Public Document Pack

North Tyneside Council

Cabinet

21 January 2022

Monday, 31 January 2022 0.02 Chamber - Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY **commencing at 6.00 pm**.

Agenda Item		Page(s)
1.	**Apologies for Absence** To receive apologies for absence from the meeting.	
2.	**To Receive any Declarations of Interest and Notification of any Dispensations Granted** You are invited to **declare** any registerable and/or non-registerable interests in matters appearing on the agenda, and the nature of that interest. You are also invited to **disclose** any dispensation in relation to any registerable and/or non-registerable interests that have been granted to you in respect of any matters appearing on the agenda. Please complete the Declarations of Interests card available at the meeting and return it to the Democratic Services Officer before leaving the meeting.	
3.	**2022-2026 Financial Planning and Budget Process: Cabinet's Draft Budget proposals** To consider the 2022-2026 Financial Planning and Budget Process: to seek approval for Cabinet's Draft Proposals for 2022/23 for the General Fund Revenue budget, Dedicated Schools Grant, Investment Plan and Housing Revenue Account (HRA) business Plan and Budget.	5 - 208

Members of the public are welcome to attend this meeting and receive information about it.

North Tyneside Council wants to make it easier for you to get hold of the information you need. We are able to provide our documents in alternative formats including Braille, audiotape, large print and alternative languages.

For further information about the meeting please call (0191) 643 5320.

Agenda Item		Page(s)
4.	**Date and Time of Next Meeting** Monday, 7 February 2022 at 6.00pm	

Circulation overleaf …

Circulated to Members of Cabinet: -

N Redfearn (Elected Mayor)
Councillor C Johnson (Deputy Mayor)
Councillor C Burdis
Councillor K Clark
Councillor S Cox
Councillor S Day
Councillor P Earley
Councillor S Graham
Councillor A McMullen
Councillor M Rankin

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

This page is intentionally left blank

North Tyneside Council
Report to Cabinet
Date: 31 January 2022

Title: 2022-2026 Financial Planning and Budget Process: Cabinet's Draft Budget proposals

Portfolio(s):	**Elected Mayor**	**Cabinet Member(s):**	**Mrs Norma Redfearn**
	Deputy Mayor		**Councillor C Johnson**
	Finance and Resources		**Councillor M Rankin**
	Housing		**Councillor S Cox**

Report from Service Area:	**Senior Leadership Team**	
Responsible Officer:	**Janice Gillespie, Director of Resources (Chief Finance Officer)**	**Tel: (0191) 643 5701**
Wards affected:	**All**	

PART 1

1.1 Executive Summary:

1.1.1 On 20 September 2021, the Elected Mayor and Cabinet agreed the 2022-2026 Financial Planning and Budget Process incorporating the associated Engagement Strategy. The Mayor and Cabinet then set out the initial budget proposals for consultation on 29 November. This report represents a key milestone in the development of the 2022/23 Budget and 2022-2026 Medium-Term Financial Plan (MTFP), as it sets out Cabinet's draft Budget proposals for the next financial year and beyond.

The Budget is driven by the Authority's key priorities that make up the Our North Tyneside Plan – A thriving, secure, family friendly, caring and green North Tyneside. North Tyneside Council has a very clear and ambitious plan to maximise support to those who need it most in the community whilst investing in all areas of the Borough and building a strong foundation to recover from the pandemic.

1.1.2 Financial Planning continues to be challenging. There are tough times ahead, years of reductions in Government funding and uncertainty caused by the pandemic have left the Authority in a challenging position. The full financial impact of the pandemic is not yet known and whilst there have been some calls for optimism, like elsewhere in the country, many of the Authority's services, such as adults and children's social care, remain critically under resourced. While finance is directed towards the priorities of the Elected Mayor and Cabinet, there are significant risks and a great deal of uncertainty at the current time.

The pandemic has affected everyone but for some residents the impact has been more significant. The refreshed Council Plan, and the Cabinet's approach to tackling the inequalities gap will bring challenges in terms of the resources available to support the most vulnerable residents alongside the uncertainty of the longer-term impact on the Authority's income and expenditure.

Cabinet's report on 29 November 2021 included details of the Comprehensive Spending Review 2021 (SR21) which the Chancellor announced on 27 October 2021. Since then, the Provisional Local Government Finance Settlement (the Settlement) for 2022/23 was announced on 16 December 2021. Full details of the Settlement are included in Annex A, Section 3. The allocation from the Settlement has been included in table 4 of this report and notes the movement to income and expenditure since the last report to Cabinet in November.

The Settlement confirms that Core Spending Power (CSP) for local authorities will increase by 6.9% in cash terms for 2022/23. Cabinet should be aware that the Governments assumption is that to achieve this increase all authorities will implement the maximum allowed Council Tax increase of 3%: a 2% increase for general Council Tax and a 1% increase for the Adult Social Care Precept. In calculating the CSP, the Government has assumed that each authorities Council Tax Base, used to calculate the total level of Council Tax resources, has increased in line with their average Council Tax Base growth since 2017/18.

The Elected Mayor and Cabinet's draft Budget proposals therefore include for consideration, an increase of 1.99% for general Council Tax and 1% for the Adult Social Care Precept.

1.1.3 The Comprehensive Spending Review 2021 (SR21) announced on 27 October 2021 and the Settlement has confirmed some of the assumptions made in the preparation of these draft Budget proposals, but there remains a need for ongoing flexibility to respond to changing circumstances, particularly in light of the forecast economic impacts. The MTFP will continue to be updated in light of future Government announcements and ongoing impact of COVID-19 becomes clear.

There are a number of assumptions and judgements (section 1.5.7) built into the figures presented that lie mainly outside the control of the Authority and need to be finalised. The estimates of amounts will therefore need to be subject to further review before they can be confirmed.

1.1.4 Cabinet, in its report of 29 November 2021, set out the estimates for all aspects of the Elected Mayor and Cabinet's proposed spending and resource plans for the Housing Revenue Account (HRA) Budget for 2022-2026 and associated Investment Plan 2022-2027 (within Annex 1). In addition, the report outlined the proposed changes to housing rent, garage rent and service charges for 2022/23.

1.1.5 Cabinet is now formally asked to approve the proposed spending and resource plans for the HRA Revenue Budget for 2022/23 in accordance with the responsibilities of Cabinet pursuant to the Local Government Act 2000. In addition, Cabinet is also asked to approve the housing element of the 2022-2027 Investment Plan, the proposed 4.1% rent increase from April 2022 (in line with Government policy), and the proposals in relation to housing service charges and garage rents for 2022/23. The proposed spending plans have been updated to reflect the 2021/22 in-year monitoring position for the HRA as reported to Cabinet on 24 January 2022 and the updated balances position now anticipated for the beginning of the 2022/23 financial year. Full details of the HRA proposals are included in Annex 1, sections 4 and 6.

1.2 Recommendation(s):

1.2.1 In relation to the Elected Mayor and Cabinet's proposals for the General Fund Revenue Budget, Dedicated Schools Grant, Investment Plan and Housing Revenue Account, Cabinet is recommended to:

<u>General Fund Revenue Budget, Dedicated Schools Grant and Investment Plan</u>

a) agree the key principles being adopted in preparing the Medium-Term Financial Strategy for the Authority, subject to an annual review;

b) Note that Cabinet's estimates of amounts in the setting of the Council Tax requirement will be submitted to full Council for its meeting on 17 February 2022, in accordance with the Authority's Constitution and Budget and Policy Framework Procedure Rules;

c) Note that Cabinet's proposals for the 2022-2027 Investment Plan (Appendix D (i)), including the draft Capital Investment Strategy (Appendix D (iv)) and Prudential Indicators for 2022-2026 (Appendix D (iii)), 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, will be submitted to full Council for its meeting on 17 February 2022;

d) Consider and agree the estimates of amounts in relation to the 2022-2027 Investment Plan, including prudential indicators for 2022-2026 in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Framework and a proposed Minimum Revenue Provision (MRP) Policy in line with capital finance regulations (Appendices D (i) and D (iii));

e) Note that all approved schemes within the 2022-2027 Investment Plan will be kept under review by the Investment Programme Board;

f) Note that Cabinet's proposals for the Treasury Management Statement and Annual Investment Strategy for 2022/23 will be submitted to full Council for its meeting on 17 February 2022 Appendix E (i);

g) Approve the Treasury Management Statement and Annual Investment Strategy for 2022/23 Appendix E (i);

h) Consider and agree the draft proposals in relation to the Treasury Management Statement, Annual Investment Strategy for 2022/23 and Treasury Management Practices (TMPs) Appendix E (ii);

i) Note that any implications that affect the information in this report arising from decisions of Cabinet on 31 January and 7 February will be provided as a supplementary report to full Council on 17 February 2022;

j) Note the outcomes from the engagement process on both the Council Plan and Budget proposals (Appendix F);

k) Agree the formal Reserves and Balances Policy for the Authority, subject to review at least annually (Appendix G);

l) Note the key aspects of the 2022/23 Provisional Local Government Finance Settlement announced on 16 December 2021 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;

m) Note the medium-term financial challenges and financial risks facing the Authority and agree to address these issues as part of the Efficiency Programme for the Authority, to deliver continued financial stability and prudent management of its financial resources;

n) Consider and agree the estimates of amounts for the 2022/23 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 approval, including an assessment in relation to the current year's budget monitoring information (2021/22) and indications for the Financial Plan for 2022/23;

o) 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 17 February 2022;

p) Note the conclusions of the Overview, Scrutiny and Policy Development Committee's review of the 2022/23 initial Budget proposals (Appendix I) and note any impact the recommendations may have on the General Fund Budget proposals and note that any recommendations of the Overview, Scrutiny and Policy Development Committee in relation to Cabinet's final Budget proposals will be considered by Cabinet on 7 February 2022;

q) Note the Provisional Statement by the Chief Finance Officer (Annex 1, Section 9);

r) Authorise the Elected 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 2022/23;

s) Authorise 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 Efficiency Programme and note that decisions made under this delegated authority will be reported to Cabinet as part of the regular budget monitoring information provided; and

t) Grant delegated authority to the Chief Executive, in consultation with the Elected Mayor and Head of Resources, to authorise the purchase of homes, 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 the programme of delivery of affordable homes and homes at market rent is progressed in line with Cabinet's priorities.

Housing Revenue Account

(a) Consider any recommendations arising from the Overview, Scrutiny and Policy Development Committee's consideration of Cabinet's initial Budget proposals for the 2022/23 Housing Revenue Account (HRA) Business Plan and Budget proposed by Cabinet on 29 November 2021 and note any impacts that the recommendations may have on these proposals and note that any recommendations of the Overview, Scrutiny and Policy Development Committee in relation to Cabinet's final Budget proposals will be considered by Cabinet on 31 January 2022.

(b) Consider and agree the final proposals in relation to the 2022/23 Housing Revenue Account Budget and associated Business Plan.

(c) Increase individual housing rents by 4.1% as outlined in Annex 1 HRA to this report and in the HRA section of 29 November 2021 Cabinet report in line with the Government's policy for social rent, based on rent increases of Consumer Price Index (CPI) + 1% which was the policy prior to the introduction of 4 years of rent reductions implemented under the Welfare Reform and Work Act 2016.

(d) Increase service charges for 2022/23 in line with CPI except where reviews of services have taken place to reflect changes in actual costs; for the majority of service charges for 2022/23 the increase will be 3.1%.

(e) A review of the garage-letting process was concluded and implemented in 2019/20 which resulted in a phased approach over two years to harmonise garage rents. For 2022/23 it is recommended that garage rents will increase by 3.1%.

(f) Note the assessment in relation to the current year's budget monitoring information (2021/22), and indications of financial plans for 2022-2026 for the Housing Revenue Account.

(g) Note the Capital Investment Strategy (Appendix D (iv)) which sets out the general principles followed by both the General Fund and HRA in relation to the Authority's approach to capital investment. This draft will be due for approval by full Council at its meeting on 17 February 2022 as part of the overall Financial Planning and Budget process. In relation to the HRA, Cabinet is asked to specifically note that the principles of the Investment Strategy will apply to the updated 2022-2027 Asset Management Strategy for the HRA.

(h) Note the draft Treasury Management Statement and Annual Investment Strategy for 2022/23 Appendix E (i) which sets out the general principles followed by both the General Fund and HRA in relation to the Authority's management of investments, cash flows, banking, money market and capital transactions. Cabinet is asked to specifically note the continued policy of paying off existing debt where affordable and appropriate within the HRA Business Plan, which will see an estimated further £102.447m reduction in loans attributed to the HRA over the life of this 30-year Plan.

(i) Agree the HRA Investment Plan 2022-2027 (Annex 1 HRA and Appendix D (ii)).

(j) To note that 2017/18 saw the end of the 5-year transitional arrangements for the use of a "proxy" for calculating a depreciation charge, and that 2022/23 will see the continuation of the current method to calculate a "true" depreciation charge; and

(k) Approve the Prudential Indicators which are specific to the Housing Revenue Account as set out in Appendix D (iii) to 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 26 November 2021.

1.4 Council Plan and Policy Framework

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.

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.

The Budget proposals will also be presented to the Overview, Scrutiny and Policy Development Committee 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

On 18 February 2021, full Council approved a Medium-Term Financial Plan for the period 2021/22 to 2024/25, providing a financial framework to support the delivery of the Authority's priorities as set out in the refreshed 2021-2024 Our North Tyneside Plan. The Budget set in February for 2021/22 was balanced, based on a robust set of assumptions in relation to the resources available, and prudent estimates of the expenditure that was necessary to deliver the Authority's Services.

The Our North Tyneside Plan 2021-2025 (the Council Plan) sets out the overall vision and policy context within which the Financial Plan and Budget proposals will operate. The Authority has worked to a clear set of priorities through the Council Plan and these priorities formed the basis of the framework for COVID-19 recovery in North Tyneside during 2020/21 and the early part of 2021/22.

On 23 September 2021, full Council approved the updated Our North Tyneside Plan, which was refreshed following the Mayoral Election on 6 May 2021 to reflect the policy priorities of the new administration and to consider feedback during the internal and external engagement carried out between 2 July 2021 and 15 August 2021.

The Our North Tyneside Plan 2021-2025 is structured in five key themes and each theme has a clear set of policy priorities:

- A thriving North Tyneside;
- A family-friendly North Tyneside;
- A caring North Tyneside;

- A secure North Tyneside; and
- A green North Tyneside.

1.5.2 The impact of the COVID-19 pandemic has continued throughout the financial year 2021/22 and it is anticipated there will continue to be implications into future years, evidence has shown that the inequality gap has grown over the period of the pandemic.

As Budget-planning activity progresses, Cabinet will be aware that there is a significant amount of uncertainty remaining. The recent announcement of the Government's Social Care Reform will have a significant impact for the provision of social care and how it is funded but the scale of new burdens for social care remains uncertain for local government.

Throughout the current financial year, the Authority has continued to act and respond to the COVID-19 pandemic; this has adversely impacted the financial position. As Cabinet will be aware, in a normal year, it is challenging to deliver a balanced in-year position against the Budget. The financial impact of COVID-19 has compounded this challenge and as described in the November Financial Management report, the total current forecast pressure on the Authority's net revenue budget to the end of March 2022 is £5.247m, £1.306m relating to business as usual and £3.941m due to COVID-19,

In addition to delivering business as usual, the Authority has continued to mobilise its workforce to undertake new responsibilities and lead the local response to the pandemic. The COVID-19 Support Hub was specifically set up to support and protect the clinically extremely vulnerable residents in the Borough during the first national lockdown when they were required to shield in their homes to protect themselves from the virus, this continued during 2021/22. Proactive work has continued to support the care sector to meet the additional operation costs due to COVID-19. The Authority has also continued to administer grants to eligible businesses to help support the local economy, whilst also ensuring that the public and staff are protected by continuing with effective control measures to public buildings and open spaces. In 2021/22, a further £40.417m of grants has been awarded to the Authority to continue to support the Borough's recovery from COVID-19.

Cabinet will be aware that some services had to be suspended during the initial escalation of the pandemic due to national lockdown measures. Further national COVID-19 restriction measures in 2021/22 have led to a sustained loss of sales, fees and charges income, with school improvement, leisure, cultural and catering services seeing the biggest income losses. On 2 July 2020, the Government announced that financial support would be provided to local authorities for income lost on sales, fees and charges. This income compensation scheme provided support for some of the income lost; however, the Authority was required to cover the first 5% of any budgeted losses. This scheme has been extended into 2021/22 but only to cover losses incurred during April 2021 – June 2021. This is estimated to equate to additional grant support of £1.335m. This area poses a specific risk for 2022/23 and the medium-term as it remains uncertain. Some services are recovering well but it is likely that the Authority will continue to see reduced income levels in relation to sales, fees and charges in future years.

1.5.3 The impact of COVID-19 poses a significant risk to the local economy, which will influence the Authority's ability to raise resources. Initial concerns with regards to increased levels of unemployment, were realised in the early part of the pandemic where there was a surge in out of work benefit claimants, the pattern in North Tyneside being in line with the regional and national picture. Since that early peak there are been a steady decline in the level of claimants, but this has not returned to pre-pandemic levels yet. To date there have been fewer redundancies than expected and what is being seen locally, regionally and nationally are significant skills shortages, with employers reporting difficulty recruiting at the moment.

The risk remains that business rates could be impacted in the event of business closures, 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, at this stage the Authority has not seen a material reduction in the rateable value, nor a surge in appeals against rateable values to date.

Over the course of the pandemic a vast range of measures were put in place to support the residents of North Tyneside and in particular the most vulnerable residents. Where residents were being supporting due to increasing financial difficulty the Authority saw the numbers of residents and families requiring support increase and a real increase in those residents and families who have never previously come forward for help where the impact of the pandemic had tipped the balance for those residents. The Mayor and Cabinet's draft budget proposals look to continue with support for residents, some more directly through hardship support for those working age residents on the Local Council Tax Support Scheme (LCTS), and the extension of back dating of new claims to 26 weeks.

Demand for adult social care has surged at times as a direct result of the pandemic and it is possible that some of the increases in demand will continue into 2022/23. The care market has also experienced increases in operational costs and lost income due to under occupancy in some care homes which the Authority has supported with grants that have been received by the Government. There is a risk that a rise in the underlying costs will impact market prices which will not be covered by additional funding from the Government; this would leave the Authority with increased financial pressures in 2022/23.

In terms of children's social care services there continues to be significant financial pressure. Whilst the numbers of Looked After Children has remained fairly static the costs associated with looking after those children continues to increase due to complexity of the cases and lack of supply in the market pushing up supplier prices. The Authority has seen significant increases in the numbers of child protection and children in need cases because of the impact of COVID-19 on families. This has led to increased demand on the workforce, and the Authority continues to see the impact of competition across the region for children's social workers impacting on the ability to retain and indeed recruit staff. All this leading to additional financial risk and pressure.

In July 2019 full Council declared a Climate Emergency, setting a target to reduce the carbon footprint of the Authority and the Borough by 50% by 2023 and to become carbon neutral by 2030. The Cabinet agenda today includes a report of the ongoing work programme and sets out the Authority's approach to meeting this policy ambition, with the expectation that an updated workplan will be brought back to Cabinet in 2022. The draft budget proposals include investment in the capacity needed to respond to the global climate emergency, and it is expected the level of investment required locally and supported nationally will become clearer over the course of 2022.

Despite all this, Cabinet will be aware that in challenging circumstances the priorities, as set out in the Our North Tyneside Plan, continue to be met and that the Authority has a good track record of delivering those priorities within the funding resources that are available. This is evidenced by the fact that Cabinet have delivered balanced outturns, without the need to use reserves, in each of the last three financial years.

Whilst the approach to Budget-setting this year continues to feel different due to the pandemic and there is a significant amount of risk and uncertainty, Cabinet will continue to plan for the future listening and focusing on the priorities of residents and businesses. This includes producing a balanced Budget for 2022/23 and a Medium-Term Financial Plan which is based on a reasonable and prudent set of assumptions. Despite the unknowns, the residents and businesses that live and work within the Borough need certainty that the Authority is continuing to deliver services that meet their needs and that their money is being spent well.

1.5.4 Approach to Managing Uncertainty

Financial Planning has been carried out at a time of continued uncertainty as a result of increasing demand for some services due to Covid-19, the changing needs of the ageing population in North Tyneside and waiting for further details of a Fairer Funding formula. This section of the report sets out the key areas of risk and uncertainty and how the Mayor and Cabinet can approach the associated financial risks.

The Authority has continued to engage effectively with its NHS partners and has worked collaboratively with partners across the care sector. Adult Services continues to be heavily impacted by the Pandemic and other external factors. More recently the lack of capacity in the homecare market has seen care providers struggle to recruit and retain staff in a buoyant jobs market. The lack of homecare capacity has contributed to higher levels of short-term placements into residential care. As the NHS deals with addressing its backlog, Hospital discharges are higher than pre-pandemic leading to service capacity issue and the risk of more short-term placements in care homes which are difficult to change once in place. This has been addressed in the short term through additional provision of Home Care support by the Authority, and through a pilot Home Care project being delivered with NHS colleagues.

The Authority has been working to strengthen its approach to commissioning and demand management across the care sector, ensuring that services will meet individuals' needs, maintaining a sustainable care market and ensuring that all services offer value for money. This will take account of the changing nature of demand for adult social care services and the challenges facing adult social care nationally, as stated previously, will be significantly impacted by the Social Care Reform proposals.

The latest estimates of the continued financial impact of the COVID-19 pandemic are set out in the November Budget Monitoring report. Many of the additional costs, lost income and savings not achieved in the current year may continue to have an extended impact on the 2022/23 Budget. As of November 2021, the total estimated financial impact of COVID-19 was £19.318m. This has been funded by £7.261m of the Local Authority Support Grant, £1.335m of Income Compensation for Sales, Fees and Charges losses and £6.781m of COVID-19 service specific grants, leaving a gap of £3.941m for the Authority to fund. Further details of this are included in table 1 below.

Table 1: Estimated Financial Impact of COVID-19

Service	COVID-19 Impact	Costs Allocated to other Specific Grants	Net Impact of COVID-19
	£m	£m	£m
Commissioning & Asset Management	1.805	0.723	2.528
Environment Housing & Leisure	3.676	0.174	3.850
Adult Social Care	2.689	4.413	7.102
Children's Social Care and Public Health	4.153	0.782	4.935
Law and Governance	0.149	0.000	0.149
Central	0.167	0.000	0.167
Regeneration and Economic Development	0.000	0.051	0.051
Corporate Strategy	0.120	0.000	0.120
Resources	0.416	0.000	0.416
Total	**13.175**	**6.143**	**19.318**
Government Grants	(8.596)	(6.781)	(15.377)
2021/22 Net Impact			**3.941**

The approach to financial planning includes a risk assessment as to where some of the COVID-19 service impacts may continue into 2022/23. It is prudent to expect that there will be an ongoing financial impact and table 2 below sets out areas assessed as medium / high risk which will be closely monitored as Budget-setting activity progresses.

Table 2: Income and Expenditure Risk Assessment of the Potential Financial Impact of COVID-19 in Future Years

Income		Expenditure	
Area of Risk	**Risk Assessment**	**Area of Risk**	**Risk Assessment**
School Improvement	Amber	COVID-19 secure buildings	Green
Sport and Leisure	Amber	Demand in Children's Services	Red
Cultural Facilities	Amber	Adult Social Care	Red
Catering Services	Amber	Home to school transport	Red
Property Lettings	Amber	Increased bad debts	Amber

One of the key approaches to manging the range of financial risks is the ongoing review of the Authority's reserves and balances and any specific application/use to be considered. To that end, the Chief Finance Officer in consultation with the Cabinet Member for Resources and the Senior Leadership Team, is proposing to earmark £2.000m from the Strategic Reserve to manage the risk of the financial impact of the pandemic into 2022/23. In addition, a range of projects identified to mitigate current cost pressures across Adults and Children's Social Care services will result in the use of over £2.000m of the Change Reserve during 2022/23. It is also proposed, at this stage, to increase the Contingency

Budget to £7.849m to as a reflection of ongoing risks associated with the delivery of Children's Services, delivery of Efficiency Savings and Inflation risks.

The overall level of general fund reserves increased to £85.187m at the end of 2020/21. The increase was principally as a result of a significant number of one-off grants the Authority received during 2020/21. The grants were received to address pressures and specific actions to be delivered in response to supporting residents, businesses and Authority service delivery through the impacts of COVID-19. It is expected most of those grant reserves will be used during 2021/22, leading to a significant fall in the overall level of reserves at the end of 2021/22. This is illustrated in Section 9 of Annex 1 to this report. The Reserves and Balances policy continues to be under review with the overall aim to maintain the Strategic Reserve at a level of £10.000m over the period of the Medium-Term Financial Plan.

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 four-year Medium-Term Financial Plan for both the General Fund (GF) and Housing Revenue Account (HRA) alongside a five-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 ANEC areas.

2022-2026 Medium-Term Financial Plan

1.5.5 General Fund

The Elected Mayor and Cabinet have worked with the Senior Leadership Team (SLT) since the summer to prepare the draft Budget proposals. The Budget planning assumptions used for the 2022-2026 Medium-Term Financial Plan have been revised based on national, local, and internal information.

Resources available to the Authority have been revised to take account of the potential impact of COVID-19 on Council Tax and Business Rates. The SLT have reviewed the anticipated growth and efficiency assumptions and where necessary these have been revised. Table 3 below shows the high level Medium-Term Financial Plan for 2022-2026; the estimated resources available do not include any assumptions for an increase in Council Tax. Taking all the factors into consideration, the initial Medium-Term Financial Plan for the General Fund indicated a "gap" of £10.852m to be addressed for 2022/23. Without actions over the four-year MTFP period, the cumulative impact was expected to be £27.163m.

Table 3: 2022-2026 Draft Medium-Term Financial Plan

	2022/23 £m	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
Initial estimate of resources available	(164.542)	(170.417)	(170.950)	(172.949)
Spend assumptions	175.394	176.281	176.949	177.397
Gap/(surplus)	**10.852**	**5.864**	**5.999**	**4.448**
Cumulative Gap/(surplus)	**10.852**	**16.716**	**22.715**	**27.163**

The proposals above included the assumption that there will be no change to the Local Council Tax Support Scheme in terms of the level of contribution working age claimants are expected to make. Cabinet's intention is to change the backdating rule for new claims from 4 weeks to 26 weeks (where appropriate), recognising the need to support those new to the system and where possible provide more support.

Provisional Local Government Finance Settlement 2022/23

Table 4 below shows the movement in income and expenditure as a result of the Provisional Settlement and other Government announcements made since the 29 November Cabinet meeting. The Authority's income has increased by £10.375m and expenditure has increased by £6.070m, giving a net increase in income of £2.572m.

Table 4: Provisional Settlement and other Government announcements

Movement since November Cabinet	**£m**
Resources	1.358
New grant funding 2022/23 Only - New Services Grant	-3.330
New Grant Funding - Market Sustainability & Fair Cost of Care	-0.696
Increase to Social Care Grant for 2022/23	-2.799
NNDR Under indexing Compensation S31 Grant	-2.420
Inflation uplifts Existing Grant - Lower Tier Services Grant	-0.016
Inflation uplifts Existing Grant - Improved Better Care Fund	-0.281
New Homes Bonus	0.062
Holiday Activities and Food Programme Grant	-0.810
New Burden Funding - Local Audit Grant	-0.069
New Burden Funding - Domestic Abuse	-0.016
Total Income Movement	**(9.017)**
Improved Better Care Fund - Growth	0.281
Transport Levy - 6.75%	0.398
Impact of 1.25% increase in National Insurance	1.250
Social Care Pressures	2.407
Market Sustainability and Fair Cost of Care	0.696
Reduction to the Education Services Grant (CSSB)	0.375
Domestic Abuse New Burdens	0.143
Local Audit Grant	0.016
Holiday Activities and Food Programme Grant	0.069
Total Expenditure Movement	**6.070**
Total Net Increase in Income	**(2.947)**

The financial impact of the movement in income and expenditure as a result of the Provisional Settlement and other Government announcements on the net revenue Budget is show in table 5 below. The residual gap remaining for 2022/23 prior to any proposed increase in Council Tax is £7.905m.

Table 5: Financial impact of the movement in expenditure and income

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Initial Gap	10.852	5.864	5.999	4.448
Movement in Income & Expenditure	(2.947)	4.651	(0.428)	(0.857)
Gap	**7.905**	**10.515**	**5.571**	**3.591**

1.5.6 Proposals to reduce the gap

General Fund

The Medium-Term Financial Plan approved by full Council in February 2021 included a 1.99% general increase in Council Tax and a 3% adult social care precept for 2021/22. Government expectations included in the SR21 is that Local Government increases Council Tax by up to 1.99% and applies a 1% adult social care precept.

Should Cabinet consider the increases in Council Tax, based on current tax base estimates, this would raise approximately £3.185m of additional funding for next year (made up of £2.120m general Council Tax, 1.99%, and £1.065m from the adult social care precept, 1%). The precise final level of any change in Council Tax will be confirmed in February 2022 following a decision by full Council.

The Mayor and Cabinet have already made decisions which result in options in 2022/23 and 2023/24 as shown in table 6 below. The 2022/23 Efficiency Programme relating to prior years covers the following:

(1) Contractual changes
(2) Expenditure reduction
(3) Income growth
(4) Service provision – commissioning
(5) Corporate

Table 6: 2022-2024 Efficiency Programme as at February 2021

Efficiency Programme	2022/23 £m	2023/24 £m
2018/19 Full Year Effect of Budget Proposals	(0.482)	0.000
2019/20 Full Year Effect of Budget Proposals	(0.500)	0.000
2020/21 Full Year Effect Budget Proposals	(0.625)	(1.035)
Total Prior Year Budget Proposals	**(1.607)**	**(1.035)**

In addition to the planned savings, the Elected Mayor and Cabinet are developing options for consideration to balance the General Fund over the next four years of the Medium-Term Financial Plan. The aim is to do this via a range of strategic activity which includes:

(a) Workforce Planning: changing the workforce over the next four years where the need to change aligns to people's plans and recruitment and skills needs;
(b) Commissioning Planning: looking specifically at procurement, demand management testing joint provision with the NHS, direct service delivery and meeting need differently;

(c) Digital Strategy: cash and efficiency benefits from investing in the Authority's priority projects and delivering the Digital Strategy; and
(d) Asset Management Planning: investing capital to reduce revenue costs and improve the Minimum Revenue Provision position.

Draft proposals developed for the 2022-2026 MTFP are summarised in table 7 below

Table 7 Draft Efficiency Programme 2022-2026

Efficiency Programme 2022/23	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
Workforce Planning	(0.600)	(0.500)	0.000	0.000
Commissioning Planning	(1.675)	(0.100)	(0.100)	(0.100)
Digital Strategy	(0.588)	(0.039)	(0.108)	(0.085)
Asset Management Planning	(0.250)	0.000	0.000	0.000
Total	**(3.113)**	**(0.639)**	**(0.208)**	**(0.185)**

1.5.7 General Fund Draft Budget Proposals

Cabinet's draft Budget proposals are based upon available information and judgements at the time of the writing of this report. There are several assumptions and judgements built into the figures presented that are outside the control of the Authority and need to be finalised. The impact of the Council Tax increases as set out in SR21 are as set out in table 8 below.

Table 8: Draft Medium-Term Financial Plan incorporating savings proposals and implications of 1.99% General Council Tax Increase and a 1% Adult Social Care Precept.

	2022/23 £m	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
Draft estimate of resources available	(163.184)	(168.888)	(169.849)	(172.704)
Spend assumptions	171.089	179.403	175.420	176.295
Gap	**7.905**	**10.515**	**5.571**	**3.591**
2022-2024 Efficiency Programme	(1.607)	(1.035)	0.000	0.000
2022-2026 Efficiency programme	(3.113)	(0.639)	(0.208)	(0.185)
Revised Gap	**3.185**	**8.841**	**5.363**	**3.406**
Replenishment of the Strategic Reserve	0.000	1.500	1.500	1.000
Revised Gap	**3.185**	**10.341**	**6.863**	**4.407**
1.99 % Council Tax	(2.120)	(0.014)	(0.025)	(0.038)
1% ASC precept	(1.065)	0.000	0.000	0.000
Revised Gap	**0.000**	**10.327**	**6.834**	**4.369**
Cumulative Gap		**10.327**	**17.165**	**21.534**

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

- The overall impact of the Spending Review 2021;
- The Final Local Government Finance Settlement announcements for 2022/23, including capital announcements and specific grants, including the Dedicated Schools Grant (DSG);
- Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority Precepts (due February 2022);
- Levies, including the North of Tyne element of the Newcastle upon Tyne, North Tyneside, and Northumberland Combined Authority Transport Levy (due February 2022);
- Tyne and Wear Joint Service Budgets (due January/February 2022); and
- Consideration of the impact of the economic climate on the residents of the Borough and Council Taxpayers.

Therefore, as some external announcements are still to be received, it is recommended that Cabinet authorises the Elected Mayor, in conjunction with the Cabinet Member for Finance and Resources, Deputy Mayor and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of these proposals.

1.5.8 Housing Revenue Account

Financial Planning for the Housing Revenue Account (HRA) like the General Fund is driven by the Council Plan vision and priorities. The HRA will set a budget and updated four-year Medium-Term Financial Plan, supported by the updated 30-year Business Plan.

Rent increases for next year are based on the Consumer Price Index (CPI) rate, as at September, plus 1%. The CPI rate announced for September 2021 was 3.1% which leads to a proposed rent increase for 2022/23 of 4.1%. This increase will be used to ensure that the 30-year HRA Business Plan can be balanced, whilst meeting all the Mayor and Cabinet's key objectives, which includes maintaining the existing stock, meeting increased Affordable Homes ambitions, and taking steps to respond to the Authority's Climate Change Emergency, by funding increased sustainability measures and starting to address the decarbonisation agenda.

Like the General Fund, the HRA continues to face financial pressures, some of which have been increased by the COVID-19 pandemic. The continued roll out of Universal Credit and other welfare reforms brings greater pressure on tenants in terms of managing their finances in a time of rising inflation. The Authority continues to focus on supporting residents to sustain tenancies, and help tenants manage their money so that they do not end up in financial hardship or significant arrears.

During the current financial year there is clear evidence of shortages of certain key materials such as steel and wood, accompanied by increasing prices as a result along with the current upwards pressure on inflation, affecting both the capital programme and the day-to-day repairs.

The 2022/23 Budget and 4-year Financial Plan for the HRA are balanced with a small, planned contribution from reserves over the next 4 years as set out in table 9 below.

Table 9: Housing Revenue Account 2022-2026 Draft Medium-Term Financial Plan – Available Resources and Estimated Spend

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Draft Estimate of Resources Available	(70.989)	(72.596)	(74.296)	(76.087)
Spend Assumptions	71.360	72.828	74.566	76.028
Net Gap/(surplus)	**0.371**	**0.232**	**0.270**	**(0.059)**

Housing Revenue Account- efficiency proposals

There are a number of areas where options have been developed for consideration to help balance the HRA and provide resources to move towards meeting Cabinet and tenants' ambitions. These have centred around:

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 Government rent policy to see if there is any likelihood of action to curb rent increases.
e) Ensuring that the Authority continues to provide the funding necessary to meet the HRA elements of 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 Council'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.

1.5.9 2022-2027 Draft Investment Plan

The 2021-2026 Investment Plan totalling £244.333m was approved by full Council on 18 February 2021. Delivery of projects within the plan and progress to date has been reported to Cabinet as part of the bi-monthly Financial Management reports. Reprogramming of £19.603m has been identified as part of the process and this spend is now included in the 2022-2027 planned spend shown below.

Table 10: Summary of the Draft Investment Plan 2022-2027

Spend	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
General Fund	36.617	3.494	19.178	15.435	17.312	112.036
Housing	27.814	28.100	30.651	32.126	34.046	152.737
Total	**64.431**	**51.594**	**49.829**	**47.561**	**51.358**	**264.773**

A schedule of the individual projects included in the draft Plan is attached as Appendix D (i). All projects are subject to the Authority's Gateway process.

1.5.10 Dedicated Schools Grant (DSG)

Cabinet will be aware that school funding is a matter for the Department for Education; either by direct funding agreements with academy trusts or delegated by local authorities to 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 2022/23. 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 2022. 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.

As the Authority has already transitioned its Local Funding Formula to the National Funding Formula factor values no further changes are recommended. On 12 January 2022 Schools Forum received an update report outlining the DSG funding for 2022/23. 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. The residual balance remaining has been distributed through the Local Funding Formula. To ensure affordability and providing for a Minimum Funding Guarantee of 2% capping has been applied at 4.99%.

At its meeting on 29 November 2021 Cabinet agreed (section 1.2) to authorise the Director of Resources, in consultation with the Director of Commissioning and Asset Management, the Cabinet Member for Children, Young People and Learning and the Cabinet Member for Finance and Resources, to undertake resource allocations to schools for 2022/23 in line with the school funding arrangements set out in that report. Resource allocations to schools have been submitted to the ESFA on 21 January 2022 as required by the deadline.

Table 11: Indicative Dedicated Schools Grant funding allocation 2022/23

	Schools Block £m	CSS Block £m	Early Years Block £m	High Needs Block £m	Total DSG 2022/23 £m
DSG Settlement	139.273	1.724	13.971	29.820	184.788

Dedicated Schools Budget - High Needs Block Dedicated Schools Grant

North Tyneside, like many local authorities both regionally and nationally, is experiencing an increase in the numbers of children with Special Education Needs and Disabilities (SEND). The number of children with an Education Health and Care Plan (EHCP) continues to increase and the complexity of the needs of those children and young people continues to grow. Responding to this increase in needs is creating pressure on the High Needs block of the Dedicated Schools Grant (DSG).

Following SR21, £325m additional High Needs funding has been allocated, of which North Tyneside will receive £1.073m, this is included in the High Needs block 2022/23 shown in table 11 above). This is on top of the DSG High Needs block calculated under the National Funding Formula and is subject to the same DSG grant conditions. This extra funding recognises the additional cots that local authorities and schools will face in the coming year, which were not foreseen when the original High Needs block allocations were made, including the Health and

Social Care Levy. The additional funding also takes into account that colleges and other providers offering extra hours of study to students with high needs may require extra high needs top-up funding to support those students.

The pressure within High Needs has continued to increase in 2021/22 with a forecast in-year outturn variance of £4.091m, bringing the estimated cumulative pressure to £12.965m. As at November 2021 the forecast High Needs expenditure was £30.509m, therefore despite the increase in funding the allocation for 2022/23 would not be sufficient to fund current expenditure levels. The Authority will continue to closely monitor the financial position for High Needs in 2022/23.

Where a local authority has an overall deficit on the DSG of 1% or more, it is required to submit a recovery plan to the Department for Education (DfE) setting out how it plans to bring the overall DSG account into balance. The Authority has a draft plan that is in place and is working with the DfE to ensure delivery and to bring the DSG back into financial balance over a five-year period.

1.6 Decision options:

Option 1

Cabinet can agree the draft proposals set out in this report.

Option 2

Cabinet can suggest that further / different options are considered by the Senior Leadership Team and be reported back to Cabinet for further consideration.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Due to external information still to be received, Cabinet is not able to finalise setting its proposed Council Tax level for 2022/23 in relation to the General Fund. This report will form the basis of Budget engagement and scrutiny over the next two months, but further work will inevitably be required before final decisions are made on the budgets for next year, hence the authorisation recommendation referred to in paragraph 1.6 above.

1.8 Appendices:

Annex 1 2022-2026 Financial Planning and Budget Process – Cabinet's Initial Budget Proposals

Appendix A 2021-2025 Our North Tyneside Plan

Appendix B (i) 2022-2026 General Fund Medium-Term Financial Plan

Appendix B (ii) 2022-2026 General Fund Budget Assumptions

Appendix C (i) 2022-2026 HRA Financial Plan, Reserves and Contingency Movement

Appendix C (ii) 2022-2026 HRA Business Plan

Appendix D (i) 2022-2027 Investment Plan

Appendix D (ii)	2022-2027 HRA Summary Investment Plan
Appendix D (iii)	2022-2026 Prudential Indicators
Appendix D (iv)	2022-2027 Capital Investment Strategy
Appendix E (i)	2022/23 Treasury Management Statement, Annual Investment Strategy and Credit Criteria
Appendix E(ii)	2022/23 Treasury Management Practices
Appendix F	2022/23 Budget Engagement Summary
Appendix G	2022/23 Reserves and Balances Policy
Appendix H	2022/23 Timetable
Appendix I	2022/23 Report of the Overview, Scrutiny and Policy Development Committee – January 2022
Appendix J	Glossary

1.9 Contact officers:

Janice Gillespie, Finance Service
Tel No 643 5701

Claire Emmerson, Finance Service
Tel No 643 8109

Cathy Davison, Finance Service
Tel No 643 5727

Amar Hassan, Finance Service
Tel No 643 5747

Darrell Campbell, Finance Service
Tel No 643 7052

Jacqueline Laughton, Corporate Strategy
Tel No 643 7070

Bryn Roberts, Law and Governance
Tel No 643 5339

1.10 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:

- 2022-2026 Financial Planning and Budget Process, incorporating the Council Plan and associated Budget Engagement Strategy, Cabinet 29 November 2021. The report items are as follows:

https://democracy.northtyneside.gov.uk/documents/g640/Public%20reports%20pack%2029th-Nov-2021%2018.00%20Cabinet.pdf?T=10

- 2022-2026 Financial Planning and Budget Process, incorporating the Council Plan and associated Budget Engagement Strategy, Cabinet 20 September 2021. The report items are as follows:

  https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=174&MId=426&Ver=4

- CIPFA local authority reserves and balances;

  http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/local-authority-accounting-panel/laap-bulletins/laap-99

- 2021/22 Financial Management Report to 30 September 2021 – Cabinet 29 November 2021;

  https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=174&MId=429&Ver=4
- Autumn Budget and Spending Review 2021;

  https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents

- Budget Engagement Equality Impact Assessment
- Council Tax Equality Impact Assessment

The report also refers to other documents which are available at the office of the author:

- 2022/23 Efficiency Business Cases;
- Constitution; and
- Annual Governance Statement.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

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 2022/23 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.

The report highlights that at this stage a further £3.185m of savings are required to balance the 2022/23 Budget, and over MTFP period savings of £21.534m are required. The Provisional Local Government Finance Settlement was announced on 16 December 2021 full details of the Settlement are included in Annex 1. The Settlement announced confirms allocations for 2022/23 only, the Authority will have to wait until the Settlement announcement in December 2022 for confirmation of funding arrangements for 2023/24 and 2024/25. There continues to be a high level of uncertainty when considering financial planning over the medium to longer term.

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 2022-2026, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in July 2014. A provisional statement to Council by the Chief Finance Officer is included in the Annex to this report.

2.2 Legal

This report, setting out the 2022-2026 Financial Planning and Budget; draft 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 draft proposals will be submitted to the Overview, Scrutiny and Policy Development Committee as part of the Budget-setting process. The outcome of that Committee's review will be reported to Cabinet on 7 February 2022 so that the review can be considered by Cabinet prior to the final proposals for 2022-2026 Financial Planning and the 2022/23 Budget being submitted to full Council for Approval.

In accordance with legislative requirements and the Authority's Budget and Policy Framework decisions as to the Authority's Budget is a matter for full Council.

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 Senior Leadership Team, the Elected Mayor and Cabinet.

2.3.2 External Consultation/Engagement

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.

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. Due to the restrictions of the Covid Pandemic face-to-face engagement has been limited but the Authority has increased the amount of online engagement which included the first ever virtual State of The Area event and interactive engagement regarding the North Shields Master Plan.

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 2022/2023 Budget Engagement Strategy.

2.4 Human rights

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

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.

To achieve this, Equality Impact Assessments (EIA) have been carried out on the Budget Engagement process (as reported at Cabinet on 29 November 2021) and the proposed Council Tax increases (available in the background documents to this report), Initial assessments have been made on initiatives being developed under the Authority’s Efficiency Programme.

A cumulative impact assessment has been undertaken. Based on the information provided, this assessment concludes that any potential negative impacts identified have been mitigated. However as specific initiatives within the Efficiency Programme develop, due consideration must be given to potential impacts on those with protected characteristics

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.

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

This page is intentionally left blank

2022-2026 Financial Planning and Budget Process:

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 in order 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 2022/23 to meet statutory duties and provide services such as social care and environmental services. For the 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 illegal 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 7 and 8, 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.

2. Our North Tyneside Plan

2.1.1 The Our North Tyneside Plan 2021-2025 (the Council Plan) sets out the overall vision and policy context within which the Financial Plan and Budget proposals will operate. Since 2015 the Authority has worked to a clear set of priorities through the Our North Tyneside Plan. These priorities have formed the basis of the Framework for COVID-19 Recovery in North Tyneside.

2.1.2 On 23 September 2021, Council approved the updated Our North Tyneside Plan, which was refreshed following the Mayoral election on 6 May 2021 to reflect the policy priorities of the incoming administration and to consider feedback during the internal and external engagement carried out between 2 July 2021 and 15 August 2021.

2.1.3 The Our North Tyneside Plan is structured in five key themes and each theme has a clear set of policy priorities as set out below:

- 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 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 Authority 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 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 for 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 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 road 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 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 see to make North Tyneside carbon net-zero by 2030.

Performance against the priorities in the Our North Tyneside Plan

2.1.4 Our North Tyneside Plan 2021-2025 was approved on 23 September 2021 by Council, following the Mayoral Election on 6 May 2021. A set of performance measures are being developed to monitor the progress of the new themes and priorities, which will be reported to Cabinet and Overview and Scrutiny Policy Development Committee in March 2022. An overview of current performance against the key themes for the Our North Tyneside Plan is set out below:

A thriving North Tyneside

- The 15-year Ambition for North Tyneside continues to successfully deliver a broad range of regeneration improvements across the Borough. Achievements in the last year include:-

  - Cabinet approved North Shields Masterplan on 25th January 2021 to regenerate the town centre and Fish Quay. Projects include enhancing the appearance of key areas, creating a new transport hub and interchange and town square to host events, markets and performances, improved walking and cycling routes in the town centre, a new cultural quarter based around a traffic

  - calmed Howard Street and riverside walkway linking the town centre to the Fish Quay.
  - The restoration of Grade 2 listed Georgian terrace on Northumberland Square completed and 28 new family homes delivered.
  - The former Swan Hunter site was sold in December 2020.
  - Northern Promenade Phase 1 improvement works completed renovating Rendezvous Café, public toilets and car park.

- Work currently underway include:-
  - Northern Promenade Phase 2 improvements works to complete the refurbishment of the promenade dealing with the original surface treatment and the remains of the former beach huts.
  - Northern Promenade Phase 3 improvement works to link the path at Briar Dene to the St Mary's Island Promenade upgrading the current informal path on the seaside of the Mini Golf Course.
  - A 15 Year Master Plan and investment programme for the Segedunum site is being developed, which will underpin future business planning and will help grow the visitor offer making it a more sustainable entity.
  - Further investment is planned in Killingworth Lake to build on the investment in Flood Defences and broaden and expand the visitor offer by further developing facilities and unlocking additional opportunities and activities. Proposed investment will include a Multi-Use Games Area, a new café opportunity and a health and fitness trail.
  - Further development of the Borough's Wagonways to improve connectivity, take a consistent approach to surfacing and treatment and promote the heritage of the network.
  - Planning in respect of Gateways across the Borough.

- The COVID-19 pandemic has had a significant impact on both North Tyneside businesses and residents from an economic point of view, mirroring the national picture. The number of employments furloughed on the government's Job Retention Scheme peaked in July 2020, at 28,000 employments, mostly in hospitality, construction, arts, entertainment and recreation sectors. The number of Universal Credit claimants living in the Borough increased by 90% following a sharp increase at the beginning of the COVID-19 pandemic. In October 2021, there were 18,435 Universal Credit claimants in North Tyneside.

- The number of registered businesses in North Tyneside has grown every year since 2011. There were 5,345 businesses registered in the Borough at the beginning of 2021. However, during 2021 the number of business start-ups have reduced by 24% between January-November 2021 compared to January-November 2020. Conversely job vacancy advertisements have increased by 75% at the end of December 2021 compared to the previous year. There has been a significant increase in the number of jobs advertised by the NHS during 2021.

- Leisure services were impacted significantly by national lockdowns and local restrictions during the COVID-19 pandemic, but services were delivered in a Covid secure way in line with government guidance. A Click and Collect was expanded across the library services.

- Three beaches in North Tyneside have been recognised by Keep Britain Tidy to retain their Blue Flag beach status, the internationally recognised gold standard for beaches. In addition, King Edwards Bay, Tynemouth Longsands and Whitley Bay have also been awarded Seaside Awards as well for excellence.

- All seven North Tyneside parks have retained their Green Flag awards from Keep Britain Tidy for meeting the highest environmental standards and offering good visitor facilities; Rising Sun Country Park, Benton Quarry, Marden Quarry, Killingworth Lakeside Parks, Wallsend Parks, Northumberland Park, and Chirton and Redburn Dene Parks.

A family-friendly North Tyneside

- In North Tyneside, 9 out of 10 children attend a school that is ranked as Good or Outstanding.

- As a result of the impact of the COVID-19 pandemic on examinations, the latest pupil achievement results was last captured in 2019. Headlines are;

  - 72% of children reached a Good Level of Development at the end of the Reception year in 2019, which has improved by 49% since 2013 and is in line with the national average (71.5%).
  - 67% of pupils achieved at least the expected level in reading, writing and mathematics (combined) at key stage 2. This is 2% above the national figure although a one percentage point decrease from 2018.
  - At key stage 4 attainment in 2019 is lower than the national average: 64.1% of students achieved 4 or above in English and Maths compared to the national average of 64.9%.

  - At the end of September 2021, 2.043.55% of 16-17-year-olds are classed as NEET (Not in education, employment or training), which is in line with previous years and significantly lower than the North East rate at 2.715.29%. During 2021, the number of Children in Care has increased. There were 315 in September 2021 (75 per 10k population), compared to 294 (70 per 10k) in September 2020, which is above the England average (67 per 10k), but significantly better than the North East average (108 per 10k). There has been an increase in the number of contacts, referrals and Children in Need during 2021.

  - Children's services won a national award for Workforce Transformation at the MJ Achievements Awards 2021, recognising excellence in local government services.

  - North Tyneside's Youth Justice Service was rated 'outstanding' by HM Inspectorate of Probation. North Tyneside Council is one of only two local authorities judged as 'outstanding' for both social care and youth justice.

A caring North Tyneside

  - In March 2020, the Authority set up a Local Support Hub with the Good Neighbour Project to support residents identified by the NHS and general practitioners as clinically extremely vulnerable and a higher risk of serious complications from Covid 19. There were 15,000 residents identified as clinically extremely vulnerable and the

Local Support Hub, in partnership with VODA, has provided regular support with shopping, prescriptions and welfare calls to 2,000 clinical extremely vulnerable residents advised to “shield”. The Local Support Hub was “stood down” in July 2021 in line with the Government’s Roadmap for National Lockdown Easing.

- The number of people accepted as priority homeless during 2021/22 has increased during 2020/21, with 8472 people accepted as homeless between April-December 2021in 2020/21 compared to 456 during the same period last year2019/20, however homeless acceptances do include all rough sleepers who were placed in emergency accommodation throughout the COVID-19 pandemic. The Coronavirus Act 2020 gave social and private tenants more protection from eviction from 29 August 2020. However, the protection for renters concluded at the end of September 2021, which may be a contributing factor to the could potentially lead to an increase in residents presenting as homeless. On 24 May 2021, Cabinet approved An Inclusive Economy in North Tyneside, providing the framework for a range of projects and activities to make North Tyneside and its economy inclusive for all by focussing on seven fundamental areas; Education, Employment, Safety, Social equity, Housing, Connections and Environment. The strategy aims to remove the barriers, such as poverty and deprivation, residents with protected characteristics and the impact of the COVID-19 pandemic, which makes it difficult for people to take up employment and training opportunities and empower people with the skills and resources they need to take ownership of their future and secure good jobs with living wages.

A secure North Tyneside

- North Tyneside is one of the safest areas of the country to live, work and visit with comparatively low levels of crime. For the majority of residents Environmental Crime and ASB is not an issue, however the perception of feeling safe after dark is lower in some areas of the Borough. The Authority continues to work in partnership with key services represented on the Safer North Tyneside Partnership, which is vital to the Authority’s commitment to address community and public safety, crime and disorder and environmental crime issues. In October 2020, Cabinet agreed the new Environmental Crime and Anti-Social Behaviour Policy, which provides a consistent approach and framework to tackle ASB and environmental crime. The policy ensures that any enforcement action is clear, concise, proportionate, consistent and targeted to ensure a responsive, effective and value-added service.

- During 2021, there has been an increase in the number of claimants for the Council Tax Support Scheme, from 17,172 at the end of March 2020 to 17,543 at the end of March 2021.

- The impact of the COVID-19 pandemic on health and socio-economic inequalities in North Tyneside was analysed and provides the evidence base of the development of a multi-agency Health and Wellbeing Strategy.

- In September 2020, Cabinet agreed the approach and initiatives funded by the Poverty Intervention Fund to support key groups impacted by poverty; children, older people and families with children. Initiatives include-
    - Poverty proofing the school day
    - Benefits take-up campaign and support

- School appropriate clothing
- Holiday food

- The refreshed Our North Tyneside Council Plan 2021-2025 increased the ambitious target to create 4,000 affordable homes to 5,000 new homes. At the end of September 2021, 1,697 affordable homes have been completed so far since 2014/15.

A green North Tyneside

- During the COVID-19 pandemic, waste collection performance has been challenging as more residents have spent more time at home, leading to an increase in the amount of waste collected by the Authority, rather than through commercial collections from businesses and offices. A large number of residents have worked from home and some businesses have had to stop operating during periods of national lockdown and local restrictions. 61.5k tonnes of waste has been collected boroughwide between April-October 2021, which is 4k tonnes higher than during April-October 2019. and the amount of waste collected per household increased by 8%. The proportion of reuse, recycling and composting has dropped slightly by 1% to 41.15% at the end of October 2021 and amount of waste sent to landfill so far up to the end of October 2021 is 89%.

- Consultation on a scheme to create a continuous segregated cycle lane along the length of the North Tyneside Coast between St Mary's Lighthouse and North Shields Fish Quay/Town Centre is underway following a successful pilot scheme during 2020.

- Almost £9m funding secured to provide an additional 14 kilometres of cycle routes and improve active travel and public transport.

- At the end of September 2021, the Authority's carbon footprint has decreased by 52% since 2010/11, ahead of the target to reduce carbon by 50% by 2023. In July 2019 North Tyneside Council declared a Climate Emergency and set the target to become carbon neutral by 2050, however this target was brought forward in the refreshed Our North Tyneside Council Plan to make North Tyneside carbon net-zero by 2030. A Climate Emergency Board has been established to oversee a wide range of projects. Project highlights include:-
    - Council approval for over £4.3m funding to convert almost 20,000 streetlights to energy efficient LED, which will complete the street lighting LED programme.

    - The refurbishment of Killingworth Depot to deliver a fabric first approach, installation of efficient electrical and mechanical equipment, and installation of low carbon heating. Funding secured from the North East Local Enterprise Partnership Energy Accelerator programme for the development of a Heat Network feasibility study for the Killingworth depot site and surrounding commercial, industrial and housing units.

    - £4.3m funding secured from the Green Homes Grant Local Delivery Scheme to install low carbon heating, energy efficiency measures and renewable energy systems in over 500 homes with low-household incomes.

- £3.2m funding secured from the Public Sector Decarbonisation Grant to install low carbon heating and energy efficiency measures in four of the Authority's most carbon intensive buildings.

- Cabinet approved a revised North Tyneside Transport Strategy which aligned to the new Our North Tyneside Plan carbon net-zero 2030 policy ambition.

- The Authority has developed its first ever Zero Emission Vehicles (ZEV) Strategy and this is presented to Cabinet for approval on 29 November 2021.

- Increased the number of electric and ultra-low emission vehicles in the Authority's fleet. Secured funding for, and completed, an independent review of the Authority's fleet and options for decarbonisation. Trialled the use of an electric refuse collection vehicle.

- An increased number of energy efficiency and solar PV installations have been built into the draft Housing Capital Plan to be considered as part of the 2022-2026 Financial Planning and Budget Process.

- Securing funding to develop a North East Community Forest across North Tyneside, South Tyneside, Newcastle, Gateshead, Sunderland and Durham. This will provide 500 hectares of new woodland and canopy cover across the community forest area by 2025.

3. General Fund

3.1 Council Tax Support

3.1.1 In 2013/14, the national Council Tax Benefit scheme came to an end, and Local Council Tax Support 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.

3.1.2 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.

3.1.3 Under national rules pensioners are protected from any capping of maximum awards to ensure they are not subject to a reduction in Local Council Tax Support and may still be awarded reductions of up to 100% of their Council Tax liability.

3.1.4 Council Tax Support under the current scheme for working age claimants is capped at 85% of an individual's Council Tax liability, meaning that working age people are charged 15% of their Council Tax before they receive Council Tax Support. There is no proposed change to the cap being considered for 2022/23.

3.1.5 It is noted that COVID-19 led to an increase in the numbers of claimants of Local Council Tax Support. This is a direct cost to the Authority as it ultimately reduces the Council Tax base as Council Tax Support is applied as a discount.

3.1.6 The financial risks the Authority is currently facing is such that there are no changes proposed to increase the cap in the current scheme. Options have been considered, however, as to how the Authority can provide further support to those residents who continue to be affected by the Pandemic. Currently working age claims can only be backdated 4 weeks where a claimant delays making a claim and has good cause for delaying; Cabinet is proposing that this is increased to 26 weeks to ensure that working age claimants do not lose out on entitlement from 2022/23; this will help some of the Authority's residents secure the support they need.

3.2 Business Rates

3.2.1 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. However, the Authority currently retains 49% of the business rates it collects and pays the other 51% over to the Government (50%) and the Tyne and Wear Fire and Rescue Authority (1%). This was due to the introduction of the Business Rate Retention Scheme. This resulted in a direct financial incentive to maximise the amount of business rates collected in North Tyneside.

3.2.2 A number of announcements were made as part of the October Spending review that have a direct impact on Business Rates for 2022/23 and beyond and are seen as measures needed to continue to support business recovery from the impact of the COVID-19 pandemic. These include:

- The planned increase in the business rates multiplier will not be passed on to businesses in 2022/23. Freezing the multiplier in 2022/23 will cost £4.6bn over the next five years nationally (about £900m each year). The multiplier was due to be increased by 3.1%, in line with the September increase in the Consumer Prices Index (CPI) but instead the small business multiplier will remain at 49.9p in 2022/23. Local authorities will receive full compensation in the usual way, i.e. via a Section 31 Grant.

- There will be a 50% discount for retail, hospitality and leisure sectors (up to a maximum of £110,000) in 2022/23. Again, local authorities will be fully funded for the additional costs of the discount.

- Other reforms to business rates were announced by the Chancellor, including more frequent revaluations (from 2023), as expected, and investment reliefs to encourage green investment and premises improvements (any increase in rates payable delayed for 12 months) (worth an estimated £750m nationally).

These announcements should have no direct effect on the financial planning assumptions for the Authority as any loss of income will be fully compensated for.

3.2.3 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.

3.3 <u>Provisional Local Government Finance Settlement</u>

3.3.1 The Provisional Local Government Finance Settlement (the Settlement) is a key part of annual Budget setting. It provides the annual determination of funding to local government. The Settlement was published on 16 December 2021 and confirmed the additional £1.5 billion funding to local government and the allocation methodologies. In line with expectations, the Settlement was again only for one year, with confirmation that consultation on the Fair Funding Review (FFR) will begin in the spring of 2022 with the expected aim of implementing changes to funding allocations for the whole of local government in 2023/24. No detail on what the FFR formula would be or whether this would be linked to a Business Rate Reset, further Business Rate Retention or include consideration of the Public Health Grant was published with the draft settlement, so there remains significant uncertainty beyond 2022/23. Details of the Settlement are as follows:

(a) Confirmation that the Core Spending Power (CSP) will increase by 6.9% (£3.463bn). This is a real term increase in resources and represents the third settlement in a row to increase resources in real terms. In calculating CSP, it has been assumed that authorities will increase Band D by the maximum amount, and that each authorities Council Tax base has increased in line with their average Council Tax base growth since 2017/18;

(b) Band D Council Tax; 2% Council Tax referendum limit, 1% ASC precept. District councils can increase Band D by the higher of 2% or £5. Police element of GLA precept can increase by up to £15;

(c) **Services Grant £822 million** – a new one-off grant apportioned based upon the 2013/14 local authority Settlement Funding Assessment (SFA). Utilising this methodology ensures all local authorities including district councils receive additional funding. The Authority will receive £3.330m of this allocation, equating to 0.4% of the national allocation;

(d) **Social Care Grant additional £636 million** – an increase in this funding stream from £1.1 billion to £1.7 billion. This sum is apportioned to local authorities based upon the Adults Relative Needs Formula (RNF) alongside an element of equalisation to consider that local authorities can raise differing amounts from Council Tax increases due to varying size of each authorities council taxbases. This funding is only payable to upper tier authorities who provide social care services. The Authority will receive £2.799m of this allocation, equating to 0.44% of the national allocation, increasing North Tyneside's social care grant to £10.480m in 2022/23;

(e) **Revenue Support Grant (RSG) £72 million** – local authorities will receive an inflation uplift of 3.1% in line with the September 2021 Consumer Price Index (CPI) on their 2021/22 RSG allocations. The Settlement also announced that for 2022/23 2 existing grants would be rolled into RSG, Electoral Services Grant and Financial Transparency of Local Authority Maintained Schools. The Authority will receive an additional £0.354m of RSG funding next year, increasing RSG received to £11.797m;

(f) **Improved Better Care Fund (IBCF) £63 million** - local authorities will receive an inflation uplift of 3.1% in line with the September 2021 Consumer Price Index (CPI) on their 2021/22 IBCF allocations. The Authority will receive an additional £0.281m of funding next year, increasing the IBCF received to £9.578m; and

(g) **Reduction in New Homes Bonus (NHB) funding of £68 million** – it was previously forecast that the NHB may be abolished or substantially reduced from 2022/23. The Government have however agreed to continue the NHB funding for one more year. The allocation for 2022/23 nationally is £68 million lower than in 2021/22 due to two years payments falling out (2018/19 and 2021/22) and only being replaced by the 2022/23 allocation. Under normal circumstances this would be paid back to local authorities as 'Returned NHB'. This is not the case on this occasion with the NHB instead is being utilised to finance inflationary uplifts in the RSG and IBCF allocations. The Authority is forecasting it will receive £1.700m million in NHB funding in 2022/23, a £0.566m reduction from the current year.

3.3.2 Within the Settlement, the Government have confirmed that there would be consultation with the local government sector on the implementation of the Fair Funding Review (FFR). The FFR has been delayed for a number of years and it was thought the

Government may postpone the implementation until 2025/26. It is apparent however that the intention is to consult on the FFR in the Spring of 2022 with an expectation that this could lead to implementation in 2023/24.

No detail on what the FFR formula would be or whether this would be linked to a Business Rate Reset, further Business Rate Retention or still include consideration of the Public Health Grant allocation, there remains significant uncertainty beyond 2022/23.

The implementation of the FFR was originally expected to be introduced at the same time as the move to 75% Business Rate Retention (BRR). It is expected however that the move to 75% BRR will not occur in the current parliament. One significant element of the move to 75% was to be the integration of the Public Health grant into BRR and the implementation of the ACRA formula for the redistribution of this grant leading to a potential reduction in the grant allocation for the Authority.

Although the additional funding announced in the Settlement is welcome there remain risks for the Authority in the following areas:

(a) **Services Grant - £822 million** (55%) of the additional £1.5 billion of new funding for local government announced in the Comprehensive Spending Review (CSR) should be considered as one-off funding. The Government have stated that the 1.25% increase in employer's national insurance is to be financed from this funding stream, indicating some of the funding should be forthcoming to the Authority in 2023/24 although there can be no guarantee for the remainder of the funding. It is believed that the Government are treating this funding as one-off to provide flexibility to implement the findings of the FFR where there is expected to be significant winners and losers across the sector. The funding available could be utilised to provide transition funding for losing authorities over a number of years or to provide recurrent funding to ensure no authority loses funding. Under either of these scenarios the Authority could not guarantee receiving the funding it will receive through new Service Grant next year into 2023/24;

(b) **Social Care Grant** – although the additional funding is welcome it is disappointing that only 42% of the additional £1.5 billion has been allocated via this area when it is children's and adult social care where the major recurrent budget pressures are being felt by upper tier authorities; and

(c) **New Homes Bonus** – the Authority is receiving the final year of four years of recurrent funding from the 2019/20 NHB allocation in addition to a one off 2022/23 sum. In total the Authority will receive £1.700m in 2022/23. This allocation will not be received in 2023/24 and the unused £68 million of NHB nationally was used to finance inflation uplifts in RSG and IBCF in 2022/23. It is of concern that this method of utilisation could be considered in future years including being used to supplement transition funding for the FFR i.e. the Authority would have no guarantee of receiving any of the NHB funds in 2023/24.

3.3.3 In addition to the funding streams detailed above the Authority will receive an additional £0.016m from an uplift in the Lower Services Tier grant due to a small change in data driving the apportionment of the grant. The Lower Services Tier Grant will increase to £0.312 million in 2022/23.

The Settlement also announced the first tranche of funding from the health and social care levy. The £12 billion available nationally will be financed by the 1.25% in employers and employee's national insurance increase in April 2022 and of this allocation, £3.6 billion is to be paid to local government over the 2022/23 to 2024/25 period. It is expected that this allocation will be required for local authorities to cover costs and lost income associated with the following

(a) Adult care cost cap of £86,000 – this being expected over time to result in a loss of income to local government;
(b) Increase in means test asset threshold from £23,000 to £100,000 – again leading to an increase in costs to local authorities as a result of loss of income; and
(c) Self-Funders – the Government had indicated that from October 2023 self-funders could ask to be accepted on council care contracts therefore securing lower care costs. It was expected this would lead to increased costs to local authorities as care providers would seek increases in fees from the Authority to recover lost income from self-funders.

The Settlement provided further detail in relation to the funding available to local government, with an initial allocation of £162 million to local authorities in 2022/23 from a 'Market Sustainability and Fair Cost of Care' grant financed from the health and social care levy. The Government guidance in relation to this funding is that:

(a) local authorities will be required to carry out a Fair Cost of Care exercise for both adult residential and domiciliary care in 2022 the outcome of this exercise would then be implemented from 2023/24 onwards to ensure care providers are paid a fair cost for provision; and
(b) the funding would be £162 million in 2022/23 rising to £600 million in both 2023/24 and 204/25 to meet the outcome of that exercise.

The Settlement set out that the Authority will receive £0.696m in 2022/23, representing 0.43% of the £162 million national allocation. No details have been received in respect of the expected approach to the Fair Cost of Care. In addition, no allocation of this funding has been advised for 2023/24 and 2024/25 funding for both financial years despite being included in the Spending Review. As future years funding has not been announced the Authority's Medium-Term Financial Plan does not include funding allocations or associated costs of any associated increase arising from a Fair Cost of Care review at this time. An estimate of the Governments expectations in relation to the £3.6 billion funding to local government are detailed in Table 1 below:

Table 1 – Estimated national funding allocation for Market Sustainability and Fair Cost of Care 2022/23 to 2024/25

	Fair Cost £bn	Cost Cap/Means Test £bn	Total £bn
2022/23	0.162	0.000	0.162
2023/24	0.600	0.800	1.400
2024/25	0.600	1.400	2.000
Total	**1.362**	**2.200**	**3.562**

3.3.4 The major concern for the Authority will be whether the funding allocated to it will be sufficient to cover the additional costs and loss of income experienced from implementing the recommended changes.

3.3.5 At this stage there are no announcements of any additional COVID-19 support funding for local government. This position will continue to be monitored closely in the coming months. The Authority's services which have been impacted by income losses are linked to the outcome of the pandemic and impacts upon the Budget will need to be carefully considered.

3.4 Core Spending Power (CSP)

3.4.1 The provisional CSP figures for the Authority would indicate a positive position compared to previous years. The England average is a 6.9% increase next year, whilst North Tyneside's position is forecast to be 6.8%. A number of issues need to be considered in this regard however:

(a) the CSP calculation forecasts that the Authority will increase council tax by the full 2.99% available i.e. the 1.99% for General Council Tax plus and the new 1% adult social precept; and
(b) the CSP includes the new Market Sustainability and Fair Cost of Care grant of £0.696m which comes associated with a new burden and as such is not available to support core council service provision.

In terms of comparative CSP per dwelling Table 2 below compares the North Tyneside with the LA7 and ANEC authorities and the England average. If North Tyneside received CSP to the national average CSP of £2,155 per dwelling the Authority would receive an additional £17.142m.

Table 2 – Comparison of Core Spending Power Per Dwelling

Area (LA7, ANEC)	Core Spending Power Per Dwelling £
England	2,155
North Tyneside	1,984
Northumberland	2,096
Newcastle	2,154
South Tyneside	2,249
Gateshead	2,252
Sunderland	2,128
Durham	1,999
Hartlepool	2,214
Stockton	1,944
Middlesbrough	2,297
Redcar and Cleveland	2,096
Darlington	1,895

Overall, the provisional settlement is to be welcomed with additional funding being provided to the Authority next year, although circa 55% of the additional funding is one off and not certain for 2023/24 and beyond and there is no clarity on the future of the NHB.

4. Housing Revenue Account (HRA)

4.1 Introduction

4.1.1 Cabinet is being asked to approve the Housing Revenue Account (HRA) Business Plan and Budget for the financial year 2022/23. This includes housing rent, garage rent and service charge changes, and the HRA elements of the Investment Plan. The Housing Revenue Account is required to produce a 30-year Business Plan; however, a four-year Medium-Term Financial Plan (MTFP) for revenue has been produced which brings the HRA in line with the same MTFP period as the General Fund. The HRA elements of the General Fund and Housing Revenue Account Investment Plan spans a five-year period, in line with the Authority's overall Capital Investment Strategy.

4.1.2 Whilst the current economic situation presents significant challenges, the Authority is still able to produce a MTFP for the HRA, which enables just under £295m of revenue spend over the next four years to manage and maintain the housing stock and meet the aspirations of Cabinet and tenants.

4.1.3 As well as protecting the significant investment in the housing service delivered via revenue and the MTFP, the HRA also represents a significant element of the Authority's overall Investment Plan. In line with key Cabinet priorities over the next 5 years a total of £122.157m has been provided 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 £30.580m has been identified to fund the new build schemes identified in the Affordable Homes Plan.

4.1.4 The proposals to resource the revised MTFP and 30-year HRA Business Plan have been subject to the agreed engagement process, along with consultation over the choices available to ensure the objectives can be achieved.

4.2 Background and Policy Context

4.2.1 The Authority is responsible for managing just under 14,500 houses. 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. This 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.

4.2.2 The Authority is still facing unprecedented times as it continues to transition from recovery to a "business as usual" state due to the Coronavirus pandemic. In line with virtually all areas of operation of services, housing has had to adapt and adjust to continue in providing key services to tenants. To date in 2021/22, the impact in terms of cost and service delivery has been much less severe than last year. The easing of restrictions and the gradual return of staff to the workplace. The budget proposals for 2022/23, where relevant, have sought to ensure that the impact of COVID-19 is minimised, and that resources are identified to cover increased supply chain costs where material shortages and delays are likely to arise.

4.2.3 The Authority is still facing the impact of the continued roll-out of Universal Credit and other welfare reforms, which brings greater pressure on the Authority's tenants in terms of managing their finances. 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 also face greater pressure. The result of which, if not properly managed, could have a direct impact on the bottom line of the HRA, and the quality of the services that are then provided.

4.2.4 Following the removal of the HRA debt cap in 2018, it is the responsibility of the Authority to determine the level of any unsupported borrowing it wishes to undertake to fund 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 annually and is discussed in more detail below.

4.2.5 April 2019 saw the Housing Property and Construction Service (HPC) established as part of Environment, Housing and Leisure (EHL). The first year of operation was highly successful and saw circa £40m of works delivered across a range of areas across all the housing stock and public buildings portfolio. The benefits identified from the benefits realisation process were built into the HRA Business Plan at the point the service was established and continue to support core services and provide added value by funding initiatives such as the new tenant priorities budget within Housing Repairs.

4.2.6 2020/21 and the COVID-19 pandemic created new challenges for the Housing Property and Construction Service, as it had been embarking on an even more ambitious programme to deliver over £55m of works during 2020/21. As the Authority started to emerge from the initial lockdown period, services re-started which involved looking at new COVID-secure ways of working in order to keep everybody safe, and certain types of works had to be deferred due to social distancing. This process continued as more and more services were stood back up, and eventually the service delivered just under £45m of works across all areas in 2020/21, a significant achievement in the circumstances. For 2021/22, the service had targets to deliver just shy of £60m of work. Despite the continued pressures faced by the service, including material shortages and delays, work programmes have been progressing well to-date and the current forecast is that the service will deliver over £57m of work by year-end. In financial terms, every scheme is looked at individually to see what safety and social-distancing measures are required. These issues have been considered in the sums provided to fund the Authority's Housing Asset Management Plan. As well as COVID-19 considerations, a full review of the Asset Management Plan has been undertaken with further work on-going to continue to improve and create a repairs and construction service that best meets the needs of the Authority's tenants and residents, whilst delivering greater efficiency and improved value for money.

4.2.7 These challenges continue to be considered as part of the updating of the 30-year plan which aims to ensure the long-term viability of the HRA in line with the policy direction of the Mayor and Cabinet and the needs of tenants. For the purposes of the current Financial Planning and Budget process, a four-year MTFP has been developed in line with the approach adopted for the General Fund. Cabinet is advised that projections beyond 2022/23 are indicative at this stage. A five-year timeframe is being proposed for the Housing Capital Investment Plan in line with the 2022-27 General Fund Investment Plan.

4.2.8 HRA tenants have been consulted on these proposals, and the process concludes with this meeting of Cabinet which is being asked to approve the HRA Business Plan and Budget for 2022/23, including the housing rent, garage rent and service charge changes along with the Housing Capital Investment Plan.

4.3 Key Objectives and headline assumptions for the Housing Service

4.3.1 The objectives for the Housing Service are in line with the agreed Housing Strategy and 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.

4.3.2 The key headlines for the HRA Budget for 2022/23 are as follows:

1. <u>Rent and Service Charges</u>

A) Rent Policy: April 2020 saw the re-introduction of rent increases based on the Consumer Prices Index (CPI) plus 1% for at least the next five years. The baseline for 2022/23 is the CPI rate as of September 2021 which was 3.1%. The rent increase proposed for 2022/23, in line with Government policy, is 4.1%. The CPI rate has been steadily falling since the start of the COVID-19 pandemic, and hit a low in August 2020 of 0.2%.. Since then, the inflation rate has started to rapidly increase, with experts initially predicting that the rate would hit 5% early in 2022, however the 5% mark was breached in October 2021. Current forecasts vary but the rate is estimated to remain high well into 2022, which may impact on the following year's proposals. The impact of the 4.1% increase on the HRA Business Plan is to increase forecast rental income, however it also is accompanied by the prospect of significantly increased costs as well due to material shortages, particularly for certain items e.g. steel.

The package of measures included within these budget proposals should be sufficient to ensure that the HRA has a balanced plan over 30 years, and be able to support the Cabinet and Mayoral priorities of:

- A commitment to deliver more affordable housing by increasing the resources available for the HRA element of the Affordable Homes strategy.
- Maintaining the tenants' priorities budget within repairs to focus on key areas of need; those initial areas 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 and the continued roll-out of Universal Credit.
- Ensuring that existing housing stock is maintained to the Decent Homes Standard.
- Identifying resources to undertake sustainability measures across the housing stock to start to tackle the Climate Change Emergency declared by the Authority.
- Continue to support the Apprenticeship and Working Roots programmes.

B) It is proposed to increase service charges for 2022/23 in line with the CPI element of the rent increase. For most service charges for 2022/23, the increase will be 3.1%.

C) A review of the garage letting process was concluded and implemented in 2019/20 which resulted in a phased approach over two years to harmonise garage rents. This exercise was completed last year, so for 2022/23 it is recommended that garage rents will increase in line with service charges being based on CPI which will see a 3.1% increase.

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

E) An initial review of service charges attached to North Tyneside Living schemes has been undertaken, and service charges attached to those schemes will be increased in line with CPI, a 3.1% increase. However, as the schemes continue to become established and fully operational, the Authority is endeavouring to gather more accurate trend data and ensure that service charges reflect actual costs as closely as possible.

F) The Authority 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 are kept fully informed of the requirements of the new scheme is fully recognised and ensuring that they are supported in managing the impact of change. In North Tyneside, Universal Credit numbers continue to increase and at the end of November 2021 there were 3,653 tenants on Universal Credit in arrears, totalling £2.961m, up from 3,199 tenants and £2.683m of arrears the previous year. The Authority had already allocated additional resources to support those tenants affected by the changes in previous year's Budgets. The COVID-19 pandemic had delayed recruitment initially, but most posts have now been filled, and tenants are getting more of the support they need. This has been evidenced by a slow-down in the rate at which arrears have been increasing, albeit they are still rising, and the pressure continues upwards. Members will continue to be updated of any significant further welfare reform changes as they become clear.

G) The policy of tenants' weekly rent being spread over 52 weeks rather than 50 weeks will continue, although for those tenants that wish to continue paying over 50 weeks that option is available.

2. The Housing Investment Plan 2022-2027

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 key assumptions that have been made in developing the Housing Capital Investment Plan for 2022-2027 are as follows:

A) Acknowledging the impact of the COVID-19 pandemic, recognising that there will need to be additional consideration given to ensure all COVID-secure measures are followed in the workplace and out on site, which may require different welfare arrangements depending on the site, additional PPE, sanitisers etc.

B) Review of Housing Investment Plan spend based on maintaining Decent Homes, continuation of a fencing programme and other core items included in the refreshed Asset Management Plan, would see core spend of £122.157m over the next 5 years 2022-27, plus new build spend of £30.580m based on continuing the existing approach to HRA new build within Cabinet's overall Affordable Homes Strategy; and

C) Spend for 2022/23 of £27.814m including £4.580m for the continuation of a new build / conversion / acquisition council house programme (including re-programming from 2021/22).

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

3. Housing Repairs Budget 2022/23

Cabinet was presented two years ago with a proposal to create a Tenant Priorities budget from some of the savings realised from the creation of the Housing Property and Construction Service. A significant amount of work was undertaken to look at tenant priorities, and a list of options for prioritising resource allocation was put forward. For 2020/21 and 2021/22, the following were given priority:

- Improving the Empty Homes standard;
- Free pest control service for tenants; and
- Property health checks i.e., scheduled maintenance visits as opposed to reactive ones to properties identified as high maintenance.

These priorities were extended for a second year due to the delays caused by the pandemic. In light of the positive reaction of tenants to the property health-checks and the improved Empty Homes Standard, it is recommended that these areas remain the focus of the tenant priorities budget for 2022/23, as the objectives remain key to meeting tenants' aspirations.

4. ICT Systems Review

2021/22 saw the start of a major exercise to fundamentally review all the Housing ICT systems currently in use across the Service. A key aim is to test the market and get as close as possible to a "unified" system that can meet most of the service's needs. This is a major project requiring dedicated resources along with a proper governance process to ensure success. Revenue and capital resources have been identified and built into the HRA Business Plan over a 4-year period which started in 2021/22 to enable this work to be carried out. The figures will be revised and confirmed as appropriate as project plans and the tender and evaluation process develops.

5. HRA Unallocated Working Balances

Sustain unallocated working HRA balances at a minimum of £2.5m at this stage.

6. Right to Buy (RTB) Sales

RTB sales have increased significantly since the start of self-financing at the end of 2011/12.

Table 3: 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 to-date (Nov)	107

As part of changes the Government introduced in 2012/13, 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 fund new build homes at a 30% contribution rate within three years. In the last 12 months these rules have been relaxed slightly to allow us up to 5 years to spend the money, and to use the funding at an intervention rate of up to 40%. This agreement has seen an additional £6.933m of capital receipts retained to the end of 2020/21, which has helped deliver £21.015m of new build schemes. The trend in RTB sales is reflected in the 2022/23 Business Plan profile for stock numbers.

7. Treasury Management Strategy (TMS) and the HRA Borrowing “Cap”

The HRA is an integral part of the Authority’s TMS. When self-financing was introduced in 2012/13, all stock-retaining authorities had to decide on their approach to debt. Each had to either take on additional debt or have debt paid off, based on the assessed ability of the level of debt that their business plans could be expected to manage. For North Tyneside this meant borrowing £128m of loans from the Public Works Loan Board to pay the Authority’s allocated share of debt to the Treasury. Each Authority was allocated a “cap” representing the maximum amount of debt that could be held by the HRA. This Authority was one of only a handful nationally where the debt held was above the “cap”. Actual debt was £290.825m compared to the calculated cap of £270.585m but the Government “flexed” the cap to match the actual position.

All authorities were in different positions regarding actual debt held and the cap; most were below but many were at or near the cap which restricted their options. Each authority had to decide what debt and risk approach they would take to both fund investment in existing stock and potentially any new build opportunities. Cabinet agreed at this point to set aside money where possible to repay debt each year, to bring the overall debt holdings down below the cap. The recommended strategy was not to seek to repay all debt held over the initial 30 years. This approach enabled revenue surpluses to be created, which have been utilised to fund a programme of HRA new build spend totalling £21.015m to the end of 2020/21. By the end of March 2021, the Authority's actual HRA debt stood at £249.673m compared to the original £290.825m "cap", and by March 2022 it is anticipated that the debt will drop further to £244.673m. The Authority has therefore already created some headroom due to the prudent approach agreed by Cabinet to its Treasury Management Strategy.

These 2022/23 final Budget proposals are based on the existing Cabinet agreed policy approach to debt. Last year there was a slight adjustment to the approach, as the rate at which debt is repaid was slowed down, in order to help fund a package of savings to counter the loss of an estimated £45m of rental income due to the low rate of CPI in September 2020. Based on the current approach to debt management it is estimated that up to a further £102m of debt could be repaid over the next 30 years, compared to £105m in the base model on an assumed target 3% rent increase per annum.

The Table 4 below shows the reduction in HRA debt included in the current proposals:

Table 4 – Impact on HRA Debt 2022-2052 of Revised Business Plan

Description	Debt Movement
	£m
Opening Self-Financing Debt	290.825
Opening HRA Debt 01/04/2021	244.673
Closing HRA Debt after 30 Years	142.226
Debt Repaid over 30 years	102.447
Debt Repaid from start of SF	148.599

8. Self-Financing and Depreciation

From 2017/18 the Government has required that all local authorities calculate a true depreciation charge as a true bottom-line cost to the HRA. The approach developed by this Authority calculates a simple depreciation charge based on splitting investment works across several component elements of a building and linking that to the way the Authority's properties are valued using several "beacon properties" i.e., a sample of properties which represent the different standard types of properties held by the Authority. 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.

4.4 HRA Summary Financial Plans

4.4.1 In summary, the HRA Business Plan modelled to create these final Budget proposals for 2022/23 has the following key assumptions, most of which are based upon continuing with current Mayoral and Cabinet policy priorities:

- Additional rental income of CPI plus 1%, with a proposed rent increase for 2022/23 of 4.1%, with a longer-term assumption based on CPI target that equates to 3% per annum;
- Garage rent and service charges will increase in line with CPI increases of 3.1% for 2022/23;
- The Tenant Priorities budget created last year will be maintained, particularly as much of the agreed work was halted during 2020/21 by the pandemic, and there has been a positive reaction by tenants to the approach being taken in the priority areas identified;
- Continue supporting the Authority's Apprenticeship programme and the Working Roots scheme;
- Resources identified over the next three years to complete the full review of current ICT systems and produce an options appraisal of future needs for the service, and then procure and implement the agreed best solution;
- The base Housing Capital Investment Plan has been refreshed based on an update of the Asset Management Plan and includes continuation of a new build programme in line with Mayoral priorities and the Affordable Homes Plan; and,
- Resources have also been identified to tackle the Climate Change Emergency declared by the Authority, to undertake a range of sustainable measures across the housing stock to reduce the carbon footprint.

4.4.2 The updated HRA Capital Investment Plan for 2022-2027 contains over £30m to support the HRA new build programme over the next five years, whilst continuing to repay some debt. The potential impact of the COVID-19 Pandemic and Brexit on interest rates and borrowing rates continues to be monitored to assess any possible impact on the HRA Business Plan. It is prudent that Cabinet maintains its current borrowing policy at this stage, until more surety can be gained over future economic trends.

4.4.3 Appendix C (ii) shows the revised four-year HRA Business Plan 2022-2026, and Appendix C (i) splits the changes included in the HRA Business Plan between Pressures and Growth, Efficiencies and Reserves and Contingencies. The HRA Business Plan for 2022-2052 (available as a background paper) starts with an assessment of the budget monitoring position as of 30 November 2021, and the impact on HRA balances for this year. At that point, as was reported to the 24 January 2022 meeting of Cabinet, the HRA was predicting an underspend of £0.381m against Budget for 2021/22, due to a combination of improved rental income forecasts and savings against Bad Debt Provision and Management Contingency. The impact of COVID-19 whilst still being felt is not forecast to have anywhere near as significant a budgetary impact in 2021/22 as was experienced the previous year. This means that the opening balances feeding into the Business Plan as at 31 March 2022 are forecast to be £3.440m, as shown in Appendix C (ii).

The five-year Housing Investment Plan 2022-2027 is included within Appendix D (ii).

Appendix C (i) also shows a further breakdown of the movement on reserves and contingencies which includes a contribution from reserves of £0.371m for 2022/23. It is not proposed to reduce contingency budgets in 2022/23 following a review and revision of the levels held for the 2021/22 budget, with separate provision made for inflation and pay awards of £0.663m for 2022/23 (including provision for increased material and subcontractor costs).

5. Dedicated Schools Grant (DSG)

5.1 Background

5.1.1 Background

5.1.1 The Dedicated Schools Grant (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 2022/23, 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.

5.1.2 The 2022/23 DSG allocation for North Tyneside is £184.788m, which is an increase of £5.025m (2.8%) on the funding received in 2021/22. Table 5 below shows the funding allocated to each of the funding blocks. The 2022/23 Schools block allocation includes teachers' pay award and teachers' pension grants.

Table 5: Schools Block 2021/22 Allocation compared with Prior Years

	2017/18 Baseline £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22* £m	Actual for 2022/23** £m	2021/22 to 2022/23 £m
Schools	115.395	116.594	120.926	126.794	137.231	139.273	2.042
Central School Services	2.500	2.314	2.343	2.051	1.877	1.724	(0.153)
High Needs	18.680	19.291	19.818	22.319	26.709	29.820	3.111
Early Years Block	12.064	12.553	12.514	12.771	13.946	13.971	0.025
TOTAL	**148.639**	**150.752**	**155.601**	**163.935**	**179.763**	**184.788**	**5.025**
Move from 17/18 Baseline £m	-	2.113	6.962	15.296	31.124	36.149	
Move from 17/18 Baseline %	-	1.42%	4.68%	10.29%	20.94%	24.3%	
Change per Year £m	-	2.113	4.849	8.334	15.828	5.025	
Change per Year %	-	1.42%	3.22%	5.36%	9.66%	2.8%	

* Includes pay award and pension grants previously separate to DSG
** Excludes approximately £1.100m NNDR funding now removed by the DfE

The DfE initially proposed a two-year transition period (2018/19 and 2019/20) where local authorities would continue to set a local formula to distribute funding to individual schools. However, in July 2019, as a result of the significant movement witnessed nationally towards the NFF, the Government confirmed that these transitional arrangements would continue into at least 2020/21. In 2020, the DfE confirmed that the transitional arrangements will continue into 2022/23, with the expected move to "hard" NFF being likely in 2023/24.

5.1.3 As in previous years, the Authority will determine the local formula to distribute funding to mainstream schools and academies for the financial year 2022/23. 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 2022. 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.

5.1.4 For the financial years 2018/19 to 2019/20, in consultation with Schools Forum and the Authority's maintained schools, the Authority made the decision to maintain the existing local funding formula (LFF) in full. The decision to maintain the LFF in full in 2018/19 and 2019/20 afforded secondary schools a period of financial stability whilst preparing for future changes to their funding. In addition, it allowed the Authority to consider how the move to the NFF would affect individual schools.

Following a review of the Local Funding Formula during 2019/20 the Authority took the decision to start the process of moving towards the National Funding Formula. The LFF factor values were set 50% towards the NFF in 2019/20 which moved the ratio of funding from 1:1.42 to 1:1.35 in favour of secondary schools.

During 2020/21 the Authority continued to review the Local Funding Formula and in October 2020, Schools Forum received a report which provided the results of the review and the preferred options for consideration which would form the basis of the 2021/22 LFF consultation with all schools. Following the outcome of the consultation Schools Forum recommended that the LFF factor values should be set at the full NFF. This has been maintained for 2022/23 and the local formula has been set at the NFF.

5.1.5 At its meeting on 29 November 2021 Cabinet agreed (section 1.2) to authorise the Director of Resources, in consultation with the Director of Commissioning and Asset Management, the Cabinet Member for Children, Young People and Learning and the Cabinet Member for Finance and Resources, to undertake resource allocations to schools for 2022/23 in line with the school funding arrangements set out in that report. Resource allocations to schools have been submitted to the ESFA on 21 January 2022 as required by the deadline. Schools will be notified of their allocations no later than 28 February 2022.

5.1.6 The Schools NFF for 2022/23 will continue to have the same factors as at present. The Government announced its intention to implement the formula to address historic underfunding and move to a system where funding is based on need. The key aspects of the formula for 2022/23 are:

- The minimum per pupil funding levels will be set at Primary £4,265, Key Stage 3 £5,321 and Key Stage 4 £5,831;
- The funding floor will be set at 2% per pupil, in line with forecast inflation to protect per pupil allocations for all schools in real terms. This minimum increase in 2022/23 allocations will be based on the individual school's NFF allocation in 2021/22;
- Schools that are attracting their core NFF allocations will benefit from an average increase of 3% to the formula's core factors; and

- Growth funding will be based on the same methodology as in 2021/22, with the same transitional protection ensuring that no authority whose growth funding is unwinding will lose more than 0.5% of its 2021/22 Schools block allocation.

In addition, two important restrictions will continue:

- Local authorities will continue to set a Minimum Funding Guarantee in local formulae, which in 2022/23 must be between +0.5% and +2.00%. 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.

5.1.7 The Spending Review 21 confirmed another £4.7bn for core schools' budget nationally by 2024/25, which brings a suggested cash increase of £1,500 per pupil by 2024/25 compared to the 2019/20 Spending Review. In addition, a further £325m of funding for Special Education Needs and Disabilities was announced which would be allocated to the High Needs block of the DSG. Whilst the Settlement announcement was made on 16 December 2021, the Authority did not receive confirmation of its allocation for this funding until 12 January 2022. A further £1.073m will be received in 2022/23 bringing the High Needs block funding to £29.820m, this is an increase of £3.111m from 2021/22.

5.2 <u>Schools Block</u>

5.2.1 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 12 January 2022 Schools Forum received an update report outlining the DSG funding for 2022/23. 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. The residual balance remaining has been distributed through the Local Funding Formula. To ensure affordability and providing for a Minimum Funding Guarantee of 2%, capping has been applied at 4.99%.

In November 2021 Schools Forum considered a transfer of 0.5% of the Schools block funding to the High Needs block. This was rejected therefore no transfer will be made in 2022/23.

5.3 <u>High Needs Block</u>

5.3.1 The £29.280m allocation outlined above for the 2022/23 High Needs block reflects the increased funding announced by the DfE and includes funding previously paid as separate grants for pay award and pension increases. The additional High Needs funding allocated following SR21, £325 million nationally, includes funding in respect of the Health and Social Care Levy. However, the ESFA have estimated that the cost of that for high needs should be less than a 1% pressure on authorities' high needs budgets. The additional funding also takes into account that colleges and other post-school providers offering extra hours of study to 16- to 19-year-old students, may require extra high needs top-up funding to support such students with high needs.

5.3.2 The High Needs block outturn for 2020/21 was an overspend of £8.720m, with an in-year pressure of £3.690m occurring in 2020/21. Despite the additional funding received in 2021/22, the pressure within High Needs has continued to increase with a forecasted in-year outturn variance of £4.091m and therefore an estimated total cumulative overspend of just over £12.965m as at November 2021.

5.3.3 The factors driving the pressures shown above were outlined in the November budget monitoring report to Cabinet. The latest position on these pressures is shown in table 6 below, full details of the pressures within the High Needs budget are included in the November financial management report:

Table 6: Forecast High Needs Overspend as at November 2021

Provision	Budget £m	Forecast £m	Variance £m	Comment
Special schools and PRU	15.519	17.805	2.286	Increased numbers of places required, approximately 100 extra over budget.
Additional Resourced Provision/Top ups	4.120	5.006	0.886	Pressures in pre-16 and post-16 top-ups
Out of Borough	2.891	3.662	0.771	Increased number and costs of out of borough, plus increased complexity of cases
Commissioned services	3.888	4.036	0.148	
Sub-total	**26.418**	**30.509**	**4.091**	
2020/21 B/Fwd			8.720	
Previous year adj			0.154	
			12.965	

5.4 Early Years Funding for 2022/23

5.4.1 On 17 December 2021 the Department for Education released the 2022/23 early years entitlement funding rates for local authorities. The Authority has modelled proposals for North Tyneside’s early years funding formula 2022/23 and discussed 3 options with the Early Years Sub-Group on 6 January 2021, details are included in table 7. The Sub-Group’s preferred option was discussed and agreed by Schools Forum on 12 January 2022, and it is recommended that this formula is used for distribution of the Early Years block in 2022/23.

Table 7: Early Years Funding Formula 2022/23

		2021/22	2022/23
2 Year Old Base Rate		£5.34	£5.54
3 & 4 Year Old Hourly Base Rate		£4.48	£4.60
3 & 4 Year Old Hourly Deprivation Supplement	Quartile 1	£0.16	£0.17
	Quartile 2	£0.06	£0.06
Early Years Pupil Premium		£0.53	£0.60
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		£8.26 per hour & pro rata holiday pay	£8.26 per hour & pro rata holiday pay
Disability Access Fund		£615	£800

5.5 Central School Services Block Funding for 2022/23

5.5.1 Funding for the Central Schools Services block has been reduced by DfE in relation to historical funding by £0.199m, which represents a 20% reduction in funding for the historic commitments. Ongoing functions have had an increase of 5.22% as shown in table 8 below.

Table 8: Allocations for North Tyneside CSSB 2022/23

	2019/20	2020/21	2021/22	2022/23	Annual Change	
	£m	£m	£m	£m	£m	%
Historical Commitments	1.555	1.244	0.995	0.796	(0.199)	(20.00%)
Ongoing Functions	0.788	0.807	0.882	0.928	0.046	5.22%
Total	**2.343**	**2.051**	**1.877**	**1.724**	**(0.153)**	**(8.15%)**
Change from 2017/18 Baseline £m	-	(0.292)	(0.466)	(0.619)		
Change from 2017/18 Baseline %	-	(12.46%)	(19.89%)	(26.42%)		
Change per Year £m	-	(0.292)	(0.174)	(0.153)		
Change per Year %	-	(12.46%)	(8.48%)	(8.15%)		

5.5.2 The list of services provided via CSSB funding is listed in table 9. The net reduction in funding of £0.153m is identified in this table. Authorities can challenge the reasonableness of the reduction in funding by providing relevant evidence to the DfE.

5.5.3 Following consultation with School Forum in November, the Authority will set the funding for these services as identified in table 9 below. The funding reduction has been accommodated by reducing the Schools Support Service by £0.143m, the contribution to the Education Improvement Partnership has been reduced by £0.020m and there has been a £0.010m increase in respect of the National Copy Right Licences.

Table 9: Illustrative allocations for North Tyneside CSSB for 2021/22

Budgets which now form part of the CSSB	**CSSB 2021/22 £m**	**CSSB 2022/23 £m**
Budget to fund the Schools Support Service	**0.556**	**0.413**
Budget to support vulnerable schools.	**0.052**	**0.052**
Budget to maintain High Borrans Outdoor education facility	**0.000**	**0.000**
Budget for the Education Improvement Partnership (secondary schools)	**0.080**	**0.060**
Budget to support the informational requests of the Schools Forum and improved budgetary awareness across all schools	**0.030**	**0.030**
Collective contribution to ongoing pension costs incurred when allowing teachers to leave schools prematurely	**0.625**	**0.625**
Budget for costs associated with de-commissioned school buildings	**0.000**	**0.000**
Schools admission service	**0.142**	**0.142**
Former Education Services Grant (Retained)	**0.244**	**0.244**
National Copyright Licences	**0.148**	**0.158**
Total CSSB Funding	**1.877**	**1.724**

5.5.4 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.

5.6 Timetable for Agreeing 2022/23 Distributions

5.6.1 The key dates which must be met in setting 2022/23 school budgets are shown in Table 10 below. This report is requesting authorisation for the Head of Resources, in consultation with the Head of Commissioning and Asset Management, the Cabinet Member 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 10: Remaining Key dates for 2022/23 School Budget-setting

Date	Activity
21 January 2022	Deadline for submission of final local School Allocations to DfE (the Authority Proforma Tool)
28 February 2022	Deadline for confirmation of schools' budget shares to maintained schools (in North Tyneside the intention is to issue in advance of this deadline)

6. Cabinet’s Draft Budget proposals for the 2022-2027 Investment Plan

6.1 <u>Background</u>

6.1.1 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.

Investment of this nature plays an important role in ensuring the Authority meets its health and safety responsibilities, it also plays an important role in improving economic opportunities across all parts of the Borough. Whilst some investment directly contributes to economic development, all has an indirect impact by providing stimulus to the economy, creating employment opportunities, supporting skills and development or contributing to confidence.

6.1.2 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 Our North Tyneside Plan outcomes and linking to the Our Ambition for North Tyneside. The Strategy also provides a framework to enable projects to be developed with the aim of helping to deliver revenue savings to assist the Authority in managing the financial pressure it faces. The Capital Investment Strategy is attached as Appendix D (iv).

The 2021-2026 Investment Plan totalling £245.570m was approved by Council on 8 February 2021. Delivery of projects within the plan and progress to date has been reported to Cabinet as part of the bi-monthly Financial Management reports. Reprogramming of £19.603m has been identified as part of the process and this spend is now included in the proposed 2022-27 Investment Plan.

The following adjustments are included in the draft plan:

- Addition of £0.250m for 2022/23 and £1.000m pa (total £4.250m 2022-27) to reflect the initial work underway in relation to Carbon reduction targets and enable progress to be made on this key priority;
- A new year 5 (2026/27) has been added to reflect rolling programme projects such as, sustained investment in additional Highways Maintenance, Asset Planned Maintenance, and ICT refresh; and
- In view of the outcome of a number of building condition surveys, an additional £0.500m pa (total 2022-27 additional £2.000m) has been added to reflect identified requirements.

All proposals for capital investment follow a structured gateway process, and are challenged by Members and senior officers, from the initial ideas stage, through the delivery stage and finally to post implementation. All proposals are considered in terms of their strategic alignment with the Our North Tyneside Plan, Ambition for North Tyneside and the updated Efficiency Programme.

The Investment Programme Board (IPB) meets on a monthly basis and, as part of its monthly meetings, receives an update on all on-going projects included in the approved Investment Plan (currently 2021-2026).

Table 11 below shows a summary of the draft 2022-2027 Capital Investment Plan.

Table 11: Summary of the draft Capital Investment Plan 2022-2027

Spend	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
General Fund	36,617	23,494	19,178	15,435	17,312	112,036
Housing	27,814	28,100	30,651	32,126	34,046	152,737
Total	**64,431**	**51,594**	**49,829**	**47,561**	**51,358**	**264,773**

A schedule of the individual projects included in the draft plan is attached as Appendix D (i). Where applicable, confirmation of external funding will also be required before projects are able to proceed.

The estimated revenue implications of these schemes have been included in the revenue budget.

Table 12: Summary of Financing 2022-2027

Spend	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
General Fund						
Council Contribution:						
Unsupported Borrowing	13,763	13,546	11,776	8,223	10,100	57,408
Capital Receipts	254	0	0	0	0	254
Revenue contribution	93	0	0	0	0	93
	14,110	13,546	11,776	8,223	10,100	57,755
Grants & Contributions	22,507	9,948	7,402	7,212	7,212	54,281
Total General Fund Resources	**36,617**	**23,494**	**19,178**	**15,435**	**17,312**	**112,036**
Housing – HRA						
Capital Receipts	1,354	1,584	1,700	1,851	1,956	8,445
Revenue Contribution	10,281	10,185	12,632	13,160	15,992	62,250
Major Repairs Reserve	15,404	15,916	16,189	17,035	15,968	80,512
Other grants and contributions	775	415	130	80	130	1,530
Total Housing HRA Resources	**27,814**	**28,100**	**30,651**	**32,126**	**34,046**	**152,737**
TOTAL RESOURCES	**64,431**	**51,594**	**49,829**	**47,561**	**51,358**	**264,773**

6.1.3 The draft 2022-2027 Investment Plan for the General Fund includes expenditure of £36.617m in 2022/23. Of this expenditure, £22.507m (61%) is funded through grants and other external contributions.

General Fund receipts (£0.254m), already received, and Housing capital receipts of £8.445m have been assumed in the financing of housing projects within the draft Plan.

Across the life of the draft Plan, unsupported borrowing totals £57.408m, with £13.763m planned for 2022/23. Of this, £3.554m relates to invest to save projects and projects that cover the cost of borrowing through recharges namely, Streetlighting LED and Vehicle Replacement. The cost of borrowing is included within the General Fund Revenue Budget and Financial Plan.

There are currently a number of projects progressing through the investment gateway process where bids have been made for external funding. It is planned that these projects will be added to the Plan once funding is secured; no spend will be committed until funding is secured.

6.2 Capital Allocations 2022/23

6.2.1 A number of capital allocations (grants) are announced by the Government as part of the Local Government Finance Settlement. These include Education Funding (Capital Maintenance and Devolved Formula Capital) (Department for Education), the Local Transport Plan (Department for the Environment) and Disabled Facilities Grants (through the Better Care Fund). Figures for 2022/23 have not yet been announced and therefore indicative figures, based on previous allocations, have been included in the draft Plan. As soon as actual allocations are announced, these figures will be updated and included in subsequent reports.

6.3 Annual Minimum Revenue Provision (MRP)

6.3.1 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.

There are no changes proposed to the existing policy. The 2022/23 policy is set out in full below:

(a) Existing assets pre 1 April 2007: MRP will be charged at 2% per annum;
(b) Supported borrowing: MRP will be charged at 2%;
(c) Unsupported borrowing: for all assets financed by unsupported borrowing, MRP will be charged over the estimated life of the assets. This may include assets financed through PFI schemes and finance leases;
(d) 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; and
(e) 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.

No further Voluntary Revenue Provision is proposed for 2022/23 (£3.000m in 2021/22 and £3.000m in 2020/21) to reduce the overall Capital Financing Requirement.

6.4 Prudential Indicators

6.4.1 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 2022-2026 have been prepared using the 2017 Code and are attached as Appendix D (iii). A revised Prudential Code has recently been introduced for adoption in 2023/24. There is not expected to be a significant impact for the Authority.

7. 2022/23 Treasury Management

7.1 <u>Background</u>

7.1.1 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 liquidity before considering investment return.

The second main function of the treasury management service is the funding of the Authority's (investment) 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.

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.

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.

7.1.2 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.

This Capital Strategy is reported separately from the Treasury Management Strategy Statement. Non-Treasury Investments are reported as part of this update. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure in an asset.

7.1.3 There are no policy changes to the Treasury Management Strategy Statement or Annual Investment Strategy which was last approved at Council on 18 February 2021; the latest Treasury Management Strategy Statement and Annual Investment Strategy have been included as Appendix E (i). The details in this report update the current Treasury position in the light of the updated economic position and budgetary changes already approved.

7.1.4 Since 1 April 2021 there has been no instances of a material exposure in excess of credit limits as per the Treasury Management Strategy Statement and Annual Investment Statement Credit Criteria.

7.2 Treasury Management Reporting

7.2.1 In line with best practice, the Treasury Strategy including an Investment Strategy is considered as part of the Budget-setting process.

The Treasury Management Strategy (how investments and borrowings are to be organised), including treasury indicators and an investment strategy.

Prudential indicators are covered earlier in this report, with detailed indicators within Appendix D (iii).

There are two other main reports each year, which incorporate a variety of policies, estimates and actuals which are approved by Cabinet. These reports are:

- **A Mid-Year Treasury Management Report**
  This will update Members with the progress of the capital position, amending prudential indicators as necessary, and indicate 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.

7.3 Current Treasury Portfolio Position

7.3.1 The Authority's debt and investment position as at 30 December 2021 is set out in table 13 below:

Table 13: Current Treasury Portfolio Position as at 30 December 2021

	Principal Outstanding	Average Rate
	£m	%
Fixed Rate Funding		
PWLB*	249.250	3.57
PWLB – (HRA Self-Financing)	128.193	3.49
Market Loans	20.000	4.35
Temp Loans**	0.000	0.00
Total External Debt	**397.443**	
Less **Investments**		
(UK) DMO***	28.000	-0.18
Other Local Authorities	30.000	0.12
Bank Deposits	11.593	0.01
Total Investments	**69.593**	
Net Position	**327.850**	

* Public Works Loan Board
** Loans from other local authorities
*** Debt Management Office

7.4 Prospects for Interest Rates

7.4.1 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 14 below sets out Link Asset Services' professional view of interest rates:

Table 14: Link Asset Services' forecast interest rates – 20th December 2021

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

7.4.2 Interest rates have been at historical lows during the pandemic, however following the UK removing COVID related restrictions the economy has seen significant inflationary pressure. Demand-led price increases, the continued energy price inflation as well as pent-up-demand has put pressure on the Bank of England to use monetary policy tools to manage inflationary pressure.

Inflation is forecast to increase above the 2% target to 4% or even 5% temporarily over the next 3 years. There was a surprise rate increase in Dec 2021 which has been reflected in the above table. The Bank of England remain cautions and maintain a watch and see position with one eye on data as it comes available the other on ensuring economic recovery is not stifled. It is likely inflation will remain above 2% for the near

7.4.3 Investment and borrowing rates currently remain low, however it is likely for rates to pick up as base rate increases. Uncertainty remains with a watching brief on delta variants which could cause a reversal in current policy and return to lower for longer rate environment.

7.5 Economic Update (Provided by Link)

7.5.1 Over the last two years, the coronavirus outbreak has done significant economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

7.5.2 As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

7.5.3 It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%.

7.5.4 Since the start of 2021, the Authority has seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period

7.5.5 Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

7.5.6 Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

7.6 Prudential Code and Treasury Management Code Consultations

7.6.1 In September 2021 CIPFA released the stage 2 consultation in relation to Capital Finance in Local Authorities. Following consultation CIPFA released a revised Prudential and Treasury Management Code in December 2021

7.6.2 CIPFA make it clear that 2021 Code applies with immediate effect, except that authorities have the option to defer introducing revised reporting requirements until 2023/24 financial year (these include changes in capital strategy, prudential indicators and investment reporting). The ongoing principles including paragraph 51 that an authority must not borrow to invest primarily for financial return, apply with immediate effect.

7.6.3 The budget proposals and MTFP documents have been developed based on the 2017 Code, however the report has been reviewed alongside the 2021 version of the Code and note no conflicting applications.

7.7 Non-Treasury Investments

7.7.1 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.

7.7.2 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.

7.7.3 At 31 March 2021, the Authority held the following investments on its balance sheet:

- Equity:

  Newcastle Airport Holding Company Ltd £7.830m (£7.272m 31/3/2020)
  North Tyneside Trading Company £9.075m (£7.568m 31/3/2020)
  LIFT Co £0m

  The shares in Newcastle Airport are held primarily for economic regeneration. The cost of the original investment was £0.235m and the shares in North Tyneside Trading Company relate to two subsidiaries. The first, amounting to £7.075m, 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.

- <u>Loans</u>

  Aurora Properties (Sale) Ltd £5.125m (£4.000m 31/3/2020)
  Sub ordinated debt – Dudley and Shiremoor JSC £0.160m ((£0.160m 31/3/2020)
  Sub ordinated debt – Whitley Bay JSC £0.110m ((£0.110m 31/3/2020)

7.7.4 The current 2021/22 Investment Plan includes further planned investment in the Trading Company of £5.372m (which includes £3.413m in section 106 funding). 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. Any dividends from the Trading Company for 2021/22 or over the period of the Financial Plan (2022-2026) are not expected to be material. Recharge income in respect of staff time and loans is estimated to be £0.380m for 2021/22 and approximately £1.200m over the period of the Financial Plan (2022-2026).

8. Response to the Overview, Scrutiny and Policy Development Committee Recommendations

8.1 Summary

8.1.1 This section of the Annex considers the response required by Cabinet to any recommendations made by the Overview, Scrutiny and Policy Development Committee following its scrutiny and challenge of the 2022-2026 Financial Planning and Budget process.

8.1.2 The Budget sub-group of Overview, Scrutiny and Policy Development Committee met on the 15 December where Senior Officers presented 2022-2026 Cabinets Initial Budget proposals and Business Cases. Councillor Martin Rankin – the Cabinet Member for Finance was invited and attended the meeting to offer further insight if/when required.

At its meeting on the 15 December 2021, further information on a number of areas of the budget was requested, including the updated position of the Government Settlement. It should be noted that upon receipt this information the report maybe amended before submission to Cabinet for consideration.

On agreement of the Overview, Scrutiny & Policy Development Committee the Budget Sub-group is scheduled to reconvene and consider Cabinet Final Budget Proposals for 2022/26 that will take place on Tuesday 1 February 2022. This is in line with the statutory and constitutional requirements for preparing the annual Budget.

8.1.3 Cabinet must formally respond to any recommendations made by the Overview, Scrutiny and Policy Development Committee in considering its final Budget proposals. It is therefore proposed that Cabinet considers any recommendations in relation to the General Fund Budget, the 2022-2027 Investment Plan and the 2022/23 Treasury Management Statement and Annual Investment Strategy at its meeting on 7 February 2022.

8.2 Budget Sub-Group Considerations

8.2.1 The sub-group acknowledged that the Authority has delivered a balanced budget in the last three years without the use of reserves. However, it is clear many challenges lie ahead to delivering the priorities of Our North Tyneside Plan.

8.2.2 It was also acknowledged that if the Budget is unable to be balanced there would be a requirement to use funding from the strategic reserve. The sub-group acknowledged that this option should be one of last resort and understood that the financial plan was to maintain the strategic reserve at a minimum planned level of £10m over the lifetime of the Medium-Term Financial Plan. It also understood that the strategic reserves consist of funding that is not accessible as they are ring-fenced for planned projects.

8.2.3 In respect of the 2020/21 Outturn the sub-group understood the approach taken and the allocation of the £2.5m surplus to address specific risks and considered this reasonable in light of future income and service uncertainty.

8.2.4 When considering the resource assumptions in relation to the LCTS the sub-group noted and agreed that retention of the 85% cap of the scheme would continue to provide support to residents moving into Council Tax support and Universal Credit. The proposal to backdate LCTS claims up to 26 weeks was agreed and it was noted that this measure would ensure working age claimants did not lose out on entitlement from 2022/23.

8.2.5 The sub-group understood that all components of Council Tax provision should determine a prudent level of housing growth as this would avoid the collection fund dropping into deficit in future years.

8.2.6 There was concern that the CPI was increasing beyond the 3.1% and there needs to be assurance that plans were in place to allow the Authority to react to the risks this could have on the collection rates in relation to the level of Busines Rates set by Government.

8.2.7 Growth assumptions remain a concern and the sub-group noted the continuing increase in inflation and the potential impact this would have on the Authority's Budget.

8.2.8 The sub-group have requested further information to allow a greater understanding of the Comprehensive Spending Review announcement and the allocation that North Tyneside would receive. It was noted that the Government had made statements to increased funding availability for Local Authorities, with the amounts stated being extensive, however there was concern that the Council was unable to determine the level of funding that North Tyneside would receive due to the lack of clarity from Government.

The sub-group understood this impacts the ability of providing residents and businesses a transparent and understandable budget and requests that following the provisional Settlement Statement that levels of funding directly being allocated to North Tyneside be announced.

8.2.9 When considering the service risks and new burdens the sub-group understood this has been an ongoing issue and consideration was needed to find more local provision and find solutions to ensure demand can be managed.

8.2.10 Whilst the Authority has a draft high needs recovery plan in place there was concern regarding the length of time it would take to achieve a managed approach and a balanced position in the delivery of SEND services.

8.2.11 Managing risk and the impact of COVID in future years; the sub-group agreed the approach to use of the change reserve and that this would support activity that would benefit the reduction in social care expenditure. It also considers the proposal to create a COVID reserve through a re-allocation from Strategic Reserve an appropriate measure and for transparency of use should be reported through the established Council Financial Monitoring process.

8.2.12 Managing corporate risks; the sub-group considered it an appropriate measure to ensure adequate levels of reserves to ensure the Authority could manage potential risks. It considered the approach to increase the reserve Created for Schools Deficit and the contingency budget to be appropriate.

8.2.13 In considering the business cases the sub-group understood the rationale to each presented, however there were questions in relation to the narrative and reporting on financial information and the need for this to be consistent across all business cases to ensure transparency and understanding.

8.2.14 For the Investment Plan options the sub-group understood that with the appropriate project management in place would ensure all risks were be considered before starting a project or progressing a programme of work and that prudent decision making was required to reschedule works if projects encounter budgetary pressure through material/skills shortages.

8.2.15 The sub-group wishes to commend officers of the Council, its partners and volunteers for their work in the delivery of the services throughout the pandemic. It also wished to thank the financial team for providing clear coherent information throughout the budget process.

8.2.16 There were no recommendations made in relation to Cabinet's engagement approach or the initial Budget proposals for the General Fund, HRA, the 2022-2027 Investment Plan and the 2022/23 Treasury Management Statement and Annual Investment Strategy.

8.2.17 A further meeting has been arranged for the Budget sub-group to reconvene and consider Cabinet's draft Budget proposals for 2022-2026 that will take place on Tuesday 1 February 2022, where implications of this report will be considered. Any recommendations made at that meeting that may have an impact on the final Budget proposals will be considered by Cabinet on 7 February 2022.

.

9. Provisional Statement to Council by the Chief Finance Officer

9.1 Background

9.1.1 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.

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

In making the statement, the Chief Finance Officer necessarily places reliance on information provided to her by other officers of the Authority as part of the Financial Planning and Budget process. Due cognisance to 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.

The intention would be to make a full Statement as part of the report to the Council meeting on 17 February 2022, when all outstanding information should be available.

9.1.2 The 2022/23 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. Full compliance with the FM Code is required from the 2021/22 Budget and further details of how this has been achieved will be set out in the February Cabinet report as appropriate.

9.2 Robustness of Estimates

9.2.1 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 2022-2027 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 2020/21 Statement of Accounts, and
- The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Authority.

The level of contingencies has been increased to £7.849m as recognition of the risks associated with inflation, delivery of efficiencies and service demand across Children's Services. This will continue to be reviewed as these are draft Budget proposals which will be finalised by Cabinet once consultation is concluded and the final Local Government Finance Settlement is known.

9.2.2 The Cabinet is aware it must keep under review its Medium-Term Financial Strategy and four-year Financial Plan, 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 should not take 2022/23 in isolation to future years' needs and pressures. Each year's Budget must continue to be considered within the context of the four-year Financial Plan, the four-year Investment Plan, the Financial Strategy and the global economic position prevailing at the time.

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 recognized as set down in the Authority's Financial Regulations and in the roles and responsibilities section of the Authority's Budget Management Handbook.

9.3 <u>Capital Investment Strategy</u>

9.3.1 In line with the 2017 'Consultation on Proposed Changes to the Prudential Code's' new 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 has ensured that that all projects within the 2022-2027 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.

In terms of the overall investment position of the Authority, as set out above, a draft 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 Council Plan outcomes.

9.4 <u>Adequacy of Financial Reserves</u>

9.4.1 <u>General Fund</u>

The level of un-ringfenced reserves remains of concern to the CFO in this ongoing period of uncertainty. It expected that over the course of 2022/23 the Change Reserve will reduce as planned investment in projects to support better management of demand are implemented. This year's Financial Management reports to Cabinet highlight areas of on-going financial pressure resulting from of the impact of COVID-19 Pandemic on service provision. The current financial pressure is at a level above the additional funding provided by Central Government, this currently stands at £3.941m. Some of this financial pressure is expected to continue into at least 2022/23 and possibly beyond. There is no indication that the Government will continue to provide direct financial support for the ongoing impact of COVID-19 pandemic in local government therefore it is proposed that £2.000m of the Strategic Reserve will be transferred to a Covid Reserve to manage this risk which will be closely monitored throughout 2022/23. These actions together with the requirement to balance the 2021/22 in-year budget may result in the level of the Strategic Reserve falling below the minimum planned level of £10.000m over the life of the Financial Plan. Based on this and included in the draft budget proposals is corrective action to restore the Strategic Reserve to the agreed level.

Table 15 below shows the reserves as at the 31 March 2021 and the projected reserve levels over the period of the Financial Plan:

Table 15: Reserves and Balances as at 31 March 20201 and from 2021/22-2025/26

Reserves and balances	Opening Bal.	Projected Closing Balances				
	2021/22 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s
General Fund Reserves						
General Fund ringfenced	22.124	22.734	19.242	18.659	18.297	13.839
General Fund unringfenced	20.810	11.948	9.748	10.748	11.748	12.248
General Fund grants	42.254	2.409	1.660	1.458	1.176	0.895
Total General Fund Reserves	**85.188**	**37.090**	**30.650**	**30.865**	**31.220**	**26.982**
General Fund Balances						
General Fund Balances	7.000	7.000	7.000	7.000	7.000	7.000
Total General Fund Balances	**7.000**	**7.000**	**7.000**	**7.000**	**7.000**	**7.000**
Total General Fund Reserves and Balances	**92.188**	**44.090**	**37.650**	**37.865**	**38.220**	**33.982**
Housing Revenue Account Reserves	14.556	14.642	14.464	14.159	14.075	13.976
Housing Revenue Account Balances	5.002	3.440	3.069	2.837	2.568	2.627
Total HRA Reserves and Balances	**19.558**	**18.082**	**17.533**	**16.996**	**16.643**	**16.603**
Dedicated Schools Grant Reserve	(7.932)	(8.326)	(13.000)	(9.500)	(7.000)	(5.500)
School Balances	3.721	2.221	0.721	(0.779)	(2.279)	(3.779)
Total DSG Reserves and Balances	**(4.211)**	**(6.105)**	**(12.279)**	**(10.279)**	**(9.279)**	**(9.279)**
Grand Total Reserves and Balances	**107.534**	**56.067**	**42.904**	**44.582**	**45.584**	**41.306**

9.5 Housing Revenue Account (HRA)

9.5.1 Table 16 below sets out the movement in reserves of the HRA. The Budget proposals ensure that a minimum of £2.500m is retained in HRA revenue balances each financial year covering the two years of the Financial Plan to ensure some measure of contingency and financial stability. The proposals, as they currently stand, also balance the Plan over the longer 30-year period, which is what the Government requires authorities to demonstrate as part of the self-financing proposals.

Table 16: 2022–2026 Housing Revenue Account Balances

HRA Forecast Movement on Reserves	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Opening Reserve Balance	(5.002)	(3.440)	(3.069)	(2.837)	(2.568)
Contributions (to)/from balances	1.562	0.371	0.232	0.270	(0.059)
Predicted Reserve Balance Carried Forward	**(3.440)**	**(3.069)**	**(2.837)**	**(2.568)**	**(2.627)**

9.5.2 Guidance on local authority reserves and balances is given in CIPFA’s Local Authority Accounting Panel (LAAP) Bulletin 99. This states that *“Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option”,* and so the proposed 2022/23 Budget does not contradict the issued guidance. The Bulletin does then go on to say *that “It is not normally prudent for reserves to be deployed to finance current expenditure”*. The 2022-2026 Financial Plan has been developed so that ongoing revenue expenditure is aligned to annual income with no long-term reliance on reserves.

10. Overall Financial Risk Assessment

10.1.1 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.

10.2 <u>Key Financial Risks</u>

10.2.1 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:

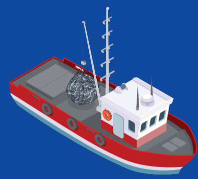
Table 17: Key Financial Risks and mitigating actions

Potential Risk	Initial Response
There is a risk that the levels of savings and income the Authority has included in the Budget proposals are not fully deliverable.	A robust challenge process has taken place through the development of new proposals. The programme will then 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 Efficiency Programme is not successfully implemented the Authority may be unable to deliver improved services and meet the increased demand on the Authority's services within reducing resources. This could have the financial impact of the Authority not delivering on its Budget.	An overall Budget Proposal Document and Terms of Reference are in place for all existing and new Efficiency Programme projects. This spans all service redesign projects Monthly Updates to SLT are provided as part of the in-year financial management process. The Customer Service Steering Group will be sighted on the outcomes from any Service Reviews undertaken during 2022/23 and into 2023/24.
There is a risk that the assumptions that have been made based on the indicative settlement up to and including 2025/26 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 2022. This includes any assumptions with regards to the ongoing impacts of the COVID 19 Pandemic. Key areas of uncertainty remain in respect of Social Care Reform and the implantation of the actions from the White Paper.	The Authority has demonstrated robust response to financial management actions if the assumptions that have been made prove to be incorrect. The Authority continues to work closely with national, regional and sub-regional financial networks to help ensure that it 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. The announcement of the Spending Review 2021 clearly gives more

	information regarding spending plans and financial support to Local Government for 2022/23. The Provisional settlement was announced on 16 December 2021 and the impact of the settlement have been included in Cabinet's draft Budget proposals. In terms of the risks arising from Social Care Reform an officer working group has been created to focus on the specific risks arising. Regional work with Directors of Social Care and Finance Directors will focus in the issues arising and when necessary continue to lobby for further funding where necessary.
There is a risk that, because of financial pressures within the Clinical Commissioning Group (CCG), the Authority does not receive a full transfer of funding from health to social care and the continuation of funding for existing services funded through the Better Care Fund (BCF) and S256 agreements. This would have a significant financial impact to the Authority. This risk is seen to increase with the changes to the NHS and the move to the Integrated Care System.	The Policy and Framework and Guidance for the BCF specifically requires that funding transferred for social care should, as a minimum, be at the equivalent level as that of 202021/22 plus inflation. The BCF contribution from the CCG has been agreed for 2022/23 and is in line with the nationally required minimum. The BCF plan for 2022/23 has been agreed by the Health and Wellbeing Board and has been submitted. An updated s75 Agreement will be prepared once the BCF Plan has received approval from the national bodies.
There is a risk that not all growth pressures have been identified in the 2022/23 proposed Budget.	Detailed proposals have been put forward by each Head 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 care providers (and the price for services the Authority then has to pay) have been taken into consideration as part of these draft Budget proposals and continue to be closely monitored. This continues to be key areas of focused monitoring as significant risks remains for demand and unit costs associated with these services.
There is a risk that specific factors arising during 2021/22 have not been	The 2021/22 financial position is monitored through bi-monthly reporting to Cabinet and monthly reporting to

fully taken into account when preparing the 2022/23 Budget.	Senior Leadership Team. This process ensures that factors arising during the year are highlighted. A specific COVID Reserve has been created in recognition of the potential on-going impact of the pandemic and recovery from that.
There is a risk that the in-year pressures being reported through the 2021/22 financial management process impact on the deliverability of the 2022/23 Budget.	As at 30 November 2021, a pressure of £5.247m was reported against the 2021/22 Budget this included the impact of COVID-19 Pandemic. Core Business as usual had a pressure of £1.306m, which is expected to improve as the Authority progresses to year end. Unfunded Covid pressures currently stand at £3.941m at the end of September. As assessment of the ongoing impact and risk that those Covid cost pressures and income losses may continue into 2022/23 has been undertaken and considered in light of the levels of reserves.
There is a risk that the contingency provision included in the Financial Plan for 2022/23 is insufficient.	The review of the base Budget and the reflection of the 2021/22 pressures into 2022/23 have been considered as part of the Financial planning process and have been updated following the announcement of the Provisional Local Government Finance Settlement. The contingency budget has been increased in light of current financial risks.
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 process and planning process.
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 Housing Revenue Account. Government policy on welfare reform is resulting in a number of direct challenges to rent collection.	The Budget-setting process incorporates a review of the HRA business plan to reflect the changes. The cost and quantity of work within the 30-year Capital 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.

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. This risk is currently driven by the number of surplus places at secondary schools.	The school deficit has been identified as a priority for the Authority and headteachers and governing bodies. A programme of work has been identified, working with schools to improve the schools' deficit position. This will highlight the work that is required, and through working with the schools a number of initiatives will be identified and progressed. The Authority has created a reserve to begin to address this risk.



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

This page is intentionally left blank

Appendix B (i)

2022-2026 - General Fund Medium-Term Financial Plan

General Fund Budget	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
General Fund Base Budget	150.154	163.184	168.888	169.849
Legislative / regulatory changes	0.605	1.294	1.660	0.101
Inflationary changes (pay and prices)				
- Pay award (Incl. pension)	1.930	10.391	2.025	2.060
- Waste management	3.500	0.000	0.000	0.000
- PFI Inflation	0.400	0.000	0.000	0.000
- Energy Inflation	1.300	0.800	0.000	0.000
- Levies & Precepts	0.374	0.384	0.395	0.406
Commercial Pressures				
- Care Market	1.604	1.604	1.354	1.605
Climate Change Plan	0.100	0.000	0.000	0.000
Corporate Pressures				
- Investment cost of borrowing	0.108	(2.458)	0.098	0.674
- Corporate changes	1.030	(0.276)	1.000	1.230
Total Growth / Pressures	**10.951**	**11.739**	**6.532**	**6.076**
Accounting Adjustments - Collection Fund	15.177	0.000	0.000	0.371
Review of Strain on the Fund	(0.388)	0.000	0.000	0.000
Review of Minimum Revenue Provision	(0.500)	0.000	0.000	0.000
Total Adjustments	**14.289**	**0.000**	**0.000**	**0.371**
Provisional Settlement 2022/23 Income				
New grant funding 2022/23 Only - New Services Grant	(3.330)	1.665	0.000	0.000
New Grant Funding - Market Sustainability & Fair Cost of Care	(0.696)	0.000	0.000	0.000
Increase to Social Care Grant for 2022/23	(2.799)	0.000	0.000	0.000
NNDR Under indexing Compensation S31 Grant	(2.420)	0.000	0.000	0.000
Inflation uplifts Existing Grant - Lower Tier Services Grant	(0.016)	0.000	0.000	0.000
Inflation uplifts Existing Grant - Improved Better Care Fund	(0.281)	0.000	0.000	0.000
New Homes Bonus	0.062	0.000	0.000	0.000
Holiday Activities and Food Programme Grant	(0.810)	0.000	0.000	0.000
New Burden Funding - Local Audit Grant	(0.069)	0.000	0.000	0.000
New Burden Funding - Domestic Abuse	(0.016)	0.000	0.000	0.000
Total Income Provisional Settlement	**(10.375)**	**1.665**	**0.000**	**0.000**

Expenditure				
Improved Better Care Fund - Growth	0.281	0.000	0.000	0.000
Transport Levy - 6.75%	0.398	0.000	0.000	0.000
Impact of 1.25% increase in National Insurance	1.250	0.000	0.000	0.000
Social Care Pressures	2.407	1.665	0.000	0.000
Market Sustainability and Fair Cost of Care	0.696	0.000	0.000	0.000
Reduction to the Education Services Grant	0.143	0.000	0.000	0.000
Domestic Abuse New Burdens	0.069	0.000	0.000	0.000
Local Audit Grant	0.016	0.000	0.000	0.000
Holiday Activities and Food Programme Grant	0.810	0.000	0.000	0.000
Total Expenditure Provisional Settlement	**6.070**	**1.665**	**0.000**	**0.000**
One-off use of historic Pension Fund deficit budget	3.000	(3.000)	0.000	0.000
Council Tax Hardship - spend	(1.520)	1.520	0.000	0.000
Increase to Contingency spend	(1.480)	1.480	0.000	0.000
Home to School Transport - Pressure	0.000	0.550	0.000	0.000
Childrens Home - Revenue implication	0.000	0.600	0.000	0.000
Sub Total	**0.000**	**1.150**	**0.000**	**0.000**
Revised Expenditure Assumptions	**171.089**	**179.403**	**175.420**	**176.296**
2022-2024 - Efficiency Programme	(1.607)	(1.035)	0.000	0.000
2022-2026 - Efficiency Programme	(3.113)	(0.639)	(0.208)	(0.185)
Net Budget Requirement	**166.369**	**177.729**	**175.212**	**176.111**
2022/23 Baseline Resources	(163.849)	(168.888)	(169.849)	(172.704)
2022/23 Movement in Resources	0.665	0.000	0.000	0.000
2022/23 Revised Resources	**(163.184)**	**(168.888)**	**(169.849)**	**(172.704)**
Revised Gap	**3.185**	**8.841**	**5.363**	**3.407**
Replenishment of the Strategic Reserve	0.000	1.500	1.500	1.000
Revised Gap	**3.185**	**10.341**	**6.863**	**4.407**
Council Tax - 1.99%	(2.120)	(0.014)	(0.025)	(0.038)
Adult Social Care Precept - 1%	(1.065)	0.000	0.000	0.000
Total Council Tax and Adult Social Care Precept Increase	**(3.185)**	**(0.014)**	**(0.025)**	**(0.038)**
Revised Gap	**0.000**	**10.327**	**6.834**	**4.369**
Cumulative Gap		**10.327**	**17.165**	**21.534**

2022-2026 - General Fund Budget Assumptions

Description (Amount)	General Fund Collection Fund Adjustments and Review of Strain on the Fund and Minimum Revenue Provision (£14.289m in 2022/23)
How have the above amounts been calculated?	The value in 2022/23 represents the accounting adjustments to be made in 2022/23 in respect of the General Fund Collection Fund adjustments of £15.177m. Based on in year monitoring for 2021/22 for Strain on the Fund and a revision of the MRP budgets savings of £0.388m and £0.500m respectively can be made.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Collection fund accounting and internal review of the in-year position for 2021/22.
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?	This is not a cost pressure and is mainly the accounting adjustments needed for the collection fund

Description (Amount)	Provisional Settlement income changes (-£10.375m in 2022/23)
How have the above amounts been calculated?	Based on the Provisional Local Government Finance Settlement announced on 16 December 2021
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 income 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)	Provisional Settlement expenditure related changes (£6.070m in 2022/23)
How have the above amounts been calculated?	Allocation of the specific grants and new burdens funding from the Provisional Local Government Finance Settlement.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	The detailed breakdown including the use of specific grants 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?	This is not a cost pressure it is the expenditure assumptions that follows the Provisional Settlement announcement.
Is there scope to fund this cost pressure from existing resources?	This is not a cost pressure it is the expenditure assumptions in respect of the Provisional Settlement announcement.
More generally, what is the impact of not agreeing funding for the cost pressure?	The assumptions for expenditure include utilisation of the new burdens funding which is not available to support the General Fund budget gap.

Description (Amount)	One-off use of historic Pension Fund Deficit (-£3.000m, Council Tax Hardship £1.520m and Increase to Contingencies £1.480m in 2022/23)
How have the above amounts been calculated?	This represents the one-off use of the historic pensions grant which has been used in prior years to make a voluntary revenue contribution to the Minimum Revenue Provision.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	This represents the one-off use of the historic pensions grant which has been used in prior years to make a voluntary revenue contribution to the Minimum Revenue Provision. For one year only, 2022/23, this is being utilised to allow the continuation of the Council Tax hardship support £1.520m and to increase the contingency by £1.480m.
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 a one-off utilisation of this funding for 2022/23 only.
More generally, what is the impact of not agreeing funding for the cost pressure?	Funding to support the continuation of the Council Tax hardship would not be available and the contingency increase to reflect the ongoing risks associated with the delivery of Children's Services, delivery of Efficiency Savings and Inflation risks.

Description (Amount)	Grant related changes (£0.605m in 2022/23)
How have the above amounts been calculated?	The value in 2022/23 represents the reduction in grants for Housing Benefit Admin Subsidy £0.101m and reduction in New Homes Bonus £0.504m
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
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
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)	Pay award (£1.930m in 2022/23)
How have the above amounts been calculated?	The annual pay award, £1.930m, calculation is based on an agreed pay award of 2% applied to 2021/22 staffing budgets (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 as part of national pay bargaining / contractual obligation to move staff up an increment towards the top of the relevant pay scale.
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?	Assumed public sector pay increases of 2%.
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 2022/23.
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)	Waste Management (£3.500m in 2022/2023)
How have the above amounts been calculated?	The figures for the 2022/23 figure are based on the price increases set to be incurred on the Household and Recycling contracts. These price increases are reflective of the current market conditions within Waste Recycling. Growth requirements for future years are based on modelling work performed by NTC and Suez during negotiations to extend the existing Waste Disposal contract.
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)	PFI Inflation (£0.400m in 2022/23)
How have the above amounts been calculated?	Increases in the cost of PFI schemes
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Inflationary price increases in the external market adds pressure to the PFI contracts.
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?	Estimates based on third party evidence.
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)	Energy Inflation (£1.300m in 2022/23)
How have the above amounts been calculated?	This cost pressure is based on potential increases in the cost of energy for 2022/23 based on higher inflation rates in the market
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 pressure is based on likely increases in rates with providers and has been calculated using rates provided by NEPO.
Does the activity causing the cost pressure 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)	Levies & Precepts (£0.374m in 2022/23)
How have the above amounts been calculated?	These are estimates based on information provided by the third parties.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Our partners will apply inflationary price increases. The Transport Levy charge is as a result of population changes.
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?	Estimates based on third party evidence.
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)	Care Market (£1.604m in 2022/23)
How have the above amounts been calculated?	This growth requirement is expected to be needed in 2022/23 onwards and is based on estimated client population growth along with known growth pressures for 2020/21 – residual growth expected to relate 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.

Description (Amount)	Climate Change Plan (£0.100m in 2022/23)
How have the above amounts been calculated?	Initial requirement to start a targeted piece of work to support the Mayoral and Cabinet priority around Climate Change as set out in the Refreshed Our North Tyneside Plan 2021-2025
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Corporate policy change relating to the declaration of a Climate Emergency
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, new activity required to respond to the Mayoral priority on Climate change.
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)	Investment Cost of Borrowing (£0.108m in 2022/23)
How have the above amounts been calculated?	The cost of borrowing is calculated to reflect the interest payable to finance future capital and revenue budgets, £0.108m.
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?	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)	Corporate changes (£1.030m in 2022/23)
How have the above amounts been calculated?	These are the adjustments required to cover the impact of other pressures coming from elections, pressures on repairs and maintenance and the fall out of one-off Government funding from the previous year's Settlement Funding Assessment.
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 2022/23.
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.

Appendix C (i)

2022-2026 - Housing Revenue Account (HRA) Financial Plan, Reserves and Contingency Movement

HRA Forecast Expenditure Plan	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
Original Base Budget	1.943	0.371	0.232	0.270
Add:				
Pressures and Growth				
North Tyneside Living (NTL) – Unitary charge	0.109	0.111	0.114	0.118
Depreciation (formerly MRA)	0.465	0.481	0.498	0.515
Housing Investment Plan-revenue support	(0.240)	(0.096)	2.448	0.528
Pension Fund Deficit Funding	0.000	0.855	0.017	0.017
Revenue Repairs – Inflation/Pay Award (Incl. for increased material costs)	0.448	0.252	0.255	0.258
Revenue Repairs – Adult Social Care Levy	0.085	0.000	0.000	0.000
General Management Pay Award	0.215	0.219	0.223	0.228
General Management – Adult Social Care Levy	0.061	0.000	0.000	0.000
ICT Strategy – Unified Systems Review Project Costs	0.100	0.000	(0.100)	(0.250)
Bad Debt Provision	(0.280)	0.023	0.023	0.024
Total - Pressures and Growth	**0.963**	**1.845**	**3.478**	**1.438**
Efficiency Savings				
Council Dwellings – Rebasing and Rent Increase	(1.780)	(1.525)	(1.609)	(1.705)
Temporary and Dispersed Accommodation – Rent Increase	(0.013)	(0.010)	(0.010)	(0.010)
Garage & Other Rents – Rebasing & Rent Increase	(0.009)	(0.009)	(0.016)	(0.010)
NTL – Transitional Rent Protection	(0.010)	(0.010)	(0.010)	(0.010)
Service Charges – Furniture Packs – Rent Increase	(0.033)	(0.022)	(0.023)	(0.023)
Service Charges – Sheltered and Communal Areas – Rent Increase	(0.062)	(0.041)	(0.042)	(0.043)
Treasury Management – Existing Debt & DME	(0.104)	(0.149)	(0.153)	(0.112)
Treasury Management – New and Temporary Debt	(0.050)	0.000	0.000	0.000
Treasury Management – Debt Set Aside (MRP Equivalent)	(0.331)	(0.103)	(1.481)	0.240
North Tyneside Living – contribution to/from Reserve Monitoring Costs	(0.059)	(0.061)	(0.063)	(0.064)
Repairs Budget–impact of stock reductions	(0.084)	(0.053)	(0.033)	(0.030)
Total – Efficiency Savings	**(2.535)**	**(1.984)**	**(3.440)**	**(1.767)**
Reserves & Contingencies				
General Management Contingency - Review	0.000	0.000	0.000	0.000
Repairs Contingency - Review	0.000	0.000	0.000	0.000
Total – Reserves & Contingencies	**0.000**	**0.000**	**0.000**	**0.000**
Revised Base Budget	**0.371**	**0.232**	**0.270**	**(0.059)**

Appendix C (i)

HRA Revenue Balances	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Changes in Contingencies	0.000	0.000	0.000	0.000
Contribution to/(from) Balances	(1.562)	(0.139)	0.038	(0.329)
TOTAL	**(1.562)**	**(0.139)**	**0.038**	**(0.329)**

2022-2026 - Housing Revenue Account Business Plan

	2021/22 Forecast Outturn	2022/23 Draft Budget	2023/24 Draft Budget	2024/25 Draft Budget	2025/26 Draft Budget
	£m	£m	£m	£m	£m
Rent, Garages and Service Charge Income	(61.091)	(62.891)	(64.498)	(66.191)	(67.982)
PFI Credits - North Tyneside Living	(7.693)	(7.693)	(7.693)	(7.693)	(7.693)
Rent from Shops, Offices etc.	(0.403)	(0.355)	(0.355)	(0.362)	(0.362)
Interest on Balances	(0.050)	(0.050)	(0.050)	(0.050)	(0.050)
Contribution from Balances	(1.562)	(0.371)	(0.232)	(0.270)	0.000
Total Income	**(70.799)**	**(71.360)**	**(72.828)**	**(74.566)**	**(76.087)**
Capital Financing Charges	12.969	12.514	12.262	10.628	10.756
Management Costs	10.829	11.251	11.470	11.593	11.570
Repair and Maintenance	12.345	12.799	12.998	13.220	13.449
PFI Contract Costs – North Tyneside Living	10.037	9.786	9.836	9.887	9.941
Revenue Support to Strategic Investment	10.551	10.281	10.185	12.632	13.160
Depreciation / Major Repairs Account (MRA)	13.276	13.739	14.220	14.719	15.232
Bad Debt Provision	0.728	0.750	0.773	0.796	0.820
Transitional Protection	0.050	0.040	0.030	0.020	0.010
Management Contingency	0.015	0.200	0.200	0.200	0.200
Pension Fund Deficit Funding	0.000	0.000	0.855	0.871	0.890
Contribution to Balances	0.000	0.000	0.000	0.000	0.059
Total Expenditure	**70.799**	**71.360**	**72.828**	**74.566**	**76.087**

	2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**
HRA Balances	**£m**	**£m**	**£m**	**£m**	**£m**
Estimated HRA Balances B/Fwd	**(5.002)**	**(3.440)**	**(3.069)**	**(2.837)**	**(2.568)**
Contribution to/from HRA	**1.562**	**0.371**	**0.232**	**0.270**	**(0.059)**
Estimated HRA Balances C/Fwd	**(3.440)**	**(3.069)**	**(2.837)**	**(2.568)**	**(2.627)**

This page is intentionally left blank

Appendix D (i)

2022-2027 Draft Investment Plan

Project	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000	Financing type	Total £000
General Fund								
BS026 Asset Planned Maintenance	2,000	2,000	2,000	2,000	2,000	10,000	Council Contribution	10,000
CO068 North West Library Facility Improvements	129	0	0	0	0	129	Section 106	129
Coxxx Contours Gyms Improvements	168	0	0	0	0	168	Section 106	75
							Revenue contribution (use of reserves)	93
DV064 Council Property Investment	300	0	0	0	0	300	Council Contribution	300
DV071 Section 106 Contributions to Set Up Health Facilities	36	0	0	0	0	36	Section 106	36
DV073 Ambition for North Tyneside	1,254	1,725	2,000	0	0	4,979	Council Contribution	4,725
							Capital Receipts	254
DV074 North Shields Heritage Action Zone (HAZ0Ambition)	231	173	0	0	0	404	Council Contribution	203
							Historic England Grant	201
DV077 Tyne Brand Site Development	1,475	2,650	190	0	0	4,315	Brownfield Housing Fund	4,315
ED075 Devolved Formula Capital	1,079	579	579	579	579	3,395	Education Funding Agency	3,395
ED120 Basic Need	2,014	113	113	113	113	2,466	Education Funding Agency	2,466
ED132 School Capital Allocation	4,334	3,534	3,534	3,534	3,534	18,470	Education Funding Agency	18,470
EV034 Local Transport Plan	2,933	2,986	2,986	2,986	2,986	14,877	Dept for Transport Grant	14,877
EV056 Additional Highways Maintenance	2,000	2000	2,000	2,000	2,000	10,000	Council Contribution	10,000
EV069 Vehicle Replacement	762	1,248	1,676	1,123	3,000	7,809	Council Contribution	7,809
EV076 Operational Depot Accommodation Review	400	0	0	0	0	400	Council Contribution	200

Appendix D (i)

Project	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000	Financing type	Total £000
							ERDF	200
EV083 Streetlighting LED	2,792	1,386	0	0	0	4,178	Council Contribution	4,178
EV091 Climate change - decarbonisation	250	1,000	1,000	1,000	1,000	4,250	Council Contribution	4,250
EV094 North Shields Transport Hub	250	1000	0	0	0	1,250	Council Contribution	1250
EV096 Tanners Bank	600	0	0	0	0	600	Dept for Transport Grant	600
EV097 Weetslade and West Moor Roundabouts	3191	0	0	0	0	3,191	Section 106	3191
GEN03 Contingencies	2,300	2,000	2,000	1,000	1,000	8,300	Council Contribution	8,300
GEN12 Local Infrastructure	100	100	100	100	100	500	Council Contribution	500
HS004 Disabled Facilities Grant	2,580	0	0	0	0	2,580	Better Care Fund	2,580
HS051 Private Sector Empty Homes	739	0	0	0	0	739	Council Contribution	693
							Homes and Communities grant	46
HS053 Green Homes Local Authority Delivery	3,700	0	0	0	0	3,700	Green Homes Local Authority Delivery grant	3,700
IT020 ICT Strategy	1,000	1,000	1,000	1,000	1,000	5,000	Council Contribution	5,000
Total General Fund	**36,617**	**23,494**	**19,178**	**15,435**	**17,312**	**112,036**		**112,036**

Appendix D (i)

Project	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000	Financing type	Total £000
HRA								
HS015 Refurbishment / Decent Homes Improvements	21,554	21,948	22,447	23,579	24,857	114,385	Capital Receipts	8,445
							Revenue Contribution	62,350
HS017 Disabled Adaptations	1,072	1,083	1,094	1,105	1,116	5,470	Major Repairs Reserve	80,412
							Other contributions	1,125
HS039 ICT Infrastructure Works	608	1,109	360	112	113	2,302	Grants	405
HS044 HRA New Build	4,580	3,960	6,750	7,330	7,960	30,580		
Total HRA	**27,814**	**28,100**	**30,651**	**32,126**	**34,046**	**152,737**		**152,737**
TOTAL	**64,431**	**51,594**	**49,829**	**47,561**	**51,358**	**264,773**		**264,773**

Financing

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
General Fund						
Council Contribution	13,763	13,546	11,776	8,223	10,100	57,408
Council Contribution - Capital Receipts	254	0	0	0	0	254
Grants & Contributions	22,507	9,948	7,402	7,212	7,212	54,281
Revenue Contribution (Use of reserves)	93	0	0	0	0	93
General Fund Total	**36,617**	**23,494**	**19,178**	**15,435**	**17,312**	**112,036**
HRA						
HRA Capital Receipts	1,354	1,584	1,700	1,851	1,956	8,445
HRA Revenue Contribution	10,281	10,185	12,632	13,160	15,992	62,250
HRA Major Repairs Reserve	15,404	15,916	16,189	17,035	15,968	80,512
HRA Grants & Contributions	775	415	130	80	130	1,530
HRA Financing Total	**27,814**	**28,100**	**30,651**	**32,126**	**34,046**	**152,737**
TOTAL	**64,431**	**51,594**	**49,829**	**47,561**	**51,358**	**264,773**

This page is intentionally left blank

Appendix D (ii)

2022-2027 Draft Housing Investment Plan

Project Ref	Project Title	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
	Housing						
HS002	HRA Schemes	**27,814**	**28,100**	**30,651**	**32,126**	**34,046**	**118,691**
	Made up of:-						
	Decency Refurbishments(incl.re-programming)	14,662	14,449	14,990	15,565	16,995	**76,661**
	Disabled Adaptations (incl.re-programming)	1,072	1,083	1,094	1,105	1,116	**5,470**
	Climate Change / Decarbonisation Measures eg Solar PV etc	1,703	2,160	2,029	2,491	2,253	**10,636**
	Capitalisation of Major Repairs	1,270	1,283	1,296	1,308	1,322	**6,479**
	Furniture Pack Scheme	516	521	526	531	537	**2,631**
	Asbestos Works	312	315	318	322	325	**1,592**
	Energy Efficiency & Environmental Improvements	211	213	214	216	218	**1,072**
	Fencing / Walling / Offstreet parking / Landscaping	1,377	1,464	1,491	1,519	1,537	**7,388**
	ICT Strategy (incorporating Unified Systems Review)	608	1,109	360	112	113	**2,302**
	Garages (Renovation/Demolition)	131	135	139	143	148	**696**
	Water Pipe Renewals/Fire Damage Reinstatement	134	135	137	139	140	**685**
	Apprentice Costs & CLAs (Apprentices split with Repairs)	474	486	497	510	522	**2,489**
	Footpaths & Communal Areas & Fire Doors	311	320	329	340	350	**1,650**
	Project Management Fee	453	467	481	495	510	**2,406**
	Potential New Build (incl. re-programming)	4,580	3,960	6,750	7,330	7,960	**30,580**
	Total: Housing	**27,814**	**28,100**	**30,651**	**32,126**	**34,046**	**152,737**
	TOTAL	**27,814**	**28,100**	**30,651**	**32,126**	**34,046**	**152,737**

FINANCING

HOUSING

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Council Contribution						
Capital Receipts	1,759	1,584	1,700	1,851	1,956	**8,850**
Other Funds eg Green Fund, RTB Admin Surplus etc	370	415	130	80	130	**1,125**
Revenue Contributions	10,281	10,185	12,632	13,160	16,092	**62,350**
Total Council Contribution	**12,410**	**12,184**	**14,462**	**15,091**	**18,178**	**72,325**
Grant Contributions	405	0	0	0	0	**405**
Depreciation / Major Repairs Reserve	14,999	15,916	16,189	17,035	15,868	**80,007**
TOTAL HOUSING	**27,814**	**28,100**	**30,651**	**32,126**	**34,046**	**152,737**

This page is intentionally left blank

2022-2026 - 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 These indicators have been prepared using the current code (2017). A revised Prudential Code has recently been introduced for adoption in 2023/24. There is not expected to be a significant impact for the Authority.

1.2 The Prudential Code requires authorities to look at 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 B (iii) 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 draft Treasury Management Strategy for 2022/23 is included within the annex 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 to 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 HRA's 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 2022–2026. The indicators include those for the Housing Revenue Account.

Prudential Indicators for Affordability

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 Housing rents. 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 Financial Plan and the Investment Plan, four-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 four year period, the following is a key prudential indicator of affordability:

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

Ratio of financing costs to net revenue stream

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

	2021/22 Est.	**2022/23 Est.**	**2023/24 Est.**	**2024/25 Est.**	**2025/26 Est.**
General Fund	17.74%	17.52%	14.90%	14.86%	15.12%
HRA	27.88%	27.03%	26.13%	23.31%	23.04%

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 2022. 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. At this stage an estimate of £4m has been assumed as the cost of borrowing. This will be refined and an updated figure reported as part of the final budget proposals. 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.

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. This is shown in Table 2 below:

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

	2021/22 Est.	2022/23 Est.	2023/24 Est.	2024/25 Est.	2025/26 Est.
General Fund	12.36%	11.71%	9.76%	10.18%	10.51%
HRA	5.87%	5.20%	4.81%	0.38%	0.00%

1.20 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

1.21 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)

1.22 This key indicator shows that gross debt is not expected to exceed the total CFR including additional capital requirements for 2021/22 to 2025/26.

Table 3: Gross external debt compared to CFR

	2021/22 Est. £000s	2022/23 Est. £000s	2023/24 Est. £000s	2024/25 Est. £000s	2025/26 Est. £000s
External Borrowing	439,716	447,776	445,647	442,544	439,681
Other Liabilities (including PFI and Finance Leases)	107,502	179,126	178,238	174,538	170,676
Total Gross debt	547,218	626,902	623,885	617,082	610,357
Capital Financing requirement	**610,882**	**679,539**	**675,022**	**665,719**	**652,828**
Internal borrowing	63,664	52,637	51,137	48,637	42,471

Prudential Indicators for Capital Expenditure

Estimate of capital expenditure

1.23 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.

1.24 The Investment Plan for 2022-27 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

	2021/22 Est. £000s	2022/23 Est. £000s	2023/24 Est. £000s	2024/25 Est. £000s	2025/26 Est. £000s
General Fund	56,871	36,617	23,494	19,178	15,435
HRA	30,657	27,814	28,100	30,651	32,126
Total	**87,528**	**64,431**	**51,594**	**49,829**	**47,561**

1.25 There is a risk of cost variations to planned expenditure against the Investment Plan, arising for a variety of reasons, including 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.

1.26 The availability of financing from capital receipts, grants and external contributions also carry 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)

1.27 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.

1.28 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 2022. 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 (£75m) has been added to the CFR. Work is ongoing to refine this estimate and the impact of this change on the CFR. This will be reported through part of the final budget proposals.

1.29 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

	2021/22 Est. £000s	2022/23 Est. £000s	2023/24 Est. £000s	2024/25 Est. £000s	2025/26 Est. £000s
General Fund	303,220	377,046	377,716	372,230	363,557
HRA	307,662	302,493	297,306	293,489	289,271
Total	**610,882**	**679,539**	**675,022**	**665,719**	**652,828**

1.30 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

	2021/22 Est. £000s	2022/23 Est. £000s	2023/24 Est. £000s	2024/25 Est. £000s	2025/26 Est. £000s
General Fund	179,145	188,011	190,089	190,693	186,938
HRA	7,171	3,671	274	0	0
Total	186,316	191,682	190,363	190,693	186,938

Prudential Indicators for External Debt

Authorised limit for total external debt

1.31 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.

1.32 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.

1.33 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.

1.34 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.

1.35 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 2022. 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.

1.36 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.

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

Table 7: Authorised Limit for External Debt

	2021/22 Est. £000s	2022/23 Est. £000s	2023/24 Est. £000s	2024/25 Est. £000s	2025/26 Est. £000s
Borrowing	1,040,000	1,020,000	1,010,000	1,000,000	980,000
Other Long Term Liabilities	135,000	235,000	235,000	210,000	205,000
Total	**1,175,000**	**1,255,000**	**1,245,000**	**1,210,000**	**1,185,000**

1.38 The Chief Finance Officer reports that these Authorised Limits are consistent with the Authority's current commitments, existing plans and the proposals in this 2022/23 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

1.39 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.

1.40 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.

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

Table 8: Operational Boundary for External Debt

	2021/22 Est. £000s	2022/23 Est. £000s	2023/24 Est. £000s	2024/25 Est. £000s	2025/26 Est. £000s
Borrowing	520,000	510,000	505,000	500,000	490,000
Other Long Term Liabilities	115,000	185,000	185,000	180,000	175,000
Total	**635,000**	**695,000**	**690,000**	**680,000**	**665,000**

Prudential Indicators for Treasury Management

Adoption of the CIPFA Code of Practice for Treasury Management

1.42 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 2022-2026

1.43 Full Council will be requested to set an upper limit on its fixed interest rate exposures for 2022/23 through to 2025/26 of 100% of its net outstanding principal sums.

1.44 Full Council will be requested to set an upper limit on its variable interest rate exposures for 2022/23 through to 2025/26 of 50% of its net outstanding principal sums.

1.45 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%

This page is intentionally left blank

NORTH TYNESIDE COUNCIL

CAPITAL INVESTMENT STRATEGY

2022-2027

CONTENTS

1. <u>Introduction</u>

The Investment Strategy is the policy framework document that sets out the principles to be used to guide the allocation of capital investment across all the Authority's services and informs decisions on capital spending priorities within the Authority's Investment Plan.

Investment Priorities are considered in the context of the strategic objectives of the Our North Tyneside Plan and other key strategies and plans that support the delivery of Our North Tyneside Plan (Appendix 1) and "Our Ambition for North Tyneside" strategy.

Principles for Capital Investment:

1. Investment must be strategically aligned to deliver the Our North Tyneside plan priorities (see below);
2. The Authority will work within a borrowing ceiling in terms of both value and revenue cost, reviewed annually;
3. Whole life costs are considered as part of a capital investment appraisal; including provision to ensure the asset is maintained;
4. For every potential scheme the Authority will explore all possible funding and delivery options; and,
5. Unsupported (prudential) borrowing is funding of the last resort.

Our Investment Plan priorities are as follows:

- Policy priorities;
- Maintaining existing assets;
- Income generating projects;
- Invest to save projects; and,
- Regeneration and key infrastructure enhancements.

Capital investment is technically described as "Expenditure on the acquisition, creation, or enhancement of 'non-current assets". This is items of land, property and plant which have a useful life of more than one year. A fuller definition is attached at Appendix 2. Expenditure outside this definition will be revenue expenditure.

Most non-current assets are properties that are used in service delivery. As at 31 March 2021 the Authority's land, buildings and infrastructure asset base of over 450 properties has a current use Balance Sheet value of approximately £238 million, approximately 945 kilometres of highways and 235 bridges, subways, culverts and other structures with a historic value of £178 million, council housing stock comprising nearly 15,000 properties with a balance sheet value of £653 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.

Although this Strategy focuses on the Authority's management of its own investment in assets, a wider view of capital investment throughout the Borough by both the public and private sectors will have a major influence on meeting the Authority's aims and objectives. The Authority works in close partnership with its partners including the NHS, Schools, Highways England, the Environment Agency, NEXUS and Northumbrian Water.

The Investment Strategy is presented to Council as a Policy Framework document, and links with both the Treasury Management Strategy and the Corporate Asset Management Plan. Links to both documents are shown in Appendix 1.

In considering the principles, the Authority needs a balance between guidance and prescription to allow a flexible approach to be taken. This Strategy focuses on the key policies for the allocation of capital resources to schemes in line with Authority's priorities and statutory responsibilities.

The management of the Investment Plan is supported by the Authority's approved Financial Regulations and capital governance process through the Investment Programme Board (see Appendix 4) and the Strategic Property Group.

2. Guiding Principles

2.1 Prioritisation and Approval

Delivery of the "Our North Tyneside Plan" sets the challenge of meeting competing priorities against limited financial resources.

A 'scoring matrix' has been developed to help inform priority schemes and evaluate competing projects for inclusion in the Investment Plan.

The matrix is an aid to evaluate priorities between often very disparate schemes; the overall value of council contribution to capital is ultimately a full Council decision.

All schemes bidding for inclusion on the Investment Plan must follow the approved Investment Plan Gateway process (attached as Appendix 4) and will be subject to a process of prioritisation using the capital scoring matrix (attached as Appendix 3). This process will take place as a minimum on an annual basis. Any bids outside this timescale should be by exception only and will follow the same 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. This will be provided as part of the Gateway 2 submission to the Investment Programme Board for approval prior to commencement of the scheme.

Where funding has been allocated to a programme without individual schemes being identified at the time of approval, (such as a general allocation to a regeneration project, Local Transport Plan, schools for capital maintenance projects), individual schemes within that allocation are subject to each individual scheme being approved by the Investment Programme Board.

2.2 Alternative Funding and Delivery Opportunities

For every potential scheme the Authority will explore all funding options. As capital funding is reduced the Authority will continue to consider alternative methods of supporting capital expenditure within the Authority, using alternative funding, such as social investment, private sector finance and third sector funding or by other bodies delivering capital schemes instead of the Authority.

The Authority can use its assets to support schemes or aim to maximise funding from any source possible, such as Heritage Lottery or Local Enterprise Partnership funding.
The Authority will continue to bid for additional external funding and/or work with other bodies to secure capital investment or consider use of its own assets in a development, but restricts schemes to those which support corporate priorities or statutory service objectives.

Investments on projects should demonstrate sustainability and any requirements for match-funding and future revenue consequences have been considered and approved along with an assessment of the opportunity costs of alternative options. All bids are to be agreed by the Investment Programme Board prior to submission.

The Authority receives capital grant funding from government and is able to bid for grant funding direct to particular government departments or from other grant awarding bodies.

Any un-ring fenced capital grants received, even where these are allocated with service intentions of the identified government body awarding the grant, will be required to be approved by the Authority. Consequently once capital grants have been allocated to a specific service by the Authority, individual schemes within that allocation are subject to each individual scheme being approved by the Investment Programme Board.

2.3 Capital Receipts and Capital Contributions

The Authority receives capital receipts and capital contributions from:

- Asset disposals
- Right to Buy Clawback
- Section 106 and Community Infrastructure Levy (CIL)
- Section 278
- Repayment of loans for a capital purpose

Asset disposals

The proposed disposal of land and buildings is reported to Cabinet for approval and receipts from the sale of all assets sold are used to support the Investment Plan in line with funding the Authority's priorities. An asset disposal will be deemed to occur when the Authority transfers the freehold or a long lease (usually over 40 years).

The Authority will aim to ensure best value when disposing of assets, by enhancing the land prior to disposal, where appropriate; e.g. by obtaining planning permission or providing a development plan. As appropriate the Authority may dispose of assets by tender or by public auction.

The Authority will consider exceptions to this policy where rationalisation of assets used for service delivery is undertaken and in respect of school sites where the Secretary of State has approved the disposal – such exceptions will require a Cabinet decision.

Asset disposals at nil consideration or below market value

The disposal of an asset at below Market Value requires Cabinet approval.

In considering asset disposals, the Authority also needs to take into account the policy on Community Asset Transfers where the Authority will consider, on a case by case basis, the potential transfer of assets to an alternative provider after a full assessment of the long term (full life) risks and rewards of the transfer, including the achievement of best value including potential market value, linked to the Authority's aims and objectives.

The Localism Act 2011 introduced the "Community Right to Bid" and placed a duty upon local authorities in England to maintain a list of assets of community value. Once an asset is "Listed" any disposal will be under the Community Asset Transfer policy or for market value by tender/auction.

Where the Authority proposes to dispose of, or grant a long lease, at nil consideration or at a value below market value this is required to be approved by Cabinet. This will also apply where the disposal is for a community or service benefit.

There may be circumstances, such as the transfer of community school assets under the Academies Act, where assets will also be disposed of at nil consideration.

Right-to-Buy Clawback

In line with statutory regulations, 100% of these receipts are currently used to support the provision of the housing function.

Section 106 contributions and Community Infrastructure Levy (CIL)

Section 106 (S106) monies come from developer contributions through the planning system. There are specific conditions attached to the use of the S106 and the monies are used accordingly to support the Authority's priorities.

Any monies received from the Community Infrastructure Levy (CIL) will be allocated under the CIL arrangements ("the Regulation 123 List") in line with the Authority's investment priorities including any specific funding requirements.

Section 278 Contributions

Funding can be made available under Section 278 (S278) of the Highways Act 1980 whereby a developer may be required to contribute to the provision, alteration or improvement to highways in order to facilitate development.

Repayment of loans for a capital purpose

Where the Authority provides a loan for a capital purpose this will be approved and accounted for as capital expenditure. The repayment of a loan by the borrower will be treated as a capital receipt; however any receipts of this nature will be specifically applied to reduce the value of the outstanding loan.

2.4 Revenue and Reserves

The Authority is able to use revenue funding and reserves for capital schemes. However, as a result of competing revenue budget pressures and the continued reduction in government support for revenue expenditure the Authority' does not generally budget to use revenue or reserve funds to directly fund capital projects, within the General Fund, after the feasibility stage. This policy is reviewed on an annual basis.

The Housing Revenue Account business plan recognises revenue contributions to the HRA investment plan through the Major Repairs Reserve and other general revenue contributions.

2.5 Approach to Borrowing

In line with the Treasury Management Strategy, the Authority is able to borrow money on the money market or from the Public Works Loans Board to fund capital schemes or, use its own internal resources (i.e. cash flow). However for all schemes funded from borrowing, the Authority must fund the repayment and interest costs as since 2011 any central government "supported borrowing" allocations and related revenue support ceased. There is an intention that a cap is placed on the overall level of borrowing and that over a 10 year cycle the level of borrowing should reduce. The policy governing the repayment of this borrowing for the General Fund, the Minimum Revenue Provision (MRP) policy, is approved annually by full Council. Repayment of Housing Revenue Account borrowing is laid out in the 30 year Business Plan.

The Authority is only able to borrow for "unsupported borrowing" (also known as Prudential Borrowing) under the guidance contained in the CIPFA Prudential Code whereby, in summary, the Authority is required to ensure that all borrowing is both prudent, sustainable and affordable. Under the Prudential Code a number of indicators showing ratios of costs and levels of borrowing, are required to be considered and approved by full Council. All schemes funded from prudential borrowing are approved by full Council or Cabinet and are in line with Financial Regulations.

The Authority's Treasury Management Strategy recognises the need to take borrowing to support a number of capital projects, included within the Investment Plan approved by full Council, and reduce the level of internal borrowing. Based on current projected Public Works Board Lending rates, the cost of 2.0-3.5% should be assumed for new borrowing in 2022/23.

The Authority takes a prudent approach to new borrowing, paying particular regard to the robustness of the business case to include forward predictions of affordability, with the aim that projects should be self-funding (i.e. create a revenue stream so that the cost of borrowing is cost neutral on Council Tax). It is essential that any new proposals for a self-funding or invest to save scheme supported by borrowing has a robust business case that is presented to the Investment Programme Board prior to approval by Council or Cabinet.

To support its revenue budget the Authority will continue to evaluate any capital investment projects either acting alone or with partners that will produce an on-going revenue income stream for the Authority. This is one of the scoring criteria now adopted by the Authority when assessing competing capital projects.

There may be the need for borrowing that has no identifiable future revenue stream, for example, to repair or construct key infrastructure assets. Here a broader view can be taken of the value of repairing the asset to the overall economy of the Authority. The cost of such borrowing falls on the tax payer through payments of debt interest on the Authority's General Fund revenue account and repayment of debt over a specified period of time. There may still be a need for such borrowing but each proposal should be reviewed on a case by case basis, using the Gateway and prioritisation process, with the project evaluation clearly stating how the borrowing is to be afforded.

2.6 Investment Opportunities (including capital loans)

The Authority will consider, if the opportunities arise, the purchase of land and property as an investment – to both generate an on-going income stream or to realise an increased capital value in the future. Depending on the capital funding proposed the appropriate approvals will be requested at that time. Loans for a capital purpose can also be approved subject to a business case and due diligence on the borrower including, as appropriate, guarantees and bonds to secure the repayment of the loan. Any such opportunities would be considered in the first instance by the Investment Programme Board and Cabinet for approval in accordance with Financial Regulations.

Appendix 1 – Key Strategies and Plans linked to the Investment Strategy

Our North Tyneside Plan

Caring and Family friendly	**Secure**	**Thriving**	**Green**	**Organisation**
Joint Strategic Needs Assessment	Local Plan and Master Plans • Community Infrastructure Levy Schedule (Regulation 123 List)	Strategic Economic Plan	Climate Emergency • Climate Emergency Action Plan • Low Carbon Plan 2016-2027	ICT- Digital Strategy
Health and Wellbeing Strategy	Transport Strategy • Highways Asset Management Plan (HAMP) • Parking Strategy • Cycling Strategy • Network Management Plan	Employment and Skills Strategy	10 Year Plan for Waste	Human Resources- Our Team Plan and Our OD Plan Children's Workforce Strategy
Community Safety Strategy	Housing Strategy • Strategic Housing Market Assessment (SHMA) • Strategic Housing Land Availability Assessment (SHLAA) • HRA business plan • HRA Asset Management Plan	Inclusive Economy strategy	Transport Strategy • Highways Asset Management Plan (HAMP) • Parking Strategy • Cycling Strategy • Network Management Plan	Financial Strategy
Ambition for Education		Estates Strategy		Asset Management Plan
Children and Young People Plan	Flood Alleviation • Flood Risk Management Strategy • Coastal Strategy	Our Ambition for North Tyneside		Treasury Management Strategy Statement
	North Shields Master Plan	North Shields Master Plan		Minimum Revenue Provision Policy
				Prudential Indicators

Appendix 2 – Definition of Capital Expenditure

Capital investment is simply described as:

> ***Expenditure on the acquisition, creation or enhancement of "non-current assets"***
>
> ***(non-current assets are items of land and property which have a useful life of more than 1 year)***

This definition of capital expenditure that the Authority has to comply with for the classification and, therefore, the funding of capital expenditure in linked to International Financial Reporting Standards. "Qualifying Capital Expenditure" under s25 of Local Government Act 2003 is defined when:

> "The expenditure results in the acquisition, construction or enhancement of fixed assets (tangible and intangible) in accordance with "proper practices""

"Proper Practice" (from 1 April 2010) is under International Financial Reporting Standards (IFRS) rules. The relevant standard is IAS16 which has the following definition of capital expenditure:

> "Expenses that are directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management".

"Directly attributable" means that, for example, if building a school, it is the costs linked to the actual construction of the building, not temporary accommodation, moving people around etc.

Subsequent Capital Expenditure on an asset is defined as:

> "Expenses that make it probable that future economic benefits will flow to the authority and whose cost can be measured reliably" subject to "if the expenditure is to replace a component, the old component must be written out of the balance sheet".

Future economic benefits means that it is not necessary for the expenditure to improve the condition of the asset beyond its previously assessed standard of performance. The measurement is against the actual standard of performance at the date of expenditure; e.g. if service potential or asset life is increased.

Appendix 3 – Capital Scoring Matrix

Capital Projects Assessment Criteria

Possible Weightings

1. Council Plan Priorities

	Specifically identified in Council Plan		PASS/FAIL
	Identified as a key Project/Activity in the Council Plan or directly supports a number of specific outcomes		
	Generally supports specific Actions or outcomes		
	Will not deliver any identified outcomes		

2. Potential to generate future revenue savings and/or investment return

3 points	Considerable additional net revenue saving and/or income stream meets both £100k pa and > 25% of project cost)	factor = x	**5**
2 points	Moderate additional net revenue saving and/or income stream (meets both £50k - £100k pa and 10-25% of project cost)	Max score	**15**
1 point	Small additional net revenue saving and/or income stream (meets both <£50k pa and < 10% of project cost)		
0 points	No potential net revenue income		
-2 points	Additional on-going resources required over existing budgets		

3. Specific External resources to support scheme (including Regional funding)

3 points	Specific (ring fenced) funding requires no additional Council funds (capital or revenue)	factor = x	**4**
2 points	Specific (ring fenced) funding and requires Council funds of both 10% match funding or up to £250k (capital or revenue)	Max score	**12**
1 point	Specific (ring fenced) funding and requires Council funds of both 50% match funding or between £250-500k (capital or revenue)		
0 points	Specific (ring fenced) funding but requires Council funds of both 75% match funding or > £500k (capital or revenue)		

4. Statutory Status: includes support of a statutory service requirement

3 points	Meets a specific immediate or forthcoming statutory requirement	factor = x	**4**
2 points	Meets an underlying statutory duty	Max score	**12**
1 point	Meets a discretionary requirement		
0 points	no indication of status		

5. Risk to Community of NOT doing (i.e. identified in Risk Register)

3 points	High risk (9-16)	factor = x	**2**
2 points	Medium risk (5-8)	Max score	**6**
1 point	Low risk (1-4)		
0 points	no risk identified		

6. Risk of doing (can project be delivered?) - achievability, timescale, resources required

3 points	Low risk (1-4)	factor = x	**2**
2 points	Medium risk (5-8)	Max score	**6**
1 point	High risk (9-16) with mitigation		
0 points	High risk (9-16) with no mitigation		

7. Condition, health and safety risk and strategic importance of asset issues

3 points	Expenditure on asset will reduce impact of 3 issues	factor = x	**1**
2 points	Expenditure on asset will reduce impact of at least 1 issue	Max score	**3**
1 point	Expenditure will have a possibility of reduced impact in at least 1 issue		
0 points	No demonstrated impact on any issues		

8. Outcomes, added value, cross-service benefit

3 points	Good - Large number of beneficiaries / target groups (>25,000)	factor = x	**1**
2 points	Satisfactory - Significant number of beneficiaries / target groups (10,000-25,000)	Max score	**3**
1 point	Fair - Reasonable number of beneficiaries / target groups (1,000-10,000)		
0 points	Poor - Few beneficiaries / target groups (<1,000)		

Max score	**57**

Appendix 4 – Investment Plan Gateway Process

Investment Programme Board
Governance arrangements for Capital Projects

The purpose of the Gateway process is to ensure that all necessary approvals are secured at all key stages of any Capital project.
Project Officers are responsible for the completion and submission of all Gateway Forms to the Strategic Investment and Property Team (FAO Iain Betham / Fiona Lucas) 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.

Regional Projects

All regional projects come through the IPB Governance arrangements, even if they have already passed regional Gateways. North Tyneside Council to sign off and govern its involvement. All proposals come through Gateway 0—go out to the regional processes—the outputs from that and all necessary information then come back into Gateway 1.

Gateway 0 Strategic Fit

Purpose: Information contained in this submission should be brief but sufficient to demonstrate that a mandate exists, the project or programme has been prioritised and an outline business case has been developed. There is also 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 feasibility stage.
Available options: Approve or advise / refer back / reject

Associated Form—Gateway 0

Gateway 1 Feasibility

Purpose: This document constitutes a formal bid for capital investment including 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 as part of the new scoring matrix. This will ensure that all projects are aligned to the Council'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, if required.
Available options: Approve or advise / refer back / reject

Associated Form—Gateway 1

Gateway 2 Approval and Delivery

Purpose: Spending approval at Gateway 2 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 budget either in terms of expenditure, funding or both you must explain this variance in Section A8. **In addition this Gateway Form MUST provide information on the spend profile which will be monitored as part of the overall investment plan.** Part A is normally completed by the Programme / Project Manager in consultation with the Finance Link Officer. Part B should be completed by the Programme / Project Manager
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 in Part A & relevant sections of Part C.
Available options: Approve or advise / refer back / reject

Associated Form—Gateway 2

Gateway 3 Exception Report

Purpose: Information contained in this submission should provide the IPB with information on the project & the specific issues as to why the matter has been escalated to the IPB. This could cover project delays, financial concerns or new information that may now have an impact on the project. **In addition this Gateway Form MUST provide information on the spend profile which will be monitored as part of the overall investment plan.** 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.
Available options: Approve or advise / refer back / reject

Associated Form – Gateway 3

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. Responsibility for completion of this template should be identified in the follow-on actions and handover plan. Completion of all relevant sections is mandatory to enable consolidated reporting on the Investment Plan.
Scrutiny and Review: The Investment Programme Board will review this submission including for capital accounting and financial closure purposes.
Available options: Approve or request additional information

Associated Form – Gateway 4

This page is intentionally left blank

Appendix E (i)

Treasury Management Statement and Annual Investment Strategy

2022/23

Date: October 2021
Owner: Strategic Finance

North Tyneside Council

1.1 Treasury Management Strategy for 2022/23

1.1.1 The proposed Strategy for 2022/23 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

1.2 Training

1.2.1 The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

Training sessions have been delivered through November 2021 and December 2021 by Link Asset Services to all members involved in the investment decision-making process.

1.3 Treasury management Consultants

1.3.1 The Authority uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

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.

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.

1.4 Investment and Borrowing Rates

Markets remain benign and cautious following the COVID 19 pandemic with interest rates remaining at all time lows. The COVID 19 vaccine programme significantly boosted confidence with the view that life could largely return the normal and restrictions ease. With the easing of restrictions, the economy has seen significant inflationary pressure driven by pent up demand from COVID, supply chain issues as well as an energy crisis. With inflation in Q3 2021 above the 2% target set for the

Bank of England (BoE) has led to the BoE to look at using monetary policy to reduce the economy for overheating and a willingness to increase the bank rate above 0.10% for the first time since March 2020, the beginning of the pandemic.

Financial markets have priced in the first bank rate increase from 0.10% to 0.25% in February 2022 however the Authority's Treasury consultants feel that might be ambitious as the BoE has stated it wishes to see the economic impact of the ending of furlough at the end of September 2021 before intervening with changes to interest rates.

The impact of an interest rate would lead to increased borrowing costs as well as potential increases in investment yield.

1.5 Borrowing Strategy

1.5.1 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 as investment returns have remained low and counterparty risk is relatively high.

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.

1.5.2 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.

Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Head 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.

1.6 Policy on borrowing in advance of need

1.6.1 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.

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.

1.7 Debt Rescheduling

1.7.1 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.

In order to generate the most attractive debt rescheduling opportunities, it is proposed that the strategy for 2022/23 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).

All rescheduling will be reported to Cabinet as part of the next financial management report at the meeting following its action.

2.1 Annual Investment Strategy

2.1.1 Investment policy – management of risk

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.

The Authority's investment policy has regard to the following:

- DLUHC (formerly MHCLG's) Guidance on Local Government Investments;
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017;
- CIPFA Treasury Management Guidance Notes 2018.

The Authority's investment priorities are:

a) the security of capital;
b) the liquidity of its investments; and,
c) Yield (return).

2.1.2 The above guidance from the MHCLG 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.

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.

There have been no changes in risk management policy from last year, and the above criteria are unchanged.

2.3 <u>Investment Strategy</u>

2.3.1 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.

Investment returns expectation

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.

At the end of the financial year, the Authority will report on its investment activity as part of its Annual Treasury Report.

2.4 Creditworthiness Policy

2.4.1 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.

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.

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.

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.

Investment Instruments and Credit Criteria

Investment instruments used for the prudent investment of the Authority's cash balances are listed below under the 'Specified' and 'Non-Specified' Investment categories.

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:

Table 1: Specified Investments and Credit Criteria

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.

	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

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.

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 2: Non-Specified Investments

	Credit Criteria	**Maximum Deposit**	**Maximum Period**
UK Local Authorities	N/A	£5m each	3 years

This page is intentionally left blank

Appendix E (ii)

Treasury Management Practices

2022/23

Date: Oct 2021
Owner: Treasury Management Officer

North Tyneside Council

Table Of Contents

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.

TMP1 - RISK MANAGEMENT

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.

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.

1.1 Credit and Counterparty Risk Management

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.

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.

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).

1. 2 Liquidity Risk Management

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.

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.

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.

1.2.1 Amounts of approved minimum cash balances and short-term investments

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.

1.2.2 Details of:

a) Bank overdraft arrangements
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.

b) Short-term borrowing facilities
The Authority accesses temporary loans through brokers on the London Money Market, the Authority's own bank, banks and other local authorities.

1.3 Interest rate risk management

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.

- Details of approved interest rate exposure limits;
- Trigger points and other guidelines for managing changes to interest rate levels;
- upper limit for fixed interest rate exposure; and,
- Upper limit for variable interest rate exposure

1.3.1 Policies concerning the use of instruments for interest rate management

a) Forward dealing
Consideration will be given to dealing from forward periods depending upon market conditions.

b) Callable deposits
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.

1.4 Exchange rate risk management

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.

It will manage its exposure to fluctuations in exchange rates so as to minimize any detrimental impact on its budgeted income/expenditure levels.

1.4.1 Approved criteria for managing changes in exchange rate levels

a) As a result of the nature of the Authority's business, the Authority may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling.

b) Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity.

1.5 Refinancing risk management

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.

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.

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.

1.5.1 Debt/Other Capital Financing, Maturity Profiling, Policies and Practices

The Authority will establish through the Prudential and Treasury Indicators the amount of debt maturing in any year/period.

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;
a) The generation of cash savings at minimum risk
b) To reduce the average interest rate
c) To amend the maturity profile and balance volatility of the debt portfolio

1.5.2 Projected Capital Investment Requirements

The Director of Resources (Section 151 Officer) will prepare a four-year plan for capital expenditure for the Authority. The investment plan will be used to prepare a four-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.

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.

1.5.3 Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing

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 take into account affordability in the longer term beyond the three-year period.

1.6 Credit and counterparty risk management

Credit and counter-party risk is the risk of failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially one due to deterioration in its creditworthiness, which causes the Authority an unexpected burden on its capital or revenue resources.

As a holder of public funds, the Authority recognises its prime responsibility to always put first the preservation of the principal of the sums, which it invests. Consequently, it will optimise returns commensurate with the management of the associated risks.

1.6.1 Legal and regulatory risk management

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.

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.

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.

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.

1.6.2 Procedure for Evidencing the Council's Powers

The Authority's power to borrow and invest are contained in legislation.
a) Investing: Local Government Act 2003, section 12
b) Borrowing: Local Government Act 2003, Section 1

In addition, 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.

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 & Poors.

1.6.3 Statement on the Council's Political Risks and Management

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.

1.6.4 Monitoring Officer

The monitoring officer is the Director of Law and Governance; the duty of this officer is to ensure that the treasury management activities of the Authority are lawful.

1.6.5 Chief Finance Officer

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.

1.8 Fraud, error and corruption, and contingency management

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.

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.

1.9 Details of systems and procedures to be followed

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.

1.9.1 Authority

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.

1.9.2 Investment and Borrowing Transactions

A detailed register of loans and investments is maintained in the treasury section. This is checked to the ledger balances online (Barclays.net).

Cash flow forecasting records are maintained and support the decision to lend or borrow.

Confirmation is received and checked against the dealer's record for the transaction.

Transactions placed through the brokers are confirmed by a broker note showing details of the loan/investment arranged. Written confirmation is received and checked against the dealer's record for the transaction.

The loans register is updated to record all lending and borrowing.

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.

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.

The Treasury Management cashflow workbook prompts the Treasury Officer that money borrowed or lent is due to be repaid.

1.9.3 Regularity and Security

All lending is only made to institutions on the Approved List of Counterparties.

All loans raised and repayments made go directly to and from the bank account of approved counterparties.

Counterparty limits are set for every institution that the Authority invests with.

There is a separation of duties in the section between dealers and the checking and authorisation of all deals.

The Authority's bank (Barclays Bank) have a list of Council officials who are authorised signatories for treasury management transactions as well as those authorised to contact Barclays.

No member of the treasury team is an authorised signatory.

The on-line banking system can only be accessed by a password and use of an authentication reader.

There is adequate insurance cover for employees involved in loans management and accounting.

Checks

The bank reconciliation is carried out daily from the bank statement to the financial ledger.

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.

Working papers are retained for audit inspection.

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.

Calculations

The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated by the treasury management system.

The treasury management workbooks automatically calculate periodic interest payments of PWLB and other long term loans. This is used to check amounts paid to lenders.

Average weighted capital loans fund interest rates and debt management expenses are calculated using information from the financial ledger and treasury management system.

1.8.1. Emergency and contingency planning arrangements

Key treasury management colleagues have been provided with business continuity plan (BCP) contingencies.

All computer files are backed up as necessary, the core banking system is accessible remotely as well as without need to access the server.

1.8.2. Insurance cover details

Fidelity Insurance

The Council has ‘Fidelity’ insurance cover with Maven Public Sector. This covers the loss of cash by fraud or dishonesty of employees.

1.8.3. Market risk management

The risk that through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

The Authority will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

1.8.5 Approved Procedures and Limits for Controlling Exposure to Investments whose Capital Value may Fluctuate

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Investment Strategy.

TMP 2 - PERFORMANCE MEASUREMENTS

2.1 Evaluation and Review of Treasury Management Decisions

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 Review of our Treasury Management Consultants

The treasury management team holds reviews with our consultants every regularly to review the performance of the investment and debt portfolio.

2.3 Annual Review after the end of the Financial Year

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 Comparative Reviews & Performance Measurement

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.

Investment performance is reviewed on a weighted average basis against other Local Authorities.

2.5 Policy Concerning Methods for Testing Value for money in Treasury Management

2.5.1 Frequency and Processes for Tendering

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.

2.5.2. Banking Services

Banking services will be retendered or renegotiated every 5 years with an option to extend for further years.

2.5.3. Money-broking services

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.

2.5.4 Consultants Services

The Authority’s policy is to appoint professional treasury management consultants.

The Authority has not appointed external investment fund managers.

TMP 3 - DECISION-MAKING AND ANALYSIS

3.1 Funding, Borrowing, Lending and New Instruments/Techniques:

3.1.1. 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

3.1.2. Processes to be pursued

- Daily cash flow analysis
- Debt and maturity analysis
- Ledger reconciliation

3.1.3. Issues to be Addressed

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.

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.

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

Please seed the current Annual Investment Strategy. The latest version is available from the Treasury Management Officer.

4.2.1 Implementation of 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.

MIFID II does not cover term deposits so local authorities should not be required to opt up to professional status. However, some non-UK banksdo not have the necessary regulatory permissions to deal with retail clients, so opting up to professional status would be required.

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.

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.

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 Approved Methods and Sources of Raising Capital Finance

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 receipts & revenue balances)	●	●
Leasing	●	●
Municipal bond agency	●	●

Other Methods of Financing

Government and EC Capital Grants
Lottery monies
PFI/PPP
Operating Leases

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.

4.5 Investment Limits

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

4.6 Borrowing Limits

Please see 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 a) The Council will receive and review reports on treasury management activities, the annual treasury management strategy and the annual treasury management report.

b) The Director of Resources will be responsible for amendments to the organisations adopted clauses, treasury management policy statement and treasury management practices.

c) The Director of Resources will consider and approve the Treasury Management Budget.

d) The Director of Resources will approve the segregation of responsibilities.

e) The Director of Resources will receive and review external audit reports and put recommendations to the Audit Committee.

f) The Director of Resources in accordance with Financial Regulations will decide approving the selection of external service providers and agreeing terms of appointment.

5.4 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.

5.5 TREASURY MANAGEMENT ORGANISATION CHART

	Director of Resources (Section 151)	
	Senior Finance Manager	
	Principal Accountant	

	Treasury Management Officer	
	Finance Officer	

5.6 The Director of Resources may delegate her power to borrow and invest to members of staff. The Treasury Management Officer will conduct all dealing transactions, the Principal Accountant and Finance Officer will act as temporary cover for leave/sickness.

5.7 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.

5.8 A list of brokers is maintained within the Treasury Team and a record of all transactions recorded against them.

5.9 The Council rotates business between brokers.

5.10 It is not Council Policy to record brokers conversations

5.11 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.

5.12 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 Annual programme of reporting

- 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

6.1 Annual Treasury Management Strategy Statement

1. 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.
2. 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.
3. 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

4. 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.

5. The outcome of debt rescheduling undertaken and reported to Cabinet as soon as possible after completion of the exercise.

6.3 The Annual Investment Strategy Statement

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

6.4 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.

6.5 Policy on Prudential and Treasury Indicators

The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.

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.

6.6 Mid-year Review

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

6.7 Annual Review Report on Treasury Management Activities

An annual report will be presented to Cabinet at the earliest practicable meeting after the end of the financial year, by the end of September. 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

6.8 Publication of Reports

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 STATUTORY/REGULATORY REQUIREMENTS

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.

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.

7.2 BUDGETS / ACCOUNTS/PRUDENTIAL AND TREASURY INDICATORS

The Principal Accountant 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 AUDIT ARRANGEMENTS

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.

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 ARRANGEMENTS FOR PREPARING/SUBMITTING CASH FLOW STATEMENTS

8.1.1 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.

8.1.2 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.

8.1.3 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 Proceeds of Crime Act 2002

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

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 ff a suspect, either directly or indirectly
- Doing something that might prejudice an investigation – for example, falsifying a document

9.2 The Terrorism Act 2000

This 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.

9.3 The Money Laundering Regulations 2012, 2015 and 2017

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.

9.4 Local Authorities

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;

i. evaluate the prospects of laundered monies being handled by them;
ii. determine the appropriate safeguards to be put in place;
iii. require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
iv. make all its staff aware of their responsibilities under POCA
v. appoint a member of staff to whom they can report any suspicions
vi. 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
vii. 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.

9.5 PROCEDURES FOR ESTABLISHING IDENTITY / AUTHENTICITY OF LENDERS

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.

The Authority does not accept loans from individuals.

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

When repaying loans, the procedures in 9.6 will be followed to check the bank details of the recipient.

9.6 Methodologies for Identifying Deposit Takers

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.

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: -

a) Treasury management staff employed by the Authority

b) Members charged with governance of the treasury management function

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.

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.

Details of staff training needs will be identified, as part of the training needs analysis undertaken during staff Individual Performance Review.

Treasury Management seminars will be attended as appropriate.

10.2 Statement of Professional Practices

Where the Chief Finance Officer is a member of CIPFA, 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.

10.3 Members charged with Governance

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 DETAILS OF CONTRACTS WITH SERVICE PROVIDERS, INCLUDING BANKERS, BROKERS, CONSULTANTS, ADVISERS

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.

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.

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

11.1.1 BANKING SERVICES

a) Name of supplier of service is Barclays Bank PLC.
The branch address is:

Newcastle City
Newcastle upon Tyne
NE1 7AF

Tel: 0345 734 5345

b) Contract commenced November 2016 and runs for 5 years full and extension until November 2021. Due to COVID-19 the Authority has exercised an option to extend for up to 24 months from November 2021.

c) Cost of service is variable depending on schedule of tariffs and volumes

d) Payments due quarterly/Monthly.

11.1.2 MONEY- BROKING SERVICES

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.

Name of supplier of service:

Martin Brokers (UK) plc
Tradition UK Limited
Icap Tullett Probon
BCG/Sterling
King & Shaxton
Imperial Treasury Services

11.1.3 CONSULTANTS'/ADVISERS' SERVICES

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.

Treasury Consultancy Services

a) Name of supplier of service is Link Treasury Solutions. Their address is:

65 Gresham Street
London
EC2V 7NQ

b) Contract commenced January 2018 for 3 years until December 2021 with an option to extend the contract for a further year.

c) Cost of the current service is maintained within the Treasury Team.

Credit Rating Agency

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.

12.3 The following documents are available for public inspection;

- 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

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 2017,
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2017
- CIPFA Prudential Code for Capital Finance in Local Authorities – guidance notes for practitioners 2018

- 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

Appendix F

Our North Tyneside Plan and Budget Engagement

Approach

The Authority took a cautious approach to the budget engagement this year given the continuation of the COVID-19 pandemic. People were however given the option of online engagement or meeting face to face.

Engagement with residents and other key stakeholders took place between 3 December 2021 and 23 January 2022.

This was done via:

- two face to face sessions with the Residents Panel
- online and face-to-face with key stakeholder groups; and
- online questionnaire published on the North Tyneside Council website from 30 November 2021

In the online sessions, participants were shown a short film and presentation about the Authority's Budget and Cabinet's Council Plan and initial Budget proposals as agreed on 29 November 2021. Participants were able to have their questions answered and were asked to give their views on the Budget proposals.

In face-to-face sessions the participants were shown a presentation about the Local Authority's Budget. Participants were able to have their questions answered. The Residents Panel were also able to send in questions after the first session. These questions were answered by members of Senior Leadership Team at the second session which included time for discussion.

Engagement opportunities were publicised in the Our North Tyneside magazine and on all of the Authority's social media platforms to explain how people could get involved. Posters were also displayed in the five leisure centres and circulated to all the Authority's North Tyneside Living Accommodation and Voluntary and Community Sector contacts. This information signposted people to the online engagement and provided contact information for those who required different formats. A display with information and paper copies of the survey were also available in the Community Conversation Corners in the four main Customer Service Centres.

Outcomes from the Engagement Activity

218 people took part in the engagement process.

Regarding our face to face and online engagement meetings people were in support of no cuts to services and a commitment to keeping library and leisure services open. There was an understanding that the Authority had needed to follow the Governments Core Spending Power assumptions regarding the rise in Council Tax and the setting of the Social Care Precept. People welcomed the initiatives that are being taken to address poverty and the voluntary sector agencies welcomed the changes to backdating of the Council Tax Support Grant which would help in this instance. The Residents Panel and Children and Young Peoples groups felt that clearer funding of green initiatives and more information were important in this important issue. They also felt that spending on social care and skills and employment initiatives were high priority.

154 responses were received the on-line survey. There was very strong agreement that the authority should continue to focus on the four elements within its Efficiency Programme in relation to: Commissioning; Digital Strategy; Asset Management; and Workforce.

In relation to the considerations regarding the proposals to backdate new claims to the Council Tax Support Scheme and to increase Council Tax and the Social Care precept, the majority of those who expressed a view as part of the engagement were supportive. Consultation participants also provided their suggestions about how the Authority could achieve a balanced budget and these will help to inform the implementation of the Efficiency Programme.

Regarding our online engagement we had 460 unique views on the budget engagement site and 114 page views on the original press release in our News section. The Authority reached more than 28,742 people on its two main social media platforms Facebook and Twitter. In response to information regarding the Council Plan and Budget proposals which were promoted via these platforms, on Facebook there were we had 1,027 engagements and 208 links clicked.

Reserves and Balances Policy

Date: 31 January 2022 **Version:** V1 **Author:** Janice Gillespie

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 Application
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 The Existing Legislative/Regulatory Framework
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.

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.

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.

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.

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 The Role of the Head of Finance (Chief Finance Officer)
Within the existing statutory and regulatory framework, it is the responsibility of the Head of Finance (in her 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.

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 27) and reserve transactions must be taken account of within the required budget monitoring arrangements (section 28).

5 Types of Reserves
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.

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.

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.

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.

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 Policy and Principles to Assess the Adequacy of Reserves
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.

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.

The Authority holds two types of reserves

- General unearmarked reserves (the Authority's General Fund Balances)
- Earmarked reserves held for specific purposes

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.

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.

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 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.

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.

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 The Reporting Framework

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.

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.

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 two 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 financial management out turn report for the year, which is presented to Cabinet for approval, and subsequently to the Finance Sub Committee, includes a full listing of all reserves and an explanation of any significant movements in individual reserves.

- The regular in-year financial management reports to Cabinet and Finance Sub Committee include details of any transactions affecting the Authority's reserves.

8 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

2022-2026 Financial Planning and Budget Process

Timetable of Key Milestones for 2022/23

Date / Meeting	Detail
2 August 2021 **Cabinet**	Cabinet approves the 2022-2026 Financial Planning and Budget process, incorporating the associated Engagement Strategy.
29 November 2021 **Cabinet**	Cabinet considers its 2022-2026 initial Budget proposals in relation to General Fund, Schools, Housing Revenue Account & Investment Plan for 2022-2026.
30 November 2021	Notice of Objection process for the 2022/23 Budget commences.
30 November 2021	Budget and Council Plan engagement process begins. Ends in January 2022.
December 2021 **Scrutiny Process**	Scrutiny of the 2022-2026 Financial Planning and Budget process.
Mid December 2021	Estimated timing of the 2022/23 Provisional Local Government Finance Settlement.
17 January 2022 **Overview, Scrutiny and Policy Development Committee**	Overview, Scrutiny and Policy Development Committee considers the results of its review of the 2022-2026 Financial Planning and Budget and Council Plan process.
24 January 2022 **Cabinet**	2022/23 Council Tax Base agreed by Cabinet
31 January 2022 **Cabinet**	Cabinet approves the final proposals in relation to the 2022/23 Housing Revenue Account budget and associated Business Plan, including an assessment in relation to the current year's budget monitoring information (2021/22). In addition, Cabinet will agree the Annual Housing Rent policy for 2022/23.
31 January 2022 **Cabinet**	Cabinet considers its Budget proposals for 2022-2026 in relation to General Fund Revenue, Schools & Investment Plan for 2022-2026, taking into account feedback received as part of Budget Engagement and any recommendations from Overview and Scrutiny and Policy Development Committee.

Appendix H

Date / Meeting	Detail
1 February 2022 **Overview, Scrutiny and Policy Development Committee**	Overview, Scrutiny and Policy Development Committee/Budget Study Group as appropriate considers Cabinet's final Budget proposals.
7 February 2022 **Cabinet**	Cabinet meeting to consider any recommendations of the Overview and Scrutiny Budget Study Group following its review of the Cabinets 2022/23 Budget and Council Tax proposals.
15 February 2022	4pm deadline for responses to the Authority's Notice of Objection
17 February 2022 **Council**	Cabinet submits to the Council its estimates of amounts for the 2022-2026 Financial Plan and 2022/23 Budget & Council Tax levels.
21 February 2022 **Cabinet**	Cabinet Meeting to consider any objections to Cabinet's Budget and Council Plan proposals. The Cabinet meeting on 21 February 2022 is now a scheduled meeting with other items of business and will proceed even where no objections are approved.
3 March 2022 (if required) **Council**	Council meeting to agree the Budget for 2022/23, the Council Tax level for 2022/23 and the Investment Plan for 2022-2026

Overview, Scrutiny & Policy Development Committee

17 January 2022

Budget Sub-group report

Author: **Budget Sub-group**

Wards: **All**

1 Purpose of Report

To inform Overview, Scrutiny & Policy Development Committee of the work undertaken by the Budget Sub-group in scrutinising the 2022/26 Financial Planning and Budget Process: Cabinets Initial Budget proposals.

2 Recommendations

1. The Overview, Scrutiny & Policy Development Committee is recommended to refer the report of the Budget Sub-group, as set out in the report to Cabinet for consideration as part of the 2022/26 budget setting process.

2. That the Budget Sub-group be delegated to make any further recommendations and/or views on behalf of the Overview, Scrutiny & Policy Development Committee to Cabinet at its meetings on the 31 January 2022 & 7 February 2022.

3 Background

The Council's constitution places a duty on the Overview, Scrutiny and Policy Development Committee 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 sub-group.

The following Members served on the group:

Councillor Liam Bones	Councillor Janet Hunter
Councillor Sean Brockbank	Councillor Janice Mole
Councillor Debbie Cox	Councillor Bruce Pickard
Councillor Cath Davis	Councillor Paul Richardson
Councillor Muriel Green	Councillor Willie Samuel

The group met on the 15 December where Senior Officers presented 2022/26 Cabinets Initial Budget proposals and Business Cases.

Councillor Martin Rankin – the Cabinet Member for Finance was invited and attended the meeting to offer further insight if/when required.

At its meeting on the 15 December 2021, further information on a number of areas of the budget was requested, including the updated position of the Government Settlement. It should be noted that upon receipt this information the report maybe amended before submission to Cabinet for consideration.

On agreement of the Overview, Scrutiny & Policy Development Committee the Budget Sub-group is scheduled to reconvene and consider Cabinet Final Budget Proposals for 2022/26 that will take place on Tuesday 1 February 2022.

Refreshed Our North Tyneside Plan & Budget Engagement

The Our North Tyneside Plan 2021 – 2025 was approved by Full Council on 23 September 2021 and provides the policy framework or context for the Budget proposals.

The plan features 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.

The Budget Engagement strategy included a combination of activity, that involved an online survey, virtual and face to face meetings. Budget information had been publicised widely on all the Council's media platforms where stakeholders could view a video, complete an online survey and provide feedback to posed questions.

Further promotion was made through in the Council magazine and in Community Conversations corners of the main libraries of the borough, where information and hardcopy surveys for residents were available.

There had been specific targeted budget engagement with a range of stakeholders that included North Tyneside Strategic Partnership, Businesses, Schools, Voluntary Sector and the Black and Minority Ethic community.

Reassurance was given that all information provided promoted engagement through a range of choices, such as online, telephone, email where views could be raised and recorded.

General Fund

The sub-group understood that there was continued uncertainty in relation to how the impact of Covid-19 on the financial plan and the implications to Council Services in the future. It was noted that the full impact in business rate collection had not yet emerged, some business rate reliefs had ended and there was some uncertainty to the support of further future reliefs being available. This uncertainty suggested the possible risks and challenges that businesses in North Tyneside could face in the future.

2020/21 Outturn

The financial outturn position for 2020/21 realised a General Fund Surplus of £2.5m that was due to the low interests' rates and delay in capital and treasury management.

The sub-group heard and understood the approach taken to address risks and that the surplus was allocated to:

- Address risks of school deficits with £1m into Education Reserve
- Address approach to planning for the return of Partner Services with £1m into Change Reserve
- £0.5m to address Health and Safety Risks associated with Council Buildings

The sub-group considered this a reasonable approach in light of the future income and service uncertainty.

Current In-year position

At the September 2021 financial position it had been noted that the forecast budget pressure was £5.962m of which £4.161m related to Covid and £1.801m to Business As Usual activity.

Covid had increased budgetary pressures in relation cost pressures for Adults and Children's Social Care and income losses to Sport and Leisure and Catering.

The Business As Usual activity had seen cost pressures in relation to Children's Social Care, Home to School Transport and Housing Benefits.

Emphasis was given that the authority was working to ensure any grants received would be used to reduce/negate covid impact. There was anticipated that the Business As Usual activity would see a balanced position, however if this position was not realised any balance left would need to be funded by the Strategic Reserve.

Medium-Term Financial Plan Update

The authority is required to produce a balanced budget, a Medium-Term Financial Plan (MTFP) and a Housing Revenue Account (HRA) 30-year business plan each financial year.

The impact of Covid-19 has continued throughout the financial year 2021/22 and it was anticipated would continue into future years as the inequality gap had grown over the period of the pandemic.

The new revised 4-year plan showed that for 2022/23 that the Base Budget spend was at a level of £175.394m with available resources before any increase to Council Tax of £163.028m, leaving an initial funding gap of £12.366m.

There are a number of business cases from previous years business that would derive efficiency throughout 2022/23. Taking these and assuming a 1.99% Council Tax increase and 1% Adult Social Care precept resulted the funding gap the Council had to address was £2.526m.

Resources Assumptions

The sub-group received detailed explanation to the resource assumptions for 2022/23 in relation to Council Tax Support and Business Rates

The Local Council Tax Support Scheme (LCTS) for working age claimants would be capped at 85% of an individual's Council Tax liability, therefore working aged people will be charged 15% of their Council Tax before they can receive Council Tax Support.

In relation to the LCTS the Sub-group noted and agreed that retention of the 85% cap of the scheme would continue to provide support to residents moving into Council Tax support and Universal Credit.

To further support residents when claiming LCTS, it was proposed that claimants on providing good cause for delay, could back date their claim up to 26 weeks an increase from 4 weeks.

The sub-group agreed with the proposal that this measure would ensure working age claimants did not lose out on entitlement from 2022/23.

The collection rate target of Council Tax was to return to 98.5% and the Housing Growth was assumed to remain at 250 Band D equivalents for a full year.

The sub-group understood that all components of Council Tax provision should determine a prudent level of housing growth as this would avoid the collection fund dropping into deficit in future years.

The level of Business Rates is set by Government and is based on rateable value of non-domestic properties across North Tyneside. The Authority retains 49% of the business rates it collects, with 50% going to Government and 1% to Tyne & Wear Fire and Rescue Authority. There was a planned increase in the Consumer Price Index (CPI) by 3.1% in the business rates multiplier, however this had been cancelled and Local Authorities would receive full compensation through Section 31 grant.

There was concern that the CPI was increasing beyond the 3.1% and there needs to be assurance that plans were in place to allow the Authority to react to the risks this could have on the collection rates.

Growth Assumption

All current growth areas had been reviewed and updated, however there needed additional consideration to growth pressures in light of new information in relation to;

- Climate Emergency Change Plan – resource support in delivering the plan
- Commercial Pressure – inflationary pressure to Adult and Children support
- Corporate pressure – the pay award offer of 1.75% had been rejected and a 2% offer was assumed in the budget, however further review may be needed due to the increases in CPI and RPI rates.
- Legislative/Regulatory – grant changes to new homes bonus
- Inflationary Changes

The sub-group raised their concern to the continuing increase in inflation and to the potential impact it would have on the Council Budget.

Autumn Budget Spending Review SR21 – key considerations made.

The Council Tax thresholds would remain at similar levels to recent years, with the threshold for "core" Council Tax increases remaining at 1.99% and the adult social care precept by a further 1%. Confirmation of the thresholds will be in the provisional settlement.

Local Government in England will receive an additional £4.8bn increase in grant funding over the next 3 years (£1.6bn in each year).

Although the allocation to be received by North Tyneside was unknown it was hoped a clear understanding would be known following the Governments settlement statement on 16 December 2021. This additional funding was being provided to aid both the Authority and local suppliers in relation to the 1.25% increase in National Insurance contribution.

The sub-group requested information that would provide an understanding to the allocation North Tyneside would receive.

Additional funding would be available for social care reform in Local Government (£3.6bn over 3 years to implement "the cap on personal care costs and changes to the means test" with a reference included to moving towards fairer cost of care). There was some uncertainty to how this would impact services.

From the total £5.4bn social care reform funding, a further £1.7bn was to be allocated over 3 years "to improve the wider social care system" and £500m would be made available to "improve" the social care workforce. Again, there was uncertainty to the mechanism to how this funding would be provided with the potential to increase risk to the Authority.

There are various smaller allocations within the core funding announcement, including £200m for the "cross-government Supporting Families programme", £37.8m for cyber security, and £34.5m to "strengthen local delivery and transparency".

There had been no announcement about local government funding reforms (Fair Funding Review or business rates changes) however on the 10 November 2021, the new Department for Levelling Up, Housing and Communities (DLUHC) announced that the government had plans to abandon the approach to 75% Business Rates retention, advising that policy would conflict with the government's "levelling up agenda".

In terms of any key announcements for the Housing Revenue Account no indications had been made that Central Government was expecting to impose a cap on landlords for social housing rent increases.

It was noted that the Government had made statements to increased funding availability for Local Authorities, with the amounts stated being extensive, however there was concern that the Council was unable to determine the level of funding that North Tyneside would receive due to the lack of clarity from Government.

The sub-group understood this impacts the ability of providing residents and businesses a transparent and understandable budget and requests that following the provisional Settlement Statement that levels of funding directly being allocated to North Tyneside be announced.

Service Risks / New Burdens

Adult Social Care

Understanding was needed to the demands relating to shifts from Care Home/Home Care/ Supported Living and the impact of Covid, including the effect to the budget in the longer term.

The Authority had sought to enable resident can stay in their homes, however over the longer term the support required becomes more complex, which can trigger sustainability and workforce issues.

The sub-group was informed of a pilot project that had started in conjunction with Northumbria Healthcare Trust, which was developing a Joint Home Care model to address expected workforce issues by developing a career approach to those moving into the Care sector and providing the necessary progression and associated employment benefits.

The Authority was also working with the North of Tyne Combined Authority to understand the care sector as an area of required skill growth.

An affordable contract offer had been secured for 2021/22 was in place with further understanding would be required of the Social Care Reform and how that would affect the contract offer for 2022/23 and into the future.

The sub-group was provided information to the range of reform measures that could impact future provision.

Children Social Care

Although the Authority had sustained a stable level of children in care, there had been an increase of complexity, which has resulted in increased expenditure.

There had been an increase in statutory social care cases, children requiring a need plan and children with a child protection plan.

This had impacted on the workforce case load, with added risk to being able to retain Social Workers in a competitive demand environment.

There is a limited market, which increased cost and the inability to source external residential placements.

The sub-group understood this has been an ongoing issue and consideration was needed to find more local provision and find solutions to ensure demand can be managed.

<u>High Needs/SEND</u>

There was continuing pressure with regards to the High Needs Block of the Dedicated Schools Grant, which was seeing a cumulative deficit forecast to year end £12.551m (at September 2021).

There was an impact on the General Fund, through increased Statutory assessments and Home to school transport. The Authority has a Recovery Plan in place and was continuing to work with schools and Department of Education to address issues.

There was concern to the length of time it would take to have an achieve a managed approach.

Action to manage risks

The Authority has a Change reserve that is used to support actions to reduce cost and reduce risks and benefit in the future years.

The sub-group considers use of the Change Reserve be further used to support activity that would benefit the reduction in social care expenditure.

Consideration of the impact of COVID

It was understood that there would be a continue impact to services due to the Covid-19 pandemic which would need to be reviewed in the coming 2-3 years.

There was increased demand for Home Care provision, Adults/Children Social Care, in addition to the risks to fees and charges for some services.

The sub-group considers the proposal to create a COVID reserve through a re-allocation from Strategic Reserve an appropriate measure and for transparency of use should be reported through the established Council Financial Monitoring process.

Corporate Risks

The corporate risks that needed consideration which included the continued Economic impact of Covid on Businesses and Services, Comprehensive Spending Review (SR21) / Fair Funding / Business Rates, School Deficits and Inflation /Interest Rates.

The sub-group considered it an appropriate measure to ensure adequate levels of reserves to ensure the Authority could manage potential risks. It considered the approach to increase the reserve Created for Schools Deficit and the contingency budget to be appropriate.

Approach to Savings

A seven business cases that were designed to deliver financial and /or customer service improvement were presented, these were grouped under four themes:

Digital, Data & Customer
Using technology and our data to identify and deliver opportunities to improve customer service and efficiency. Maximizing innovation opportunities.

Workforce Planning & OD
Organisation wide proposals, which underpin many of the other 3 priorities, to make the best use of our greatest asset, our teams.

Commissioning, Procurement & Commercial

How we purchase and engage with our supply chain, delivering against a transparent procurement plan to secure financial benefits, transparency of demand will assist with commercial leverage.

Asset Management
Having a full and clear understanding of the costs of our asset base, both in terms of our operational and non-operational assets and moving towards a comprehensive Asset Management Plan.

In considering the business cases the sub-group understood the rationale to each presented, however there were questions in relation to the narrative and reporting on financial information and the need for this to be consistent across all business cases to ensure transparency and understanding.

Housing Revenue Account

Members were reminded that there is a requirement for the 30-year Housing Revenue Account Business Plan to be refreshed every year.

Rent increases for next year are based on the Consumer Price Index (CPI) rate, as at September, plus 1%. The CPI rate announced for September 2021 was 3.1% which will lead to a proposed rent increase for 2022-23 of 4.1%.

There were some key objectives in the plan, which included maintaining the existing stock, meeting increased Affordable Homes ambitions with the plan having committed £51.226m from HRA over 10 years. There were also a need to respond to the Authority's Climate Change Emergency, by funding increased sustainability measures and starting to address the decarbonisation agenda.

There would be continued focus on supporting residents to sustain tenancies, and help tenants manage their money so that they do not end up in financial hardship or significant arrears. Reviews had been undertaken to ensure the right support was available to tenants.

In 2022/23 there was to be some organisational changes with regards to Housing Management with the establishment of a new Directorate of Housing.

To ensure the Authority has access to the necessary trades there was to be further investment into the apprenticeships which would reduce the skills gap and trade retention for future years.

There was risk identified through clear evidence of shortages of certain key materials such as steel and wood, accompanied by increasing prices as a result along with the current upwards pressure on inflation, effecting both the capital programme and the day-to-day repairs.

2022-2027 Investment Plan Options

Key additions to the Investment plan were

Asset Plan Maintenance of £0.5m investment based on completed building condition surveys to reflect identified requirements to maintain Health and Safety Standards.

Climate Change Decarbonisation an indicative contribution of potential investment of £250k for 2022/23, whilst plans were being progressed and in development, which Electric Vehicles replacement plan was part.

A review of the Industrial Estates portfolio would be undertaken to understand the maintained benefit and consider options for change through the appropriate governance arrangements.

With regards to risk there had been increased contingencies of £2.3m to counteract inflationary increases for material costs and skills shortage in the construction industry.

The sub-group understood that with the appropriate project management in place would ensure all risks were be considered before starting a project or progressing a programme of work and that prudent decision making was required to reschedule works if projects encounter budgetary pressure through material/skills shortages.

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.

The sub-group wishes to commend officers of the Council, its partners and volunteers for their work in the delivery of the services throughout the pandemic. It also wished to thank the financial team for providing clear coherent information throughout the budget process.

4 Presenting Officers

The following officers presented to the sub-group:

Janice Gillespie – Director Head of Resources
Jacqueline Laughton – Assistant Chief Executive
Mark Longstaff - Director of Commissioning and Asset Management
Phil Scott - Director of Environment, Housing and Leisure
John Sparkes - Director of Regeneration and Economic Development
Darrell Campbell - Principal Accountant
Claire Emmerson - Senior Manager Financial Planning and Strategy
Sarah Heslop - Strategic Manager Commercial and Procurement
Haley Hudson - Customer and Digital Strategy Manager
Daniel Simms - Chief Information Officer.

5 Background Information

The following documents have been used in the compilation of this report and may be inspected at the offices of the author:

2022-2026 Financial Planning and Budget Process: Cabinet’s Initial Budget proposals Business Cases

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 local Clinical Commissioning Group, 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.
Brexit	The departure of the United Kingdom from the European Union.
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.
CCG	Clinical Commissioning Group – an NHS body which commissions community and hospital-based healthcare for a local area.
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.
Core Spending Power	Core Spending Power is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the Local Government Finance Settlement (LGFS)
Cost Centre	A code created in 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.
ESFA	Education Skills and Funding Agency
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 to support Adult Social Care in ways, which also benefit Health. This was paid for the first time in 2017/18 and continues into 2022/23.
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.
MHCLG	Ministry of Housing, Communities and Local Government
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.

This page is intentionally left blank