>Based on previous engagement experience, we understand that English may not be someone’s first language and some venues may not be suitable for in-person engagement, eg places of worship or those serving alcohol.</td></tr>
<tr><td>Religion or belief</td><td>yes</td><td>yes</td><td>Certain days of the week, or specific dates, may impact people of some faiths being able to participate.</td></tr>
</table>

Sex	yes	yes	Based on previous engagement experience, we understand that women are more likely to participate in engagement.
Sexual orientation	yes	yes	People of all sexual orientations may feel barriers to participation at some venues, for example if they have previously been used for activities which are not welcoming, or supportive of people with their own sexual orientation.
Intersectionality	yes	yes	People with more than one protected characteristic may not feel confident to participate or attend an in-person event, for example if they were disabled and did not speak English as their first language they would require a range of different support to participate in engagement.
Non-legally protected characteristics			
Carers	yes	yes	People with this characteristic may find it difficult to find time to participate, eg due to timing of activities.
Socio-economic disadvantage	yes	yes	• People with this characteristic may experience barriers to participation due to lack of digital access or opportunities to access information. • They may not be able to afford transport to an in-person event.

5. Achievement of the Authority's public sector equality duty		
Will the proposal contribute to any of the following?		**If yes, how?**
Eliminate unlawful discrimination, victimisation and harassment	N/A	
Advance equality of opportunity between people who share a protected	yes	We will be offering residents and stakeholders the opportunity to participate in budget engagement which is accessible and carried

characteristic and those who do not		out via different methods to suit different audiences.
Foster good relations between people who share a protected characteristic and those who do not	yes	Budget engagement will include focused and inclusive options, giving participants the opportunity to share their own experiences and opinions. This can help increase understanding between people with different characteristics.

6. Negative impacts		
Potential negative impact	**Can it be reduced or removed?**	**If yes how? If no, why not and what alternative options were considered and not pursued?**
Engagement activities are not accessible to people with different mobility, sensory or neurodiverse considerations.	yes- reduced	• Engagement and associated communications will use a range of methods including digital, paper-based, telephone and in-person, with reasonable adjustments to support stakeholders to participate. • Written materials will include our access statement to help us identify and respond to specific needs. • Venues used for in-person engagement will be fully accessible. • Any images used will reflect diverse communities. • Staff will be briefed to ensure people who attend any in-person sessions are supported to participate. • Interpreters can be provided for those with hearing impairments. • Large print information or information in other formats can be provided. • Functions such as subtitles and audio will improve accessibility of online information. • There is a potential negative impact for people with learning disabilities,

		due to the nature of the information being provided. We will invite people to let us know if they need support to take part and will work on an individual basis to provide this.
Engagement activities are not accessible to people whose first language is not English.	yes- reduced	• Our access statement included on written materials will help identify any language support needs. • Translations of written materials can be provided. • Interpreters can be provided for in-person events. • Information can be circulated via community leaders who might also be able to support with indicating language needs.
Engagement venues may not be seen as accessible by those with certain religious beliefs.	yes- removed	In-person engagement activities will not take place at places of worship, or where alcohol is served.
Engagement materials may not be accessible to all age groups.	yes- reduced	• Engagement and associated communications will use a range of methods including digital, paper-based, telephone and in-person. • These will be developed to be age-appropriate to the audiences involved, eg our Youth Council. • Any images used will reflect different age groups.
Engagement times and venues may not be seen as accessible by older people, carers, or people with pregnancy or maternity characteristics.	yes- reduced	• Engagement and associated communications will use a range of methods including digital, paper-based, telephone and in-person. • In-person activities will be held in venues with accessible toilet and breastfeeding facilities.

		• In-person activities will be scheduled to try and make them as accessible as possible to as wide an audience as possible, however if people are unable to attend there are a variety of other options to provide feedback.
Engagement venues may not be seen as safe places to visit.	yes- reduced	• Engagement activities will be held in accessible, safe, venues. • Residents will be able to take part in online engagement if they prefer. • Residents will have an option to telephone to share their views.
Digital engagement methods are not accessible to those without online access.	yes- reduced	• Engagement and associated communications will use a range of methods including digital, paper-based, telephone and in-person. • Engagement will be promoted widely by the council and our partners, including the VCS sector. • Information and paper surveys will be available in our six Community Hub venues. • Paper copies can be provided on request to individuals or groups.
People with more than one protected characteristic may not feel confident to participate in formal engagement.	yes- reduced	• Engagement and associated communications will use a range of methods including digital, paper-based, telephone and in-person. • Engagement activities will be held in accessible, safe, venues. • Communications will encourage people to take part in a welcoming way, to inspire confidence among people who may not have engaged with us previously.

7. Action plan				
Actions to gather evidence or information to improve NTC's understanding of the potential impacts on people with protected characteristics and how best to respond to them	**Responsible officer name**	**Responsible officer service area**	**Target completion date**	**Action completed**
Reach out to local disability groups to encourage them and their service users to participate. This will include carers.	Marie Stern-Peltz	Corporate Strategy	28/11/2023	in progress
Involve the Ethnic Diversity Community Taskforce in reaching ethnic minority audiences, encouraging them to participate.	Marie Stern-Peltz	Corporate Strategy	04/12/2023	in progress
Involve the Ethnic Diversity Community Taskforce in reaching different faiths, encouraging them to participate.	Marie Stern-Peltz	Corporate Strategy	04/12/2023	in progress
Actions already in place to remove or reduce potential negative impacts	**Responsible officer name**	**Responsible officer service area**	**Impact**	
The six Community Hub venues are located across the borough and include displays of current engagement	Angela Melvin	Corporate Strategy	reduce	

programmes and paper copies of any surveys.			
Information about all council engagement activities is routinely shared on social media, online, in the council magazine and to Our North Tyneside Voice subscribers.	Angela Melvin	Corporate Strategy	reduce
Our North Tyneside Voice subscribers are invited to participate in engagement. ONTV has been advertised widely online, regularly in the council magazine, as part of the Big Community Conversation and at the Have Your Say displays in our six Community Hubs.	Angela Melvin	Corporate Strategy	reduce
Information about council engagement activities is routinely shared as relevant with partner organisations and the VCS sector.	Angela Melvin	Corporate Strategy	reduce

Actions that will be taken to remove or reduce potential negative impacts	**Responsible officer name**	**Responsible officer service area**	**Impact**	**Target completion date**	**Action completed**
Ensure budget engagement materials are clearly written and understandable.	Angela Melvin	Corporate Strategy	reduce	27/11/2023	in progress
We will use our accessibility statement to ask people to let us	Angela Melvin	Corporate Strategy	reduce	27/11/2023	in progress

know if they need materials in another format, or to access the engagement in another way.					
Communications about the budget engagement will be shared across different digital platforms and be accessible at in-person events and with paper copies.	Angela Melvin	Corporate Strategy	reduce	28/11/2023	in progress
We will only use accessible venues for in-person engagement. Taxis can be provided for participants who need assistance with transport to an in-person event.	Angela Melvin	Corporate Strategy	remove	31/01/2024	in progress
Actions that will be taken to make the most of any potential positive impact	**Responsible officer name**	**Responsible officer service area**		**Target completion date**	**Action completed**
We will share best practice with colleagues to ensure future engagement replicates positive impacts.	Angela Melvin	Corporate Strategy		29/02/2024	in progress
New contacts from groups representing people with protected characteristics will be kept up to date with future engagement opportunities.	Marie Stern-Peltz	Corporate Strategy		30/11/2024	in progress
Actions that will be taken to monitor the equality impact of this proposal once it is implemented	**Responsible officer name**	**Responsible officer service area**		**Target completion date**	**Action completed**

We will use demographic data on the accompanying survey to assess the engagement as it progresses, to ensure we are collecting the views of people with different characteristics; if not, we will take action to target specific groups.	Marie Stern-Peltz	Corporate Strategy	05/01/2024	in progress
All staff involved in budget engagement will have sight of the EqIA assessment.	Angela Melvin	Corporate Strategy	27/11/2023	in progress
Date review of EqIA to be completed	**Responsible officer name**	**Responsible officer service area**		
31/05/2024	Angela Melvin	Corporate Strategy		

8. Outcome of EqIA	
Outcome	**Please explain and evidence why you have reached this conclusion:**
Continue with amendments	This EqIA is a working document and may need to be amended once budget engagement begins to reflect any issues that may arise.

9. Corporate Equality Group member approval	
Do you agree or disagree with this assessment?	Agree
If disagree, please explain why?	
Name of Corporate Equality Group Member	Anne Foreman
Date	30/10/2023

10. Director/ Head of Service approval	
Do you agree or disagree with this assessment?	Agree

If disagree, please explain why?	
Name of Director/Head of Service	Jon Ritchie- Director of Resources
Date	30/10/2023

Please return the document to the Author and Corporate Equality Group member.

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