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North Tyneside Council

Cabinet
(Extraordinary Meeting)

20 January 2023

Monday, 30 January 2023, The 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.	**2023-2027 Financial Planning and Budget Process: Cabinet's Final Budget proposals** To consider the 2023-2027 Financial Planning and Budget Process: to seek approval for Cabinet's proposals for 2023/24 for the General Fund Revenue Budget, Dedicated Schools Grant, Investment Plan and Treasury Management and Housing Revenue Account (HRA) Business Plan and Budget.	**5 - 210**

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

Agenda Item		Page(s)
4.	**Date and Time of Next Meeting**	
	6.00pm on Monday 6 February 2023 (Extraordinary meeting) 6.00pm on Monday 20 February 2023 (Ordinary meeting)	

Circulation overleaf …

Circulated to Members of Cabinet: -

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

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

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North Tyneside Council
Report to Cabinet
Date: 30 January 2023

Title: 2023-2027 Financial Planning and Budget Process: Cabinet's Final Budget proposals

Portfolio(s):	**Elected Mayor**	**Cabinet Member(s):**	**Dame Norma Redfearn DBE**
	Deputy Mayor		**Councillor C Johnson**
	Finance and Resources		**Councillor M Rankin**
	Housing		**Councillor J Harrison**

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

PART 1

1.1 Executive Summary:

1.1.1 On 19 September 2022, the Elected Mayor and Cabinet agreed its 2023-2027 Financial Planning and Budget Process incorporating the associated Engagement Strategy. This report represents a key milestone in the development of the 2023/24 Budget and 2023-2027 Medium-Term Financial Plan (MTFP), as it sets out Cabinet's draft Budget proposals for the next financial year and beyond.

1.1.2 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 ensure anyone who needs support can access it, to help the most vulnerable members of the community and to continue investment in all parts of the Borough.

1.1.3 The Authority's Budget was already challenging following years of Government funding cuts and uncertainty, with the long-term impact of the covid pandemic, general demand for services, rising energy costs, inflation and the long-term impact of the war in Ukraine exacerbating this. However, the Authority has a robust and fair approach to Budget-setting meaning that wherever possible, these challenges had been foreseen and provided for as the Authority headed into the current financial year.

1.1.4 The Medium-Term Financial Plan (MTFP) position has been updated to include the impact of the Provisional Local Government Finance Settlement (the Settlement) for 2023/24, which was announced on 19 December 2022. Full details of the Settlement are included in Annex A, Section 3. The allocation from the Settlement has been included in Table 2 of this report and notes the movement to income and expenditure since the last report to Cabinet in November.

1.1.5 The Settlement confirms that Core Spending Power (CSP) for local authorities will increase nationally by 9.9% in cash terms for 2023/24. Cabinet should be aware that the Government's assumption to achieve this increase is that all authorities will implement the maximum allowed Council Tax increase of 4.99%, made up of a 2.99% increase for general Council Tax and a 2% increase for the Adult Social Care Precept. In calculating the CSP, the Government has assumed that each authority's 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.

1.1.6 The Elected Mayor and Cabinet's draft Budget proposals therefore include for consideration, an increase of 2.99% for general Council Tax and 2% for the Adult Social Care Precept in line with the Government's assumptions. Cabinet will be aware, however, that the current level of support to residents to pay Council Tax is maintained at £1.520m. For 2023/24 the Government announced an additional one-off Council Tax Support Fund grant of which the Authority will received £0.427m, this will be used to partially fund the additional support to vulnerable residents.

1.1.7 In its report of 28 November 2022, Cabinet set out the estimates for proposed spending and resource plans for the Housing Revenue Account (HRA) Budget for 2023-2027 and associated Investment Plan 2023-2028. In addition, the report outlined the proposed changes to housing rent, garage rent and service charges for 2023/24.

1.1.8 Cabinet is now formally asked to approve the proposed spending and resource plans for the HRA Revenue Budget for 2023/24 in accordance with the responsibilities of Cabinet pursuant to the Local Government Act 2000. Cabinet is also asked to approve the housing element of the 2023-2028 Investment Plan, a proposed 7% rent increase from April 2023 (in line with Government policy), and the proposals in relation to housing service charges and garage rents for 2023/24.

1.1.9 The proposed spending plans have been updated to reflect the 2022/23 in-year monitoring position for the HRA as reported to Cabinet on 23 January 2023 and the updated balances position now anticipated for the beginning of the 2023/24 financial year. In recognition of the impact that a 7% rent increase could have on tenants not supported via the Benefits system, Cabinet's proposals also include the creation of a £3m budget to support tenants facing financial hardship over the next 3 years.

1.2.1. Recommendation(s):

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:

1.2.2 General Fund Revenue Budget, Dedicated Schools Grant and Investment Plan

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 16 February 2023, in accordance with the Authority's Constitution and Budget and Policy Framework Procedure Rules;

c) Note that Cabinet's proposals for the 2023-2028 Investment Plan (Appendix D (i)), including the Capital Investment Strategy (Appendix D (iv)) and Prudential Indicators for 2023-2027 (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 16 February 2023;

d) Consider and agree the estimates of amounts in relation to the 2023-2028 Investment Plan, including prudential indicators for 2023-2027 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 2023-2028 Investment Plan will be kept under review by the Investment Programme Board and reported to Cabinet on a bi-monthly basis;

f) Note that Cabinet's proposals for the Treasury Management Statement and Annual Investment Strategy for 2023/24 will be submitted to full Council for its meeting on 16 February 2023 Appendix E (i);

g) Approve the Treasury Management Statement and Annual Investment Strategy for 2023/24 Appendix E (i);

h) Consider and agree the proposals in relation to the Treasury Management Statement, Annual Investment Strategy for 2023/24 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 30 January and 6 February will be provided as a supplementary report to full Council on 16 February 2023;

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 2023/24 Provisional Local Government Finance Settlement announced on 19 December 2022 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 2023/24 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 (2022/23) and indications for the Financial Plan for 2023/24;

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 16 February 2023;

p) Note the conclusions of the Overview, Scrutiny and Policy Development Committee's review of the 2023/24 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 6 February 2023;

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 2023/24;

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 Director 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.

1.2.3 <u>Housing Revenue Account</u>

(a) Consider any recommendations arising from the Overview, Scrutiny and Policy Development Committee's consideration of Cabinet's initial Budget proposals for the 2023/24 Housing Revenue Account (HRA) Business Plan and Budget proposed by Cabinet on 28 November 2022 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 30 January 2023.

(b) Consider and agree the final proposals in relation to the 2023/24 Housing Revenue Account Budget and associated Business Plan.

(c) Increase individual housing rents by 7% as outlined in Annex 1 HRA to this report, updated from the HRA section of 28 November 2022 Cabinet report, and in line with the Government's policy for social rent following the conclusion of the consultation process that took place during August 2022. This introduces a cap of 7% on the rent increase for one year, changing temporarily the previous rent policy of increasing rents by the Consumer Price Index (CPI) (in September) + 1%. Following the standard Government policy would have seen rents increase by 11.1% this year.

(d) Agree to the creation of funding totalling £3.0m over the next 3 years to create a temporary package of measures which will address some of the difficulties being faced by tenants during the current cost of living crisis.

(e) Authorise the Director of Housing and Property Services, in consultation with the Lead Member for Housing, to develop and agree the full package of measures and criteria to be implemented within the above temporary funding. As part of the process, Tenant engagement representatives will be fully involved and consulted in developing the package of measures.

(f) Increase service charges for 2023/24 by 7% in line with the rent increase, reducing from the previous approach of increasing by CPI which would have seen a 10.1% increase in service charges.

(g) Agree to a fundamental review of service charges in view of the increasing costs being experienced in heating and communal energy costs. In addition, with the return of the Sheltered Housing Officer (SHO) service into Housing and Property Services from Health, Education, Children's and Safeguarding (Adults), there is also a need to review the SHO service charge to ensure that the costs of the service are being recovered appropriately.

(h) For 2023/24 it is recommended that garage rents will increase by 7.0%.

(i) Note the assessment in relation to the current year's budget monitoring information (2022/23), and indications of financial plans for 2023-2027 for the Housing Revenue Account.

(j) 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 will be considered for approval by full Council at its meeting on 16 February 2023 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 2023-2028 Asset Management Strategy for the HRA.

(k) Note the Treasury Management Statement and Annual Investment Strategy for 2023/24 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 £71.500m reduction in loans attributed to the HRA over the life of this 30-year Plan.

(l) Agree the HRA Investment Plan 2023-2028 (Annex 1 HRA and Appendix D (ii)).

(m) 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 2023/24 will see the continuation of the current method to calculate a "true" depreciation charge; and

(n) 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:

1.3.1 Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 7 October 2022.

1.4 Council Plan and Policy Framework

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

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

1.4.3 The Budget proposals have also been presented to the Overview, 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.

Information:

1.5 Background

1.5.1 The Authority's 2022/23 Budget and 2022-2026 MTFP were agreed by full Council on 17 February 2022. At that time, it was impossible for the Authority to foresee the global economic impact of the Russian invasion of Ukraine. Rising interest rates and inflation have caused a significant impact on the economy, leading to a cost-of-living crisis, which will see a real term reduction in living standards for families throughout the Borough. At the time of writing this report, inflation (as measured by CPI) as at December 2022 (announced 17 January) is 10.5%. This will have a significant impact on the cost of delivering essential services and the Investment Plan.

1.5.2 The Authority's financial planning had previously assumed that COVID-19 pressures would abate in line with the withdrawal of Government support. However, as

reported to Cabinet on 23 January 2023 in the Budget Monitoring Report for November, the Authority continues to feel the financial effects moving forwards.

1.5.3 Whilst the Authority carried forward COVID grants, which have been used to smooth the financial position in 2022/23, it is anticipated that these grants will be fully utilised in the current financial year with no residual funding available to meet any ongoing costs into future years. This poses a significant risk to the Authority's financial position for 2023/24 and future years so the Senior Leadership Team, supported by Senior Officers, continue to mitigate this as far as possible in budget monitoring and planning.

1.5.4 It is likely that key income sources including Council Tax, through both the Collection Fund and Council Tax Base growth, and business rates will continue to be under pressure in 2023/24. The current MTFP position incorporates prudent assumptions about these income streams, which will need to be reviewed over the course of the Budget-setting period and into the new financial year.

1.5.5 Despite all this, Cabinet will be aware that the Authority's 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.

1.5.6 The cost-of-living crisis is accelerating inequalities in the Borough, pushing families further towards crisis and realigning many of the inequalities that already exist in the Borough. Cabinet is determined that this gap will not widen and will do everything it can to get support to families that need it whilst making sure that nobody is left behind. However, it is acknowledged that the Authority cannot deliver this essential work alone, so officers and Members continue to engage with the voluntary and community sector who help the Authority get the right support, at the right time, to the right people.

1.5.7 Whilst the approach to Budget-setting this year continues to be challenging and there is a significant amount of risk and uncertainty, Cabinet continues to plan for the future, listening to and focusing on the priorities of residents and businesses. The proposals for a balanced Budget for 2023/24 and a MTFP over 4 years are based on a reasonable and prudent set of assumptions. Despite the unknowns, this will give the residents and businesses in the Borough as much certainty as possible that the Authority continues to deliver services that meet their needs and that their money is being spent well.

1.6 General Fund MTFP

Overview

1.6.1 At the Council meeting in February 2022, the MTFP for 2022/23 to 2025/26 set out a gap of £21.534m over the 4-year period, with a gap of £10.655m for 2023/24. This gap was calculated prior to the increase in Council Tax (1.99%) and the Adult Social Care precept (1%), which was subsequently agreed at that meeting. The additional resources agreed (£3.184m) reduced the revised gap for 2023/24 to £7.471m, which will be the base line position for the remainder of this report.

1.6.2 Before looking at the new and emerging pressures since the Budget was set, Cabinet should note that the robust approach to financial planning in North Tyneside served

its intended purpose. Had new and unforeseen pressures not arisen, a review of changes to Government funding assumptions and reductions to growth pressures from management action, would have reduced the residual MTFP gap for 2023/24 from £7.471m to £1.059m. This would have been a manageable gap to address in the current budget round.

1.6.3 However, since the development of the 2022/23 Budget and MTFP in February 2022, a number of significant risks have emerged that have impacted on the 2022/23 budget outturn position as well as the 2023/24 forecasts. In the previous Budget report in November 2022, Cabinet was updated on how the initial gap of £7.471m gap identified for 2023/24 had more than trebled, to a forecast of £23.106m. The main additional pressures included in the November report are summarised in Table 1.

1.6.4 Table 1: Estimated additional pressures for 2023/24 (as per November 2022 Cabinet report)

	£m
Social care fees – 2022/23 increase impact into 2023/24	1.200
Pay Award	4.000
Energy Inflation	4.772
Contractual inflation 2023/24	5.663
Total Emerging Impact of Risks	**15.635**

1.6.5 Table 1 identifies the incremental pressures that emerged during the first half of the year, which is in addition to growth/pressures already identified in the MTFP from February 2022. This highlights the significance of the in-year changes caused by external factors and the developing cost of living crisis.

1.6.6 The initial Budget report in November went on to identify a number of potential changes to Government funding and actions that could be taken within the Authority, including an illustration of what a 2.99% increase in Council Tax would generate in additional resources. The conclusion of that report set out a potential gap of £5.996m for 2023/24, although the report highlighted the high degree of uncertainty at that stage due to the delay in the Settlement being issued.

1.6.7 Before considering the updated position since the announcement of the Settlement, it is important to consider the 2022/23 forecast position. Cabinet has closely monitored the in-year financial pressures through the bi-monthly budget monitoring reports. As set out in the Executive Summary of the 23 January 2023 report, the gross in-year pressure at a service level was £23.511m. Some of this pressure had been foreseen when setting the 2022/23 budget, with a range of internal and external budgets to address known pressures such as the residual impact of Covid-19. However, even with these budgets along with in-year savings, notably the in-year minimum revenue provision (MRP) saving of £4.927m, the report concludes that the net in-year pressure for 2022/23 is forecast to be £8.625m.

1.6.8 Within the Budget Monitoring Report, the key areas of service pressures (before the application of central items and contingencies): are

- Adult's Services: £5.223m
- Children's Services: £13.477m

- Commissioning and Asset Management: £5.801m

1.6.9 Whilst Cabinet and senior officers will continue to work to reduce the 2022/23 pressure, at this stage of the financial year, and given the scale of the external challenges, it is likely that some call on the Strategic Reserve will be required to balance the 2022/23 budget. This use of the reserve is unplanned, but it highlights the importance of retaining sufficient reserve balances for such eventualities. In years 2 to 4 of the MTFP, this report proposes the replenishment of the Strategic Reserve back to its target level of at least £10m.

Impact of the Provisional Local Government Finance Settlement

1.6.10 Since the initial budget proposals were set out in November, the Settlement was announced on 19 December 2022. The Settlement recognises the impacts that are currently being faced by local authorities in 2022/23, with increases to Core Spending Power (CSP) nationally of 9.2% for next year, underpinned by the Government's assumption of a 4.99% increase to Council Tax.

1.6.11 For North Tyneside, the increase in CSP is at 9.8%, which represents an increase in cash terms of £19.737m. Cabinet should note that on a per dwelling basis, CSP for 2023/24 equates to £2,198, which is £150 lower than the North East average and £162 below the England average. The key changes from 2022/23 are set out below.

1.6.12 Table 2: Core Spending Power for North Tyneside Council in the Settlement

Change in Core Spending Power - North Tyneside	2022/23 £m	2023/24 £m	Change 2023/24 £m	Change 2023/24 %	Proportion of CSP Increase 2023/24 %
Settlement Funding Assessment	60.098	63.393	3.295	5.5%	16.7%
Compensation for under-indexing the Business Rates Multiplier	4.937	8.536	3.599	72.9%	18.2%
Council Tax	109.720	116.727	7.007	6.4%	35.5%
Improved Better Care Fund	9.579	9.579	0.000	0.0%	0.0%
Social Care Grant	10.480	17.005	6.525	62.3%	33.1%
Market Sustainability and Fair Cost of Care Fund	0.696	0.000	-0.696	-100.0%	-3.5%
Lower Tier Support Grant	0.319	0.000	-0.319	-100.0%	-1.6%
2022/23 Services Grant	3.330	0.000	-3.330	-100.0%	-16.9%
New Homes Bonus	1.700	1.876	0.176	10.4%	0.9%
New Homes Bonus returned funding	0.000	0.625	0.625		3.2%
ASC Market Sustainability and Improvement Fund	0.000	2.414	2.414		12.2%
ASC Discharge Fund	0.000	1.343	1.343		6.8%
Grants rolled in (ILF, Council Tax Family Annex, LCTS Admin Subisdy & Natashas Law)	0.903	0.000	-0.903	-100.0%	-4.6%
Core Spending Power	**201.761**	**221.498**	**19.737**	**9.8%**	**100.0%**

1.6.13 The Settlement includes increases in the CSP arising from a recognition by Government of the financial pressures currently facing authorities, notably around inflation and social care costs. Cabinet will note in Table 2 that several grants are rolled into different categories but, overall, the Settlement includes additional funding for social care and the indexation of various grants at CPI (using the September rate of 10.1%). Whilst the full grant terms for social care are not yet known, this will allow the Authority to address some of the pressures already being experienced in 2022/23 in next year's budget. It is proposed that the additional funding for social care be held centrally until such time as the full grant terms are known, at which point it will be allocated between children's and adults services accordingly.

1.6.14 Cabinet should also note that the CSP includes an assumed 6.4% increase in the resources from Council Tax, which is made up of an assumed 4.99% increase plus the growth in the Council Tax Base. The CSP assumes an additional £7.007m which is 35.5% of the Authority's increase in resources being raised from Council Tax (NB: this is the Government's calculation not the detail from the Authority's calculation) which, to give some context of the extent of the challenges facing the Authority next year, is less than the energy and contractual inflationary pressures of £8.6m that are included in the revised MTFP.

Main areas of growth for 2023/24

1.6.15 Annex 1 to the report provides further detail, however this section of the report summarises the key areas of growth included in the Budget for 2023/24, comparing it to the base budget for 2022/23 (i.e. it combines existing MTFP growth from February 2022 with the in-year pressures identified in the November report, as well as the impact of the Settlement).

1.6.16 Social Care – in line with the 2022/23 budget monitoring and the initial Budget proposals from November, adults and children's social care are the key areas of financial pressure for the Authority. For adults and children's, increases in both the number and complexity of cases, together with workforce pressures and the inflationary pressures from our external providers, are creating significant pressures on resources. The challenge is heightened in adults due to the proposed funding reform changes. Whilst the implementation of some of these changes, such as fair cost of care, has been delayed, the impact is being felt already through commercial negotiations.

1.6.17 In total, the additional resources in the proposed budget for social care amounts to £15.413m, up from circa £7.7m in the November report. As highlighted previously, this includes the application of the additional funding for 2023/24 that resulted from the Settlement (including from Council Tax and the Adult Social Care Precept) for the pressures that are already being experienced in 2022/23.

1.6.18 Pay award – the current year pay award was agreed in November 2022, which was a flat rate of £1,925 per full time equivalent employee. For both in-year monitoring and future budgeting purposes, this rate equates to an average increase across the Authority of circa 5.5%, with staff on lower pay grades receiving up to a 10% increase. The impact on the 2022/23 financial position is included in the Budget monitoring report that was brought to Cabinet on 23 January 2023 but requires circa £2m to be added to the base budget for 2023/24 onwards as the 2022/23 Budget growth was insufficient for the final agreed pay award in year.

1.6.19 For 2023/24 pay awards, the Budget is proposed to increase by a further £5.4m to ensure it is sufficient moving forwards, which equates to an estimated 5% increase for 2023/24, although the final figure will be subject to national negotiations with the Local Government Employers and Trades Unions. The proposed Budget also includes a contingency of £1m for further pay award or wider staffing pressures that was not included in the November report. Taken together, the proposed total budget growth for pay awards is £8.286m.

1.6.20 Energy inflation – the original £7.471m gap in the MTFP in February 2022 included £0.800m for utility price inflation. Since the Budget was set, energy price inflation has increased exponentially. Despite the forward purchase of energy through the North East Procurement Organisation (NEPO) framework and the in-year

Government support to authorities, £5.572m is currently forecast to be required for the 2023/24 Budget. This area remains subject to significant volatility, so further updates will be given to Cabinet in future finance reports, both Budget Monitoring and Budget-setting. Cabinet should note that the recent announcement by the Government about energy support for businesses (including local authorities) is not expected to provide any additional benefit for the Authority, as the NEPO forward purchase arrangements are already at lower rates than set out in the Government support package.

1.6.21 Contractual inflation – £3.000m is included for the indexation of contracts which are pre-determined in terms of timing and inflationary measure – generally CPI or Retail Price Index (RPI). Future reports will update for any further changes in the applicable rates, as current assumptions have been used as to what they will be at the specified contractual uplift dates.

1.6.22 Other changes since November – in addition to the main growth items identified above, minor changes have been made to the Budget assumptions. The latest Joint Transport Committee budget report highlights the need for an additional increase in levy (from 3% used in our MTFP to 4%) to reflect the pressures faced across Nexus, including passenger numbers and energy pressures. The Authority will see a further increase in its levy due to the relative population changes using the latest mid-year estimates from the Office of National Statistics. As North Tyneside is the fastest growing of the Tyne and Wear authorities, its share of the levy increases. An additional £0.352m is therefore required for 2023/24, with future years also updated in the MTFP.

1.6.23 Collection Fund: Council Tax – as well as the proposed increase in Council Tax for 2023/24, the revised MTFP includes the latest information with regards to collection rates and the Collection Fund surplus. The North Tyneside share of the surplus is £1.237m, which was not known when the November 2022 Budget report was considered. The MTFP has also been updated for the proposed increase in Council Tax at 4.99% for 2023/24, which in total provides total additional resources of £5.515m into the MTFP. No further increases are included in the MTFP for 2024/25 onwards as decisions will be considered in future budget reports.

1.6.24 Collection Fund: Business Rates – the Settlement included additional resources for local authorities via uplifts in business rates, via the multiplier used to calculate business rate bills. Individual business rate payers are protected from the inflationary increases as local authorities will be compensated via a Section 31 grant next year for these increases, along with the continuation of a range of relief schemes. The CSP assumptions also include an uplift in resources arising from the release of the 2023 valuation list, which sets out the rateable values for properties in the Borough. The net increase in business rates income for 2023/24, compared to the November report, is £1.817m.

1.6.25 The development of a budget in any year is complex, but 2023/24 has faced additional challenges given the external volatility in the economy as well as the uncertainty in November regarding the Settlement. The table below summarises the changes from the draft budget proposals in November, which had a remaining gap of £5.996m.

1.6.26 Table 3: Revised general fund gap for 2023/24

	£m
Budget gap as per November Cabinet Report	5.996
Net increase in grants in Settlement	(9.382)
Net increase in council tax and business rates in Settlement	(5.647)
Additional growth (transport levy and additional pay contingency)	1.352
Additional growth in social care budgets in line with Government funding assumptions and grant conditions (to be confirmed)	7.681
2023/24 revised gap	**0.000**

2023-2027 General Fund MTFP estimates

1.6.27 As Cabinet will be aware from the information in this report so far, the level of uncertainty and volatility in this year's planning process has been higher than previously experienced. As such, it is not yet possible to confirm the 2024/25 and beyond position with any certainty at this stage. However, the table below sets out the current MTFP position based on available information.

1.6.28 Table 4: Revised General Fund MTFP

General Fund Budget	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
A: Base Budget Brought Forward	163.512	182.458	182.267	179.618
B: Estimated Growth	38.140	6.636	6.086	11.845
B: Strategic Reserve Replenishment	0.000	4.000	2.500	2.500
B: MRP Saving	(4.000)	4.000	0.000	0.000
C: Spend Requirement (A+B)	**197.652**	**197.094**	**190.853**	**193.963**
D: Estimated Base Budget Carry Forward	(172.086)	(182.267)	(179.618)	(179.872)
E: Gap / Efficiencies (C+D)	**25.566**	**14.827**	**11.235**	**14.091**
2022-2024 - Efficiency Programme	(1.035)	0.000	0.000	0.000
2022-2026 - Efficiency Programme	(0.639)	(0.208)	(0.185)	0.000
Revised Gap	**23.892**	**14.619**	**11.050**	**14.091**
Provisional Settlement 2023/24	(15.144)	(7.044)	3.160	(0.843)
Collection Fund Changes	(8.748)	0.000	0.000	0.000
Revised Gap	**0.000**	**7.575**	**14.210**	**13.248**
Cumulative Gap		**7.575**	**21.785**	**35.033**

1.6.29 Cabinet will note the significant increase in estimated growth in the table for 2023/24, which follows from the Settlement and the funding of the pressures facing the sector noted above. For 2024/25 this returns to normal levels of growth assumptions, with a larger increase in 2026/27 as £5m growth has been included to address the potential impact of the next pension fund actuarial valuation. This is an estimate at this stage and will be refined as more information becomes available in future years.

1.6.30 As noted earlier, it is likely that the Strategic Reserve will be called on in 2022/23 to meet the extraordinary pressures faced this year. As this forecast usage would take the Authority below its Reserves and Balances Policy, it is proposed that this is replenished by £9m in future years, which is an increase of £6.5m compared to the November report.

1.6.31 The Minimum Revenue Provision (MRP) saving for 2023/24 was included in the November report, which is the forecast saving in 2023/24 arising from the change in MRP policy adopted previously. No further assumption is included for future years in this area, so this usage is reversed in 2024/25. There are no changes to the efficiency programme assumptions included in the existing MTFP, so no further detail is included in this report, but it can be found in previous Budget proposal documents.

1.6.32 Taking all of those elements into account, leaves a revised gap of £23.892m. The net impact of the Settlement provides resources of £15.144m which together with the total Collection Fund changes of £8.748m results in a balanced Budget for 2023/24. Whilst the additional resources arising from the Settlement, including the proposed increases in Council Tax locally of 4.99% in line with the Government's assumptions, Cabinet should note the scale of the residual challenge over the remainder of the MTFP. Based on the information known to date and the assumptions set out above, this would leave a financial challenge of £7.575m in 2024/25 and £35.033m over the period to 31 March 2027.

1.6.33 An integral part of this challenge is the replenishment of £9m into the Strategic Reserve. As noted in this report and the more detailed Budget Monitoring Report that was considered by Cabinet on 23 January 2023, the pressures facing the Authority this year were unforeseen and unavoidable. The use of the Strategic Reserve in 2022/23 is effectively being repaid over the remainder of the MTFP period. Without this replenishment, the Authority's ability to manage its financial position in the medium-term would be weakened, so is a critical part of our strategic financial planning.

Review of General Fund Reserves

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

1.6.35 Reserves balances have fallen from 2021/22 primarily due to the planned use of balances relating to COVID grants, which were partially received in advance of the intended spend. By the end of 2022/23, grants relating to COVID will either be utilised or repaid in line with the grant condition which were attached, with the Authority maximising the benefit to the Borough's business and residents.

1.6.36 The Authority bought forward reserves and balances of £84.875m into 2022/23, before the impact of the negative reserve relating to the Dedicated Schools Grant (DSG) of £12.851m. As set out in previous budget monitoring reports, this is due to the pressures being experienced in the High Needs Block of the DSG. Taking that deficit balance into account would revise the brought forward balance to £72.024m.

1.6.37 Based on the latest forecast of planned usage, it is anticipated £30.672m will be drawn down in 2022/23 to support service delivery. This would result in a 2023/24 balance bought forward for general fund reserves and balances of £41.352m. The

planned usage does not incorporate the likely usage of the strategic reserves to support the 2022/23 in-year pressures, as reported above. If £8.625m was required (based on the current budget monitoring forecast) this would further reduce general fund reserves and balances to £32.727m.

1.6.38 Cabinet should also note that within this figure is the net Schools Balance held on behalf of maintained schools. Whilst this is forecast to be a positive net figure of £1.898m as at 31 March 2023, it includes a range of surplus and deficit balances for individual schools, some of which are material deficit balances. These could ultimately fall on General Fund balances if they cannot be resolved in conjunction with the individual schools so will be closely monitored moving forwards with Cabinet and Schools Forum.

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

1.6.40 The prudent use of reserves forms a vital part of this financial planning and despite the reductions in year, the Director of Resources has confirmed that he is satisfied with the robustness of the Authority's estimates and the adequacy of the reserves in the context of the current financial position. The report to full Council will include his final statement on the Authority's finances.

1.7 Housing Revenue Account

1.7.1 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.

1.7.2 Proposed rent increases for next year are based on the Government's one-year policy following consultation to place a limit of 7% on the rent increase for 2023/24, rather than apply CPI rate +1%, as at September 2022, which would have seen an increase of 11.1%. This increase will be used to ensure that the 30-year HRA Business Plan can be balanced, whilst meeting all of 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.

1.7.3 However, for a 3-year period, it is also proposed to implement a package of £3m for emergency measures to help tenants struggling to maintain their tenancies in the current economic climate, and help sustain those tenancies to get through the current cost of living crisis. This could include but is not limited to:-

- A Tenancy Sustainment Fund – to target funding and resources at many of those who are struggling to cope and sustain their tenancies, particularly those who are unable to access assistance through other channels, including Housing Benefit/Universal Credit;

- Additional resources for Debt Advice to give targeted support and advice; and
- Funding for resources to address issues being faced around increased levels of dampness in properties, to monitor and identify specific causes, provide expert advice, and where appropriate instigate remedial and preventative measures. This is critical in light of the increased focus on dampness issues highlighted by the Senior Coroner for North Manchester following the death of a young child in Rochdale, and the links to concerns over tenants worrying about being able to afford to turn the heating on.

1.7.4 The HRA continues to face a range of financial pressures, some of which are post-pandemic, and some linked to the general economic situation, and the ongoing conflict in Ukraine. 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.

1.7.5 The operational teams continue to face the challenges placed by 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.

1.7.6 The 2023/24 Budget and 4-year Financial Plan for the HRA are balanced with a small, planned contribution from reserves for the next two years, and then two years where the plan is completely balanced requiring small contributions back into balances as set out in table 5 below.

Table 5: Housing Revenue Account 2023-27 Medium-Term Financial Plan – Available Resources and Estimated Spend

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Estimate of Resources Available	(75.171)	(76.931)	(78.831)	(80.807)
Spend Assumptions	75.553	77.200	78.772	80.780
Net Gap/(surplus)	**0.382**	**0.269**	**(0.059)**	**(0.027)**

Housing Revenue Account- efficiency proposals

1.7.7 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;
g) Creating the resources to implement a temporary package of measures to alleviate the current pressures felt by tenants due to the current cost of living crisis;
h) Identifying resources specifically to respond to the Authority's declaration of a Climate Change Emergency, by undertaking sustainability measures within the housing stock that will reduce the Authority's carbon footprint and help move towards net carbon zero status.

1.8 2023-2028 Investment Plan

1.8.1 The 2022-2027 Investment Plan totalling £264.974m was approved by full Council on 17 February 2022. 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 £10.942m, as report in the 23 January 2023 budget monitoring report, is now included in the 2023-2028 planned spend along with other variations, summarised in the table below.

Table 6: Summary of the Proposed Investment Plan 2023-2028

Spend	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
General Fund	61.784	28.805	19.093	20.414	17.914	148.010
Housing	33.953	30.059	30.962	33.361	35.970	164.305
Total	**95.737**	**58.864**	**50.055**	**53.775**	**53.884**	**312.315**

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

2023-2028 Investment Plan Options

1.8.3 In addition to the agreed 2022-2027 Investment Plan, proposals for the 2023-2028 Investment Plan for consideration as part of Budget-setting are set out below:

- A new year 5 (2027/28) has been added to reflect rolling programme projects such as Asset Planned Maintenance, ICT infrastructure refresh and sustained investment of £2m/annum on additional Highways Maintenance;
- Acceleration of planned investment on the Asset Planned Maintenance programme to address a number of high priority schemes emerging from building condition surveys, reducing future year allocations to accommodate this;
- The inclusion of a proposed £12.5m long-term loan facility to North Tyneside Trading Company (Development) to increase the provision of affordable housing within the Borough;
- A £4.1m scheme to develop a Sports Hub at St Peter's, utilising external funding and Section 106 funding to deliver a multi-use regional sports facility and community development hub.

1.9 Dedicated Schools Grant

1.9.1 Cabinet will be aware that school funding is a matter for the Department for Education (DfE); either by direct funding agreements with academy trusts or delegated by local authorities to 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 2023/24. 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 2023. The local formula must comply with statutory guidance, but within these confines the final decision on the formula rests with the Authority after consultation with schools and the Schools Forum.

Table 7: Dedicated Schools Grant funding allocation 2023/24

	Schools Block £m	CSS Block £m	Early Years Block £m	High Needs Block £m	Total DSG 2023/24 £m
DSG Settlement	147.586	1.621	15.291	33.265	197.763

Dedicated Schools Budget - High Needs Block

1.9.2 North Tyneside, like many local authorities both regionally and nationally, is experiencing increasing numbers of children with special educational needs and disabilities (SEND). High numbers of children have an Education Health and Care Plan (EHCP) 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). The indicative funding allocation for High Needs shows that the Authority will receive an additional £3.481m in 2023/24, however, it is not sufficient to address the underlying increase in need.

1.9.3 The ringfenced DSG is received from the Government and administered by the Authority and is the main source of income for the schools' budget. The DSG first fell into deficit during 2017/18 and it is an important element of the financial management of the Authority that the DSG is not in a deficit position. As a result, there has been action to address the deficit working collaboratively with Schools Forum, however increasing numbers of children with special needs entering the education system has offset some of the progress.

1.9.4 DSG deficits have come under increasing scrutiny from DfE and, during 2021, the Authority was required to submit a draft DSG Management Plan to the ESFA as its DSG deficit was more than 1% of the total value of the DSG as at March 2021. As a consequence, since then, the Authority's DSG deficit has remained under review.

1.9.5 Liaising with the DfE during 2021/22, the Authority has been working to reduce the DSG deficit and this work is now being overseen by the Strategic Education and Inclusion Board. The Authority submitted an updated draft DSG Management plan to the ESFA in August 2022 which outlined the main areas of priority that focus on reducing the deficit on the High Needs block of the DSG. As of 2022/23, the Authority has been invited to be part of phase 2 of the ESFA's Safety Valve Intervention programme from September 2022. The Authority is in discussions with representatives from the ESFA and will shortly submit a final Plan for consideration for additional ESFA funding.

1.9.6 For 2022/23, £150m of revenue funding is available to support the cumulative deficit position of those authorities who are part of the Safety Valve programme, however, the ESFA have been clear that access to this funding will only be agreed once a robust and balanced DSG Management Plan is in place. The current cumulative deficit position on the High Needs block of the DSG at the end of the 2022/23 financial year is projected to be £17.927m.

1.9.7 The statutory override to ring-fence DSG deficits from local authorities' wider financial position in their statutory accounts has been extended for a further 3 years past financial year 2022/23. However, after this extension ends, authorities will need to demonstrate their ability to cover DSG deficits from their available reserves. Due to the level of the deficit on the High Needs block of the DSG it is imperative that the Authority's DSG Management Plan meets the ESFA's requirements to ensure the historic deficit can be supported by funding that is available.

1.10. General Fund Budget Proposals and next steps

1.10.1 Cabinet's Budget proposals are based upon available information and judgements at the time of the writing of this report. Whilst the majority of the funding assumptions for 2023/24 are now known following the Settlement on 19 December 2022, this remains provisional at the time of drafting this report, so is subject to change. In addition, some grant conditions have yet to be issued.

1.10.2 Cabinet will note in Appendix F that a range of consultation has taken place to date, which will continue until early February. A final update will be included in the full Council report, but to date consultees have expressed a range of views on the draft proposals. It should be recognised that the consultation was based on the November Cabinet report proposals, which was prior to the Settlement. However, a key aspect was around a council tax increase of up to 5%. In summary, whilst concerns were expressed about any increases at a time of financial challenge for residents, the scale of the support put in place by the Authority was acknowledged. The continuation, and indeed expansion, of the financial support for residents and tenants was welcomed.

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

- Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority Precepts (due February 2023);
- Levies, including the North of Tyne element of the Newcastle upon Tyne, North Tyneside, and Northumberland Combined Authority Transport Levy (due February 2023);
- Tyne and Wear Joint Service Budgets (due January/February 2023);
- The outcome of the remaining engagement activities; and
- Consideration of the impact of the economic climate on the residents of the Borough and Council Taxpayers.

1.11 Decision options:

Option 1

1.11.1 Cabinet can agree the budget proposals set out in this report in section 1.2 of this report.

Option 2

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

1.11.3 Option 1 is the recommended option.

1.12 Reasons for recommended option:

1.12.1 Due to external information still to be received, Cabinet is not able to formally finalise its proposed Council Tax level for 2023/24 in relation to the General Fund. However, information is suitably advanced to allow the budget proposals to be set out for the General Fund revenue and Investment Plan for consideration by Overview, Scrutiny and Policy Development Committee.

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

1.13 Appendices:

Annex 1	2023-2027 Financial Planning and Budget Process – Cabinet's Initial Budget Proposals
Appendix A	2021-2025 Our North Tyneside Plan
Appendix B (i)	2023-2027 General Fund Medium-Term Financial Plan
Appendix B (ii)	2023-2027 General Fund Budget Assumptions
Appendix C (i)	2023-2027 HRA Financial Plan, Reserves and Contingency Movement
Appendix C (ii)	2023-2027 HRA Business Plan
Appendix D (i)	2023-2028 Investment Plan
Appendix D (ii)	2023-2028 HRA Summary Investment Plan
Appendix D (iii)	2023-2028 Prudential Indicators
Appendix D (iv)	2023-2028 Capital Investment Strategy
Appendix E (i)	2023/24 Treasury Management Statement, Annual Investment Strategy and Credit Criteria
Appendix E(ii)	2023/24 Treasury Management Practices

Appendix F	2023/24 Budget Engagement Summary
Appendix G	2023/24 Reserves and Balances Policy
Appendix H	2023/24 Timetable
Appendix I	2023/24 Report of the Overview, Scrutiny and Policy Development Committee – January 2023
Appendix J	Glossary

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1.14 Background information:

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

- 2023-2027 Financial Planning and Budget Process, incorporating the Council Plan and associated Budget Engagement Strategy, Cabinet 19 September 2022. The report items are as follows:

https://democracy.northtyneside.gov.uk/documents/s9784/2023-2027%20Financial%20Planning%20and%20Budget%20Process%20incorporating%20the%20Associated%20Engagement%20Strategy.pdf

- 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

- 2022/23 Financial Management Report to 30 November 2022 – Cabinet 23 January 2023;

https://democracy.northtyneside.gov.uk/documents/g820/Public%20reports%20pack%2023rd-Jan-2023%2018.00%20Cabinet.pdf?T=10

- Autumn Statement 19 December 2022;

https://www.gov.uk/government/publications/autumn-statement-2022-documents

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

- 2022/23 Efficiency Business Cases included in the prior year budget setting process;
- Equality Impact Assessment – Council Tax Increase
- Constitution; and
- Annual Governance Statement.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

2.1.1 The financial implications arising from this report are appraised as part of the decisions made about what will be included in the Authority's Financial Plan, incorporating the 2023/24 Budget-setting process. Decisions on the Budget in relation to the General Fund, Housing Revenue Account, Dedicated Schools Grant, Investment Plan, Treasury Management Statement and Annual Investment Strategy need to be made within the overall context of the resources available to this Authority and within the legal framework for setting budgets. The Authority will need to closely examine the links with its key funding partners and their proposed financial plans, including an assessment of the impact of any grant fall-out over the proposed four-year resource planning period.

2.1.2 The report highlights that at this stage a balanced budget position for 2023/24 on the basis of the full Council Tax increases in line with Government assumptions, and over MTFP period savings of £35.033m are required. The assumptions leading to these forecasts are likely to change when the provisional Local Government Financial Settlement is announced. It is currently unclear if a 1-year or multi-year settlement will be announced future.

2.1.3 Cabinet and Council need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances proposed as part of the four-year Medium-Term Financial Plan for 2023-2027, 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

2.2.1 This report, setting out the 2023-2027 Financial Planning and Budget; Initial Cabinet Proposals, has been prepared in compliance with the Authority's Budget & Policy Framework Procedure Rules contained in the Authority's Constitution. As stated in the body of the report, once approved by Cabinet the proposals will be submitted to the Overview, Scrutiny and Policy Development Committee as part of the Budget-setting process. The outcome of that Committee's review will be reported to Cabinet on 6 February 2023 so that the review can be considered by Cabinet prior to the proposals for 2023-2027 Financial Planning and the 2023/24 Budget being submitted to full Council for approval.

2.2.2 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

Internal Consultation

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

External Consultation/Engagement

2.3.2 The Authority is committed to being an organisation that works better for residents and to ensure that it listens and cares. This commitment includes giving residents and other key stakeholders an opportunity to be involved in the Financial Planning and Budget process as outlined in the Budget Engagement Strategy which was approved by Cabinet on 21 September 2022.

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

2.3.4 In all its engagement activity, the Authority is committed to ensuring that residents with protected characteristics, as set out in the 2010 Equality Act, can participate. In line with this an Equality Impact Assessment has been undertaken on the 2023/24 Budget Engagement Strategy and this is available on request.

2.3.5 The detail of the Budget engagement activity that took place is included in Appendix F to this report. As in previous years the Authority have sought views from a wide range of residents and key stakeholders with methods including face to face engagement via focus groups, meetings and site visits. Use of digital communications via social media channels have and local news media have also been a prominent part of the overall engagement process. In total at the time of writing the report the overall reach to residents and key stakeholder groups is estimated to be in excess of 19,000 residents and key stakeholder groups. Cabinet have noted the considerations of the Overview, Scrutiny and Policy Development committees budget study-group (Appendix I) and will ensure that more opportunities

are in place to enhance budget engagement with younger age groups for future Budget-setting rounds.

2.4 Human rights

2.4.1 All actions and spending plans contained within the Budget are fully compliant with national and international human rights law. For example, Article 10 of the European Convention on Human Rights provides for a qualified right to freedom of expression, including the freedom to 'hold opinions and to receive and impart information and ideas without interference by public authority'. Article 8 of the Convention states that everyone has the qualified right to respect for private and family life and their home.

2.5 Equalities and diversity

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

2.5.2 To achieve this an Equality Impact Assessment (EIA) have been carried out on the Budget Engagement process (as reported to Cabinet on 28 November 2022) and the proposed Council Tax increases (available in the background documents to this report). Specific proposals on how services will seek to meet budgetary requirements were subject to EIAs (Equality Impact Assessment) that were completed in previous years. There have been no changes to those proposals, and they continue to be delivered in line with the original efficiency programme submission. Further EIAs for those proposals are therefore not needed at this stage. There were no additional efficiency programme proposals put forward for the Medium-Term Financial Planning period 2023-2027 as part of Cabinet's draft Budget proposals for 2023/24 therefore no further EIAs have been needed.

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 Crime and Disorder Act 1998, local authorities have a statutory duty to work with partners on the reduction of crime and disorder.

2.8 Environment and sustainability

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

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

PART 3 - SIGN OFF

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

2023-2027 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 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 2023/24 to meet statutory duties and provide services such as social care and environmental services. For the Housing Revenue Account (HRA), the Council Taxpayer cannot subsidise those living in social housing and the rents and service charges paid by the tenants cannot be used to fund unrelated Council services. It is also 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 8 and 9, which covers the financial risks, risk assessment and actions necessary to mitigate against the risks posed within the Budget proposals. The Act requires Members and officers to consider the Chief Finance Officer's report on the robustness of the Budget and the adequacy of the Authority's financial reserves.

1.1.4 The Authority's 2022/23 Budget and Medium-Term Financial Strategy were agreed in February 2022. At that time, it would have been impossible for the Authority to foresee the global economic impact of the Russian invasion of Ukraine which has had and continues to have a long-lasting impact on the world economy. Rising interest rates and inflation have caused a significant impact leading to a cost-of-living crisis which will see a real term reduction in living standards for families throughout the Borough. At the time of writing inflation has reached 10.5% (December's Consumer Prince Index (CPI)) and it could potentially rise further towards the end of the financial year. This will have a significant impact on the cost of delivering essential Services and it will increase the costs associated with delivering the Investment Plan.

A number of pressures within the Authority's budget are driven by Central Government decisions, including elements of pay and price market pressures which are linked to the National Living Wage, social care reform, and pressures relating to assumed reductions in funding (for example the New Homes Bonus grant in 2023/24).

1.1.5 Despite the level of uncertainty, reviewing the Medium-Term Financial Plan remains essential to ensuring the Authority's medium-term financial sustainability. The Authority will have to make very difficult choices in the years ahead about which services to prioritise. To avoid cuts to services, the Authority continues to explore alternative options of service delivery to ensure that services remain fit for purpose in the context of smaller budgets. This may mean revisiting the expectations of residents to protect services for the most vulnerable. The opportunity to work with partners and neighbouring authorities remains to maintain and improve outcomes against a backdrop of reducing public spending.

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 5,000 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.

<u>Performance against the priorities in the Our North Tyneside Plan</u>

2.1.4 Our North Tyneside Plan 2021-2025 was approved on 23 September 2021 by Council, to reflect the policy priorities of the incoming administration following the Mayoral Election on 6 May 2021. A refreshed Our North Tyneside Plan Performance Report has been developed to monitor progress against the new priorities and objectives set out in the Council Plan. The latest performance report was received by Cabinet at its meeting on 19 September 2022. An overview of current performance against the key themes for the Our North Tyneside Plan is set out below:

- **A thriving North Tyneside**
  - **Regenerate high streets;** Master Plans are being developed for Whitley Bay, Wallsend and the North West area of the borough.
    - Work is underway in North Shields including public realm improvements, a new integrated transport hub, town square, planning permission has been granted for new family homes at the former Unicorn House Site, grant

funding has been secured to develop a Cultural and Creative Zone and a bid has been submitted to the Levelling Up Fund for the Fish Quay;
    - Northern Promenade improvement works completed at Whitley Bay and Active Travel Fund Bid were successful;
    - At Wallsend, funding has been secured for a range of improvements at Segedunum Roman Fort and Museum. An expression of interest was submitted to the National Heritage Lottery Fund. A bid has also been made to the Levelling Up Fund to deliver public realm improvements along the High Street, transport connections and enhance Segedunum.
  - **Adult education and apprenticeships;** The number of advanced and higher apprenticeship starts increased during 2021. Intermediate apprenticeships decreased, in part due to national changes.
  - **Libraries and leisure centre offer;** visits severely impacted by the COVID-19 pandemic, but is showing recovery. Visits to Sport and Leisure Facilities in 2021/22 were two thirds the usual number pre-pandemic. Visits to Customer First Centres have reduced by 55% and Branch Libraries by 59%. Customer First Centres and Branch Libraries are being further developed as Community Hubs.
  - **Visitor destination of choice;** All three beaches retained their Blue Flag international status, as well as attracted Seaside Awards. Seven managed parks retained their Green Flag Awards after Preston Cemetery applied for the first time. Resident satisfaction with beaches and parks remains high.
  - **Derelict properties;** long-term vacant dwellings are at the lowest level in seven years at just over 1,000 dwellings.
  - **Contracts for goods and services;** a social value requirement has been included in the Authority's procurement and commissioning processes contribute to environmental sustainability and additional social benefits. By 2029 all our contracts will incorporate a 'greener target'.

- **A family-friendly North Tyneside**
  - **High quality education;** 96% of primary schools in North Tyneside are rated as good or outstanding by OFSTED, higher than the national performance. 88% of secondary schools are rated as good or outstanding, which is in line with the national performance.
  - **Outstanding children's social care services, events and facilities;** demand for children's services increased significantly during the COVID-19 pandemic and has remained high during 2021/22.
    - 257 children were subject to a child protection plan in 2021/22, higher than during the last 6 years;
    - 11,393 children safeguarding contacts received, 22% increase compared to previous year;
    - 12.1% of children in care have experienced 3 or more placements, reverted to pre-pandemic levels.
  - **Best Start in life;** 98.6% of children had a development review at 2-2 ½ years. 84% met the expected level of development in relation to communication, physical ability, social skills and problem-solving.
  - Just over a third of pupils with an Education, Health and Care Plan (EHCP) are educated in special schools, which is showing a decrease and better than regional performance. However, the authority continues to maintain a disproportionate number of EHCPs compared to national averages and has submitted a High Needs Recovery Plan to the Department for Education.

- **A caring North Tyneside**
  - **Provide great care to all who need it;** During 2021/22, 86% of people who received a short-term service subsequently received either no ongoing support or support of a lower level. Performance has improved in line with regional performance and is better than national performance.
  - **Improve working conditions of care workers;**
    - Continued to increase fees to external social care providers to take account of the increase in the National Living Wage;
    - Included an added element in the fee increase calculation to allow home care and extra care services providers to pay the Real Living Wage with the aim to support sufficiency in provision to support hospital discharge;
    - Continued to develop the Social Care Academy to support care providers and employees, also potential employees to get into care jobs in North Tyneside;
    - Endorsed the recommendations from the Home Care Study Group (a sub-group of the Adult Social Care and Health Scrutiny Sub-Committee) to support improvements in home care provision in North Tyneside.
  - **People will be cared for, protected and supported;** despite an increase in homeless presentations, priority acceptances are consistent at 5% of all presentations.
  - **Support local community groups, carers and young carers;** continue to work with VODA on a range of initiatives and support capacity via the Sector Connector project. Highlights include:
    - Spirit of North Tyneside Hub at Wallsend Customer First Centre;
    - Delivering £400k grant fund to 15 VCSE organisations on projects to support Equally Well Strategy;
    - Supported volunteers to welcome Ukrainian families to the borough;
    - Piloted a leadership programme for VCSE sector CEOs;
    - Created free online safeguarding training for VCSE sector.
  - **Reduce inequality and eliminate discrimination;** since September 2021 the Embedding Equality Programme has made good progress updating policy and procedures, developing training, improving accessibility, attracting grant funding, developing strong staff networks and diversity allies. As well as promoting equality in North Tyneside at UK Pride in Newcastle.

- **A secure North Tyneside**
  - **Working in partnership to prevent anti-social behaviour;** almost half of residents perceive anti-social behaviour and crime as an area that needs to be improved and less than half feel safe in their local area after dark. A multi-agency North Tyneside Anti-Behaviour Task Force has been established to develop and deliver a shared plan to tackle ASB.
  - **Additional £2m on road and pavement repairs;** Only 2% of principal roads and 2% of non-principal roads managed by the Authority should be considered for maintenance, significantly better than the national benchmark (4% principal roads and 6% non-principal roads). Resident satisfaction with road and pavement maintenance is consistently lower compared to other Authority services and is identified as most in need of improvement.
  - **Council Tax Support Scheme;** as part of the 2022-2026 Financial Planning and Budget Process Proposals the Council Tax Support Scheme was extended, allowing applicants to backdate claims up to 26 weeks, rather than

4 weeks. The Hardship Support Scheme for working age claimants with payments of £150 was also extended. There has been a 6% decrease in claims since 2019/20, as more residents are now in work.

- **Tackling health and socio-economic inequalities;** a range of activity is underway as part of the Holiday Activities and Food Programme, Household Support Fund and Poverty Intervention Fund.
- Provisional figures for 2020/21 show that 24% of children under the age of 16 are living in relative low income families and 22% are living in absolute low income families. This proportion is significantly higher in more deprived areas.
- The variance in life expectancy between most and least deprived areas is 9.9 years for women and 11.4 for men, both higher than national figures.
- **Affordable Homes Programme;** 1,934 new homes built to date, on track to meet ambitious 5,000 affordable homes target. A new 2-phased programme to meet the 5,000 affordable homes target was approved by Cabinet in February 2022.

- **A green North Tyneside**
  - **Increase recycling;** during 2021/22, household reuse, recycling and composting remains consistent at 38% and landfill fell to just above 4%. The COVID-19 pandemic impacted on the level of waste during 2020/21 and 2021/22, as residents spent more time at home.
  - **Crack down on littering;** The Environmental Hit Squad introduced in 2019 have increased capacity to manage demand. The team are used 4-5 times per day and average 900kg per day in uplift of fly tipping. Fixed penalty notices issued for litter and fly tipping offences remain consistent.
  - **Support low income households to install low-carbon heating;** £8m funding has been secured from the Green Homes Grant Local Delivery Scheme to install low carbon heating, energy efficiency measures and renewable energy systems in over 500 homes with low-household incomes. Measures have been installed in 260 homes so far.
  - **Increase safe walking and cycling opportunities;** 72.1% of adults in North Tyneside walk or cycle at least once a week, which is showing an upward trend and slightly higher than regionally and nationally. 13.1% of adults in North Tyneside cycle at least once a week, higher than regionally and nationally.
  - **Publish an action plan to make North Tyneside carbon net-zero by 2030;** Council operations carbon emissions have decreased by 53% since 2010/11. In August, Cabinet approved the Carbon Net-Zero 2030 Action Plan. A range of carbon reduction and offsetting projects are being delivered including installation of low carbon heating systems, energy efficiency equipment and renewable energy systems in council buildings and residents homes, the electrification of the council's vehicle fleet, investment in sustainable transport and the creation of a North-East Community Forest.

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. 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.

3.1.2 At the Autumn Statement 2022 the Government announced its intention to increase referendum principles to 3% for core Council Tax and up to 2% for the Adult Social Care precept, with additional flexibilities for some other authority types for both 2023/24 and 2024/25. Recognising the impact of rising bills, the Government will be distributing £100m of new grant funding in 2023/24 for local authorities to support economically vulnerable households in their area with council tax payments. On 23 December 2022 the Authority was notified of its allocation and an additional grant award has been made for 2023/24 of £0.427m.

3.1.3 To supplement the Local Council Tax Support scheme (LCTS), the Government expects that billing authorities will use their grant allocation to:

- Fund further reductions in the council tax liability of individuals receiving LCTS with an outstanding council tax liability, by up to £25.
- Local authorities are also able to use a proportion of their allocations to determine their own local approaches to supporting economically vulnerable households with council tax bills.
- This will be delivered using the discretionary powers under s13A(1)(c) of the Local Government Finance Act 1992.
- Funding will be allocated to local authorities on the basis of their share of the LCTS claimants, based on Q2 data from 2022/23. The money will be paid out as soon as possible to local authorities through a grant under section 31 of the Local Government Act 2003.
- Where a taxpayer's liability for 2023/24 is, following the application of council tax support, less than £25, then their liability would be reduced to nil. Where a taxpayer's liability for 2023/24 is nil, no reduction to the council tax bill will be available and those bills should not be credited.
- There should be no need for any recipient of LCTS to make a separate claim for a reduction under this scheme. The billing authority should assess who is eligible for support and automatically apply the discount.
- Council tax reductions should be applied from the beginning of the 2023/24 financial year for existing LCTS recipients and discounts should be reflected in council tax bills issued in March. It is for local authorities to decide how to treat households that become eligible for LCTS during the financial year.
- Authorities will want to make their local populations aware of how the grant support package will be delivered e.g. through providing information on their websites.
- It is the Government's intention that any assistance provided from the Council Tax Support Fund will not affect the eligibility of recipients for other benefits.

Discretionary support

3.1.4 The financial risks the Authority is currently facing is such that there are no changes proposed to increase the cap in the current scheme. Since 2020/21 the Authority has provided additional support to residents who are entitled to Council Tax Support by way of providing an additional £150 Council Tax Hardship payment. The cost of providing this support to the Authority is in the region of £1.5m. Cabinet's draft Budget proposals will see this level of support continue into 2023/24 and the additional grant awarded will support the affordability of the discretionary payment.

3.1.5 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. 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 2023/24.

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 The Autumn Statement sets out a package of targeted support to help with business rates costs which is worth £13.6 billion over the next 5 years. The business rates multipliers will be frozen in 2023/24 at 49.9p. Authorities will continue to be compensated for the reduction in income as a consequence. Upward transitional relief caps will provide support to ratepayers facing large bill increases following the revaluation. The relief for retail, hospitality and leisure sectors will be extended and increased to 75%, and there will be additional support provided for small businesses.

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 Provisional Local Government Finance Settlement

3.3.1 The provisional Local Government Finance Settlement was published on 19 December 2022 and confirmed a number of increases in funding for local government mainly as a result of the £2 billion of additional core grant funding for local authorities in 2023/24, increasing to £3 billion in 2024/25. At the same time funding from the Lower Tier Services Grant, New Homes Bonus and the Services Grant has been repurposed to finance the 10.1% increase in Revenue Support Grant (RSG) and the 3% funding guarantee (impacting mainly on District Councils). The final settlement is expected to be published in February 2023. The additional funding provided to local authorities with details of the Authority's Settlement provided below:

(a) Confirmation that the Core Spending Power (CSP) will increase by 9.9% (£5.003 bn). This is a real term increase in resources and represents the fourth 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; 3% Council Tax referendum limit, 2% ASC precept. District councils can increase Band D by the higher of 3% or £5. Police element of GLA precept can increase by up to £20. A £5 referendum principle on Band D bills for all fire and rescue authorities. A £15 referendum principle on Band D bills for Police and Crime Commissioners;

(c) **Better Care Fund £600 million** in 2023/24 rising to £1 billion in 2024/25 – Local government and the NHS will each receive 50% of this grant providing additional funding of £300 million in 2023/24 and £500 million in 2024/25. The funding has specific grant conditions with local government and the NHS pooling budgets with the aim of improving the discharge of patients from hospital. The Authority will receive £1.343 million in 2023/24 and a forecast £2.223 million in 2024/25 equating to 0.44% of the national allocation;

(d) **Market Sustainability and Improvement Grant increase in grant of £562 million** in 2023/24 rising to £845 million in 2024/25 – in 2022/23 the Government announced additional funding of £2 billion to enable the implementation of adult social care charging reforms and the outcomes of a fair cost of care review. The first £160 million tranche of this funding was allocated in 2022/23 with the Authority receiving £0.696 million which was utilised in increasing fees to adult social care providers in 2022/23. In the Autumn Statement however the Government announced that the social care reforms had been deferred from October 2023 to October 2025 and that the remaining £1.8 billion of funding would be repurposed into the Social Care grant to provide support for both adults and children's social care. The Authority will continue to receive the £0.696 million in the future but in a repurposed Market Sustainability and Improvement Grant. This grant will be £2.414 million in 2023/24 and is forecast to increase by a further £1.216 million in 2024/25. The additional

grant in 2023/24 is expected to have broad grant conditions requiring that this funding is utilised to support early discharge of patients from hospital;

(e) **Social Care Grant additional £1.265 billion in 2023/24** rising to £1.877 billion in 2024/25 after discounting transfer of specific grant (Independent Living Fund) – this funding is to be utilised to support demographic and cost pressures in children's and adult's social care. This funding is being 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 council taxbases. This funding is only payable to upper tier authorities who provide social care services. Net of the transfer of £0.612 million of Independent Living Fund specific grant funding the Authority already receives, the Authority will receive an additional £6.525 million in 2023/24 increasing further by a forecast £2.767 million in 2024/25, equating to 0.91% of the national allocation, increasing our Social Care Grant to £17.005 million in 2023/24 and to a forecast £19.772 million in 2024/25. These sums will not however fully address the demographic and price inflationary pressures in Children and Adult Social Care alone (excluding price inflation and energy) of £18.712 million in 2022/23, with further pressures of around £8 million expected in 2023/24;

(f) **Revenue Support Grant (RSG) –** local authorities will receive an inflation uplift of 10.1% in line with the September 2021 Consumer Price Index (CPI) on their 2022/23 RSG allocations. The Government are transferring three specific grants into RSG from next year, these being the Local Council Tax Administration Grant (allocation currently £0.285 million), the Family Annex Council Tax Discount Grant (not currently received by the Authority) and the Natasha's Law grant (allocation currently being £0.006 million). After discounting the transfer of these specific grants into RSG the Authority will receive an additional £1.487 million next year, increasing RSG received to £13.284 million. CPI is forecast to increase again in 2023 and as at September is forecast to be 7.4%, so a further increase of £0.983 million in 2024/25 has been factored into the MTFP;

(g) **Reduction in New Homes Bonus (NHB) funding –** it was previously forecast that the NHB may be abolished from 2023/24. The Government have however agreed to continue the NHB funding for one more year. The Authority received £1.700 million of NHB in 2022/23 which will reduce by £1.075 million to £0.625 million in 2023/24. Nationally the sum payable via NHB will reduce by £265.4 million in 2023/24 with this sum being diverted to ensure all authorities, but particularly district councils, receive a minimum 3% increase in funding in 2023/24 and also to partially finance the 10.1% increase in RSG. At this stage it is forecast that the £0.625 million of NHB received by the Authority will continue in 2024/25 and will be fully withdrawn in 2025/26;

(h) **Lower Tier Services Grant** – the Authority has a budget of £0.319 million from this grant but similar to NHB this funding is being top sliced to ensure all authorities, but particularly district councils, receive a 3% increase in funding in 2023/24 and to help finance the 10.1% increase in RSG. The Authority has lost 100% of this funding from 2023/24;

(i) **Services Grant** – the Authority currently receives £3.330 million from this grant which for 2022/23 was specified as a one-off grant. In 2023/24 the Authority will receive £1.876 million, a reduction of £1.453 million. The grant has been reduced to reflect that the withdrawal of the 1.25% employers' national insurance increase from November 2022. In addition, the Government have top sliced this grant to increase the Supporting Families Grant, which is a specific grant in Adult and Health Services and to partially cover the 10.1% inflation uplift to RSG and to help fund the 3% funding guarantee; and

(j) **Council Tax Support Fund** - The provisional settlement contained £100 million of additional one-off funding for local authorities to support the most financial vulnerable households in England in 2023/24. The Council Tax Support Fund is aimed at providing further support to those low income financially vulnerable households already receiving some element Council Tax Support. North Tyneside has been allocated £0.427 million to fund further reductions to those still facing financial hardship as part of its Local Council Tax Support Scheme (LCTSS) for 2023/24. The Government expects that the grant allocation is used to fund further reductions in the Council Tax liability of individuals receiving LCTS but still left with an outstanding Council Tax liability, by up to £25 in 2023/24. Local authorities are also able to use a proportion of their allocations to determine their own local approaches to supporting economically vulnerable households with Council Tax bills. The Government guidance stipulates that the support of up to £25 should be provided to both Working Age and Pensioner claimants.

3.3.2 The Government has also announced that the implementation of the Fair Funding Review (FFR) would be delayed until at least 2025/26. Overall, the Settlement is better than was originally forecast by the Authority. The additional funding to be received next year is £19.737 million, however, £7.007m, 35.5% is assumed to be raised through the Governments assumed increases in Council Tax.

The concern for the Authority is in relation to the certainty or lack of certainty for financial settlements from 2025/26 onwards, where it is forecast that funding uplifts for the public sector will be limited to an average of 1% real terms uplifts for the period 2025/26 to 2027/28. If as expected the NHS, Education and Defence are protected then it is highly likely that local government would face funding reductions. At this stage for modelling purposes, it is forecast that there will be cash flat settlements for local government which are funding reductions in real terms.

3.4 Core Spending Power (CSP)

3.4.1 The provisional CSP figures for the council, which factor in assumptions on council tax increases in line with the referendum limits and the maximum permissible under the Adult Social Care Precept, would indicate a more positive position compared to previous years, provided that the Council utilises the additional council tax flexibilities that have been provided. The England average is a 9.2% increase next year, whilst North Tyneside's position is forecast to be 9.8%. 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 4.99% available i.e. the revised 2.99% referendum level plus the 2% adult social care precept raising powers. Any 1% below the 4.99% assumed would reduce the CSP by 0.5%;
(b) the CSP includes the additional Better Care Fund 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 North Tyneside with the LA7 and ANEC authorities and the England average. If North Tyneside received CSP to the national average of £2,348 per dwelling the Authority would have received an additional £15.118m.

Table 1 – Comparison of Core Spending Power Per Dwelling

Area (LA7, ANEC)	Core Spending Power Per Dwelling £
ANEC	2,348
North Tyneside	2,198
Northumberland	2,280
Newcastle	2,371
South Tyneside	2,504
Gateshead	2,486
Sunderland	2,390
Durham	2,193
Hartlepool	2,460
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 part of the additional funding is one-off and not certain for 2024/25 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 2023/24. 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 2023-2027 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 2023-2028, in line with the Authority's overall Capital Investment Strategy.

4.1.2 Whilst the current economic situation continues to present significant challenges, the Authority is still able to produce a MTFP for the HRA, which enables just over £312m 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 £142.675m 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 £21.630m 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 14,200 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, in common with all local authorities, is still facing challenging times as it continues to move to as much of a "business as usual" state as possible. Like the General Fund the HRA is also impacted by the economic uncertainty caused by the conflict in Ukraine, and the significant economic downturn being experienced by all the major economies across the globe. In line with all areas of operation across the Authority, housing has continued to adapt and adjust to provide the most efficient services possible to tenants. Inflation rates of over 10% and shortages in obtaining certain key materials through the supply chain, continue to provide challenges to aspects of service delivery and have impacted the Authority's procurement functions and operational teams. Housing continues to adapt and adjust to providing key services to tenants. The Budget proposals for 2023/24, where relevant, have sought to ensure that service delivery can

be maintained in essential areas, and that resources are identified to cover increased supply chain costs where there may be material shortages and delays.

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 tenants in terms of managing their finances, and on the Authority's income collection teams who have a responsibility to help sustain tenancies and help tenants manage their money so that they do not end up in financial hardship or significant arrears, all of which could have a direct impact on the HRA, and the quality of the services that are then provided.

4.2.4 Following the removal of the HRA debt cap in 2018, it is now 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 formation of the Housing and Property Services function, providing most of the Authority's key Repairs and Construction needs. The first three years of operation have been highly successful despite the challenges posed by COVID-19, the subsequent recovery period, and then the impact on the economy brought about by the conflict in Ukraine, with over £134m of construction works and repairs delivered across the Authority's housing stock and public buildings portfolio. The gains identified from the benefits realisation process linked to the creation of the service were included in the HRA Business Plan in previous years, which have helped to maintain and support core service provision, and enabled initiatives such as the property health-check programme to be funded to meet tenant priorities, and also to continue supporting the Mayor and Cabinet's ambitions in relation to the Affordable Homes Programme.

4.2.6 2022/23 has seen the continuation of a significant programme of works being delivered by Housing Property Services, being on course to deliver well over £50m of additional works by the end of this financial year. This has included new challenges such as starting to address the need for significant sustainability measures to be undertaken across our housing stock, to help tackle the climate emergency and address Cabinet's decarbonisation ambitions. These factors along with issues relating to pay awards, recruitment and retention of key staff, and the continued difficulties in sourcing certain materials have all been considered and factored into refreshing the Authority's HRA Business Plan and the Housing Investment Plan, arising primarily through a refresh of the Authority's Housing Asset Management Plan. A full review of the Asset Management Plan has been undertaken, and this runs alongside further work to continually try and develop and improve service delivery, to enable the operation to best meet the ongoing needs of tenants and residents whilst delivering greater efficiency and improved value for money.

4.2.7 All of 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 revenue plan has been developed in line with the approach adopted for the General Fund. Cabinet is advised that projections beyond 2023/24 are purely indicative at this stage. A five-year timeframe

is being proposed for the Housing Capital Investment Plan in line with the 2023-2028 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 2023/24, 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 which remain largely unchanged and in line with the agreed Housing Strategy and, as far as possible within financial constraints, are to:

1. Ensure the application of the principles of economy, efficiency and effectiveness.
2. Continue to invest in the existing stock to maintain it to at a minimum 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 2023/24 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 was the CPI rate as of September 2021 which was 3.1%. The rent increase proposed for 2022/23, in line with Government policy, was 4.1%. However, since that time as Members will be aware due to economic factors there have been significant inflationary increases in prices. Due to these inflationary pressures the Government is concerned about the impact this would have on rent increases for tenants in 2023/24. On 31 August 2022 the Department for Levelling Up, Housing and Communities issued a consultation document on social housing rents, which concluded on the 12 October 2022. They were seeking views on a new Direction to be issued to the Social Housing Regulator in relation to social housing rent policy. The Government proposed the introduction of a rent ceiling for 2023/24 to limit the maximum amount by which rents could be increased. The September 2022 rate of CPI was 10.1% and following the existing policy would see a rent increase of 11.1%

for 2023/24. The Government initially proposed a cap of 5% but were consulting on a range of options between 3% and 7%. Following the consultation process and significant lobbying by the housing sector, which argued that the gap in resources created by the disparity between 5% and 11.1% would be too great for authorities to cope with, the Chancellor announced in the Autumn Statement that the cap would be set at 7%. It should be noted that subsequent to this announcement the Chancellor also announced that benefits and pensions would be increasing by CPI as at September 2022, i.e. 10.1%.

In the November initial Budget proposals, the Business Plan initially assumed a rent increase of 5%, which would have seen a gap in funding over 30 years of circa £97m, which would require significant savings and potential cuts in service to be made. At 7% the gap reduces to just below £40m, which although still requiring a significant package of savings to be made gives far more scope to protect investment in the stock and maintain services to our tenants. The proposal in this final Budget is to increase rents by 7%. However, recognising the additional difficulties that many of our tenants are currently facing what is also proposed, is to introduce a temporary package of measures over a 3-year period totalling up to £3m, which will support many of the Authority's tenants past the most difficult phase of the current cost of living crisis.

This proposed package of measures would be phased to recognise that inflationary pressures are at their highest now and expected to reduce gradually over the next 2 years. So, the phasing of the proposed funding would initially be:

- 2023/24 - £1.250m
- 2024/25 - £1.000m
- 2025/26 - £0.750m

This would be reviewed each year as part of the budget process, and would include a range of tenancy sustainment measures, which could include but not be limited to:

i. A Tenancy Sustainment Fund – to target funding and resources at many of those who are struggling to cope and sustain their tenancies, particularly those who are unable to access assistance through other channels;
ii. Additional resources for Debt Advice to give targeted support and advice; and
iii. Funding for resources to address issues being faced around increased levels of dampness in properties, to monitor and identify specific causes, provide expert advice, and where appropriate instigate remedial and preventative Measures. This is critical in view of the increased focus on dampness issues highlighted by the death of the child in Rochdale, and the links to concerns over tenants worrying about being able to afford to turn the heating on.

It is recommended that the package of measures and any specific criteria for accessing the funding would be agreed by the Cabinet Member for Housing in consultation with the Head of Housing and Property Services, and that the development of any proposals would involve discussions with tenant engagement representatives or groups.

B) The impact of these proposals on the HRA Business Plan will increase forecast rental income, however it also brings with it the issue of significantly increased costs as well as a number of other challenges such as the 2022/23 pay award, the Government White Paper regulations following the Grenfell Inquiry, Craftworkers Pay Review, decarbonisation measures etc.

The overall package of growth and savings measures within these budget proposals is intended to ensure that the HRA has a balanced plan over 30 years, and can support the Cabinet and Mayoral priorities of:

- a commitment to deliver more affordable housing and provide the resources necessary to maintain 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 of focus being pest control, empty homes standard and property health checks;
- strengthening the resources available to support tenants in coping with the changes arising from welfare reform, the continued roll-out of Universal Credit and the deepening cost of living crisis;
- ensuring that the existing housing stock is maintained to at minimum 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 programme; and
- continue to support the Working Roots programme.

C) It is proposed to increase all service charges for 2023/24 by 7% in line with the rent increase, reducing from the previous approach of increasing by CPI which would have seen a 10.1% increase in service charges. Alongside this will be a proposal for a further fundamental review of all service charges in view of the increasing costs being experienced in heating and communal energy costs. In addition, with the return of the Sheltered Housing Officer (SHO) service into Housing and Property Services from Adults, there is also a need to review the SHO service charge to ensure that the costs of the service are being recovered appropriately.

D) 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 in 2021/22, so for 2023/24 it is recommended that garage rents will increase in line with service charges being based on the Government proposed cap at 7%.

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

F) The Authority also continues to monitor the impact of welfare reform changes. Service charges on affordable rent properties are not exempt, as the 80% of market rent calculation includes any service charges. The importance of ensuring that tenants 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, at the end of March 2022 there were 3,712 tenants on Universal Credit with arrears totalling £2.934m, by the beginning of January 2023 this number had risen to 4,242 with total

arrears of £3.373m. The Authority has already allocated additional resources to support those tenants affected by the changes in previous year's Budgets. There is a continued focus on trying to ensure that tenants are getting the support they need, and the information they need in relation to avenues they can explore not just for managing their rent, but also for accessing other sources of help during the current cost of living crisis. The impact of the additional resources allocated in this area has been evidenced by a slow-down in the rate at which arrears have been increasing, albeit they are still increasing overall. Members will continue to be updated of any significant further welfare reform changes and potential impacts on tenants.

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 has been available.

2. <u>The Housing Investment Plan 2023-2028</u>

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 2023-2028 are as follows:

A) Ensuring post the COVID-19 pandemic, that any necessary lessons were learnt in relation to keeping work sites COVID-secure and ensuring any necessary measures are followed in the workplace and out on site to protect the workforce and our residents;

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 £142.675m (including re-programming) over the next 5 years 2023-2028, plus new build spend of £21.630m (also including re-programming) based on continuing the existing approach to HRA new build within Cabinet's overall Affordable Homes Strategy; and

C) Spend for 2023/24 of £33.953m including £6.130m for the continuation of a new build / conversion / acquisition council house programme (including re-programming from 2022/23).

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

3. <u>Housing Repairs Budget 2023/24</u>

Two years ago, Cabinet was presented 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 in 2019. A significant amount of work was undertaken to look at tenant priorities, and a list of options for prioritising resource allocation was put forward, and for the last three years the following have been 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. Considering the continued 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 2023/24, as the objectives remain key to meeting tenants' aspirations.

4. Unified Systems ICT Project

2021/22 saw the start of a major exercise to fundamentally review all the Housing ICT systems currently in use across the service, as well as elements that would apply across the whole authority, namely, Asset Management systems. The current Northgate systems had never been fully reviewed to assess its ongoing suitability and whether it needs to be replaced or upgraded. The original contract for the Accuserv system used to support Housing Property Services' activity was also coming to an end and so it was critical that this was also reviewed. A full procurement exercise was undertaken to engage with the market and seek a unified systems solution. On 30 August 2022, following the completion of the tender process, the Council selected NEC Software Systems (formerly Northgate) to create and provide this new system.

The system will cover elements of a number of services across the Council, including:

- Housing, including rent payments and neighbourhoods
- Property Services
- Strategic Investment and Property
- Revenues and Benefits
- Health and Safety Teams
- Leisure services
- Schools
- Information Technology Team

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 for a 4-year period starting in 2021/22 to enable this work to be carried out. The figures have been refreshed and will continue to be revised each year as the project develops, to confirm and ensure that the appropriate revenue and capital resources are in place to successfully deliver this change.

5. HRA Unallocated Working Balances

Sustain unallocated working HRA balances at a minimum of £2.5m across the life of the 30-year Business Plan 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 2: Right to Buy Sales 2011/12 to date

2011/12	30
2012/13	85
2013/14	122
2014/15	100
2015/16	135
2016/17	136
2017/18	158
2018/19	135
2019/20	120
2020/21	115
2021/22	169
2022/23 (to end of Dec)	96
Total Sold since SF	**1,486**

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 2021/22 these rules were amended slightly to allow 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 £8.654m of capital receipts retained to the end of 2021/22, which has helped deliver £23.425m of new build schemes. The trend in RTB sales is reflected in the 2023-2053 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 this Authority, that 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 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 partially fund a programme of HRA new build spend totalling £23.425m to the end of 2021/22. By the end of March 2022, the Authority's actual HRA debt stood at £244.672m compared to the £290.825m "cap", and by March 2023 it is anticipated that the debt will drop further to £242.005m. The Authority has therefore already created some headroom through the prudent approach agreed to its Treasury Management Strategy.

The 2023/24 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 2021. In order to balance the proposed plan for 2023-53 there will need to be some further reduction in the amount of debt repaid. Based on the current approach to debt management it is estimated that up to a further £70m of debt could be repaid over the next 30 years, compared to £81m in the base model on an assumed target 3% rent increase per annum for the remainder of the plan.

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

Table 3 – Impact on HRA Debt 2023-2053 of Revised Business Plan

Description	Debt Movement
	£m
Opening Self-Financing Debt	290.825
Opening HRA Debt 01/04/2023	242.005
Closing HRA Debt after 30 Years	172.274
Debt Repaid over next 30 years	69.731
Debt Repaid from start of SF	118.551

8. Self-Financing and Depreciation

From 2017/18 the Government has required that all local authorities calculate a true depreciation charge as an actual 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 2023/24 has the following key assumptions, most of which are based upon continuing with current Mayoral and Cabinet policy priorities:

- Additional rental income with a proposed rent increase for 2023/24 of 7.0%, with a longer-term assumption based on CPI target equivalent to 3% per annum (to be reviewed annually);
- Garage rent and service charges will increase in line with the proposed rent increase of 7% for 2023/24;
- Alongside the rent increase a temporary funding package will be introduced covering the next three years and totalling in the region of £3m, to introduce a number of measures targeted to alleviate the strain of the current cost of living crisis on many of our tenants, and their ability to be sustained in their tenancies;

- The Tenant Priorities budget created three years ago now will be maintained particularly given the positive reaction to the approaches being taken by tenants, and the focus will remain on the currently identified priorities;
- Continue supporting the Authority's Apprenticeship programme and the Working Roots scheme;
- Appropriate revenue and capital resources will be identified and maintained in place over the next two years to complete the full implementation of the newly procured Unified ICT Systems solution, replacing current ICT systems to help develop more efficient and effective services;
- 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;
- 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 its carbon footprint.

4.4.2 The updated HRA Capital Investment Plan for 2023-2028 contains over £21m to continue to support a HRA new build programme over the next five years, whilst continuing to repay some debt. The impact of the current global economic downturn on interest rates and inflation will continue to be monitored to assess any potential impact on the HRA Business Plan. It is prudent that Cabinet maintains its current policy approach to borrowing 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 2023-2027, 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 2023-2053 (available as a background paper) starts with an assessment of the budget monitoring position as of 30 November 2022, and the impact on HRA balances for this year. At that point, as was reported to the 23 January 2023 meeting of Cabinet, the HRA was predicting an underspend of £0.090m against Budget for 2022/23, due to a combination of improved rental income forecasts and savings against Bad Debt Provision and Management Contingency which are covering pressures brought about by the 2022/23 pay award, increased repair costs and higher energy costs. This means that the opening balances feeding into the Business Plan as at 31 March 2023 are forecast to be £3.069m, as shown in Appendix C (ii).

The five-year Housing Investment Plan 2023-2028 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 £0.383m for 2023/24. It is not proposed to reduce contingency budgets in 2023/24 following a review and revision of the levels held for the 2022/23 budget, with separate provision made for inflation and pay awards of £1.726m for 2023/24 (including provision for increased material and subcontractor costs).

Dedicated Schools Grant (DSG)

5.1 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 2023/24, 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 2023/24 DSG allocation for North Tyneside is £197.763m, which is an increase of £11.209m (6.0%) on the funding received in 2022/23. Table 4 below shows the funding allocated to each of the funding blocks. The 2023/24 Schools block allocation includes teachers' pay award and teachers' pension grants.

Table 4: Schools Block 2023/24 Allocation compared with Prior Years

	2017/18 Baseline £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22* £m	2022/23* £m	2023/24* £m	2022/23 to 2023/24 £m
Schools	115.395	116.594	120.926	126.794	137.231	140.373	147.586**	7.213
Central School Services	2.500	2.314	2.343	2.051	1.877	1.724	1.621	(0.103)
High Needs	18.680	19.291	19.818	22.319	26.709	29.784	33.265	3.481
Early Years Block	12.064	12.553	12.514	12.771	13.946	14.673	15.291	0.618
TOTAL	**148.639**	**150.752**	**155.601**	**163.935**	**179.763**	**186.554**	**197.763**	**11.209**
Move from 17/18 Baseline £m	-	2.113	6.962	15.296	31.124	37.915	49.124	
Move from 17/18 Baseline %	-	1.42%	4.68%	10.29%	20.94%	25.51%	33.05%	
Change per Year £m	-	2.113	4.849	8.334	15.828	6.791	11.209	
Change per Year %	-	1.42%	3.22%	5.36%	9.66%	3.78%	6.01%	

* Includes pay award and pension grants previously separate to DSG, now rolled into funding formula
** Includes 22/23 Schools Supplementary Grant now rolled into funding formula

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 2020, the DfE confirmed that the transitional arrangements will continue into 2023/24, with the earliest expected move to "hard" NFF being likely in 2025/26.

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 2023/24. 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 2023. 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 The Authority has continued to review the Local Funding Formula and in November 2022, Schools Forum received a report which provided the preferred options for consideration which would form the basis of the 2023/24 LFF consultation with all schools. Following the outcome of the consultation Schools Forum recommended that the LFF factor values should be maintained at the full NFF for 2023/24.

5.1.5 At its meeting on 28 November 2022 Cabinet agreed 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 2023/24 in line with the school funding arrangements set out in that report. Resource allocations to schools have been submitted to the ESFA on 20 January 2023 as required by the deadline. Schools will be notified of their allocations no later than 28 February 2023.

5.1.6 The Schools NFF for 2023/24 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 2023/24 are:

- The minimum per pupil funding levels will be set at Primary £4,405, Key Stage 3 £5,503 and Key Stage 4 £6,033; and
- The funding floor will be set at 0.5% per pupil. This minimum increase in 2023/24 allocations will be based on the individual school's LFF allocation in 2022/23.
- Rolling the 2022 to 2023 schools supplementary grant into the NFF.
- Increasing NFF factor values (on top of amounts added for the Schools Supplementary Grant) by:
  - 4.3% to free school meals at any time in the last 6 years (FSM6) and income deprivation affecting children index (IDACI)
  - 2.4% to the basic entitlement, low prior attainment (LPA), FSM, English as an additional language (EAL), mobility, and sparsity factors, and the lump sum.
  - 0.5% to the floor and the minimum per pupil levels (MPPL)
  - 0% on the premises factors, except for Private Finance Initiative (PFI) which has increased by Retail Prices Index excluding mortgage interest payments (RPIX) which is 11.2% for the year to April 2022

In addition, two important restrictions will continue:

- Local authorities will continue to set a Minimum Funding Guarantee in local formulae, which in 2023/24 must be between +0.0% and +0.5%. This allows them to mirror the real terms protection in the NFF, which is the Government's expectation; and
- Local authorities can only transfer up to 0.5% of their Schools block to other blocks of the DSG, with their Schools Forum approval. To transfer more than this, or any

amount without their Schools Forum approval, they will have to make a request to the DfE, even if the same amount was agreed in the past two years.

5.2 Schools Block

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 11 January 2023 Schools Forum received an update report outlining the DSG funding for 2023/24. 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. Calculations through the Authority Proforma Tool (APT), subject to final amendments, are showing MFG affordable at 0.5% with Capping at 3.83%. There would, therefore, be no residual funding to allocate. Schools will all achieve increased rates where their pupil numbers have increased.

At its meeting on 10 November 2022 and following a consultation with all schools Forum voted against a 0.5% block transfer from the Schools block to the High Needs block. The Authority have considered this as part of the DSG Management plan for the current pressures on High Needs and have concluded that no block transfer is assumed for 2023/24. The impact of this has been included in the draft DSG Management plan submission which is due to the DfE on 13 January 2023. The Plan submission does include an assumed block transfer for the remaining 4 years of the plan, from 2024/25. The Authority continues to engage and work with the High Needs Sub-Group to finalise the Plan in advance of the final submission date in early February 2023.

5.3 High Needs Block

5.3.1 The £33.265m figure outlined above for the 2023/24 High Needs block reflects the increased DSG funding announced by the DfE and includes funding previously included as separate grants for pay award and pension increases, as in 2022/23. The £3.481m year on year increase is therefore covering these costs going forward. It also includes a deduction of £0.341m made by the Education Skills and Funding Agency for direct funding of places.

5.3.3 In 2023 to 2024 local authorities are required to pass on a 3.4% funding increase to maintained special and alternative provision (AP) schools, and special and AP academies (including free schools), based on the number of places being funded in 2022 to 2023. This requirement will be a condition of grant attached to the additional DSG high needs funding allocated to local authorities.

5.3.2 The High Needs block outturn for 2021/22 was an overspend of £4.792m, despite the additional funding received in 2022/23, the pressure within High Needs has continued with a forecasted in-year outturn variance of £4.416m and therefore an estimated total cumulative overspend of £17.927m as at November 2022.

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 5 below, full details of the pressures within the High Needs budget are included in the November financial management report:

Table 5: Forecast High Needs Overspend as at November 2022

Provision	Budget £m	Forecast Variance £m	Comment
Special schools and PRU	17.788	2.217	Pressure on places for children with profound, Multiple Learning Difficulties, Social Emotional and Mental Health problems and Autism Spectrum Disorder.
Additional Resourced Provision/Top ups	4.705	0.859	Pressures in pre-16 top-ups
Out of Borough	3.31+	1.285	Increased number of children placed outside North Tyneside Schools
Commissioned services	3.974	0.055	
Sub-total	**29.783**	**4.416**	
2021/22 B/Fwd		13.511	
		17.927	

5.4 Early Years Funding for 2023/24

5.4.1 On 16 December 2022 the Department for Education released the 2023/24 early years entitlement funding rates for local authorities. Due to the late release of final funding figures and confirmation of changes to the Early Years Funding Formula, the Authority was unable to discuss modelled proposals for North Tyneside's early years funding formula 2023/24 at its meeting with Early Years Sub-Group on 7 December 2022. The group did however discuss and agree the principles for allocation of any funding increases to be fully modelled once funding was confirmed.

5.4.2 Once the funding rates were confirmed, the proposed funding formula was shared with members of the subgroup for comment. The preferred option was discussed and agreed by Schools Forum on 11 January 2023, and it is recommended that this formula is used for distribution of the Early Years block in 2023/24.

Table 6: Early Years Funding Formula 2023/24

		2022/23	2023/24
2 Year Old Base Rate		£5.54	£5.60
3 & 4 Year Old Hourly Base Rate		£4.60	£4.64
3 & 4 Year Old Hourly Deprivation Supplement	Quartile 1	£0.17	£0.18
	Quartile 2	£0.06	£0.06
3 & 4 Year Old Hourly Quality Supplement - Teachers Pay and Pension Grant Supplement *		n/a	£0.22
Early Years Pupil Premium		£0.60	£0.62
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	£8.26 per hour
Disability Access Fund		£800	£828

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

5.5 Central School Services Block Funding for 2023/24

5.5.1 Funding for the Central Schools Services block (CSSB) has been reduced by DfE in relation to historical funding by £0.103m, which represents a 20% reduction in funding for the historic commitments. Ongoing functions have had an increase of 5.86% as shown in table 7 below.

Table 7: Allocations for North Tyneside CSSB 2023/24

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Annual Change £m	Annual Change %
Historical Commitments	1.244	0.995	0.796	0.637	(0.159)	(20.00%)
Ongoing Functions	0.807	0.882	0.928	0.984	0.056	6.03%
Total	**2.051**	**1.877**	**1.724**	**1.621**	**(0.103)**	**(8.15%)**
Change from 2017/18 Baseline £m	(0.292)	(0.466)	(0.619)	(0.879)		
Change from 2017/18 Baseline %	(12.46%)	(19.89%)	(26.42%)	(35.16%)		
Change per Year £m	(0.292)	(0.174)	(0.153)	(0.103)		
Change per Year %	(12.46%)	(8.48%)	(8.15%)	(5.97%)		

5.5.2 The list of services provided via CSSB funding is listed in table 8. The net reduction in funding of £0.103m 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 January, the Authority will set the funding for these services as identified in table 8 below. 2022/23 has seen a reduction in the collective contribution to ongoing pension costs and therefore it is proposed to take the majority of the budget reduction against this element. The contribution to the Education Improvement Partnership has also been reduced by £0.020m and there has been a £0.010m increase in respect of the National Copy Right Licences.

Table 8: 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	**0.415**	**0.415**
Budget to support vulnerable schools.	**0.052**	**0.052**
Budget for the Education Improvement Partnership (secondary schools)	**0.060**	**0.040**
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**	**0.525**
Schools admission service	**0.141**	**0.141**
Former Education Services Grant (Retained)	**0.244**	**0.244**
National Copyright Licences	**0.157**	**0.174**
Total CSSB Funding	**1.724**	**1.621**

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 <u>Timetable for Agreeing 2023/24 Distributions</u>

5.6.1 The key dates which must be met in setting 2023/24 school budgets are shown in Table 9 below. This report is requesting authorisation for 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 to meet these deadlines.

Table 9: Remaining Key dates for 2022/23 School Budget-setting

Date	**Activity**
20 January 2023	Deadline for submission of final local School Allocations to DfE (the Authority Proforma Tool)
28 February 2023	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 Budget proposals for the 2023-2028 Investment Plan

6.1 Background

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 proposed Capital Investment Strategy is attached as Appendix D (iv).

The 2022-2027 Investment Plan totalling £242.333m was approved by Council on 17 February 2022. 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 £10.492m has been identified as part of the process and this spend is now included in the proposed 2023-28 Investment Plan.

There are significant pressures facing the Investment Plan, due to inflation and supply chain issues as a result of the COVID-19 pandemic and ongoing conflict in Ukraine. These pressures are being managed on a scheme by scheme basis, through the re-profiling of planned works and the use of contingency where cost increases are unavoidable in order to deliver the required outputs.

The following significant adjustments are included in the draft plan:

- A new year 5 (2027/28) has been added to reflect rolling programme projects including planned investment in additional Highways Maintenance to address priorities outlined within the Highways Asset Management Plan, Asset Planned Maintenance, vehicle replacement and in ICT infrastructure;
- In view of the outcome of a number of building condition surveys, the re-profiling of investment to increase the investment beyond the planned £2m to £2.8m in 2023/24 and £3.1m in 2024/25 to address a number of high priority schemes and help to reduce the pressure on the repairs budget. Future year allocations have been reduced to accommodate this additional investment and will continue to be reviewed as building condition information is updated;
- The inclusion of a proposed £12.5m long-term loan facility to North Tyneside Trading Company (Development) to enable the Company to acquire up to 100 additional homes, increasing the provision of affordable homes within the Borough;
- The inclusion of a £4.1m scheme to develop a sports hub at St Peter's, working closely with the Football Association, Northumberland Football Association and

Football Foundation to develop a multi-use regional sports facility and community development hub. This scheme will utilise external funding and Section 106 contributions.

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 2022-2027).

Table 10 below shows a summary of the proposed 2023-2028 Capital Investment Plan which seeks to invest over £312m within the Borough.

Table 10: Summary of the proposed Capital Investment Plan 2023-2028

Spend	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
General Fund	61.784	28.805	19.093	20.414	17.914	148.010
Housing	33.953	30.059	30.962	33.361	35.970	164.305
Total	**95.737**	**58.864**	**50.055**	**53.775**	**53.884**	**312.315**

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 11: Summary of Financing 2023-2028

Spend	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
General Fund						
Council Contribution:						
Unsupported Borrowing	11.773	16.626	8.529	9.950	8.450	55.328
Capital Receipts	0	0	0	0	0	0
Revenue contribution	0.500	0	0	0	0	0.500
Grants & Contributions	46.503	12.179	10.564	10.464	9.464	89.174
Total General Fund Resources	**61.784**	**28.805**	**19.093**	**20.414**	**17.914**	**148.010**
Housing – HRA						
Capital Receipts	3.280	2.170	2.153	1.060	1.202	9.865
Revenue Contribution	11.589	13.592	14.137	16.259	16.557	72.134
Major Repairs Reserve	18.219	14.167	14.592	14.112	17.411	78.501
Other contributions	0.415	0.130	0.080	0.130	0.200	0.955
Grants	0.450	0	0	0	0	0.450
Vehicle Replacement Reserve	0	0	0	1.800	0.600	2.400
Total Housing HRA Resources	**33.953**	**30.059**	**30.962**	**33.361**	**35.970**	**164.305**
TOTAL RESOURCES	**95.737**	**58.864**	**50.055**	**53.775**	**53.884**	**312.315**

6.1.3 The proposed 2023-2028 Investment Plan for the General Fund includes expenditure of £61.784m in 2023/24. Of this expenditure, £49.511m (80%) is funded through grants and other external contributions.

At this stage no General Fund receipts have been assumed as part of financing the Investment Plan. This will be reviewed as capital receipts are received, which can either reduce the borrowing requirement or help to fund the introduction of additional priority schemes. Housing capital receipts of £9.865m have been assumed in the financing of housing projects within the draft Plan.

Across the life of the draft Plan, unsupported borrowing totals £55.328m. This includes £12.5m relating to a proposed long-term loan which would require the revenue implications of borrowing to be funded by a third party. A total of £11.773m of unsupported borrowing is planned for 2023/24. The cost of borrowing is included within the General Fund Revenue Budget.

There are currently a number of projects progressing through the investment gateway process where bids have been made for external funding such as Levelling Up 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 Government Capital Allocations

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). Where figures have not yet been announced, indicative figures, based on previous allocations, have been included in the draft Plan to assist with longer-term planning. When the 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 2023/24 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, using the annuity methodology. 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 2023/24 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 2023-2027 have been prepared using the current (2021) Code and are attached as Appendix D (iii).

7. 2023/24 Treasury Management

7.1 Background

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 security and liquidity before considering investment return.

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

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 17 February 2022 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 2022 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 31 December 2022 is set out in Table 12 below:

Table 12: Current Treasury Portfolio Position as at 31 December 2022

	Principal Outstanding	Average Rate
	£m	%
Fixed Rate Funding		
PWLB*	254.250	3.59
PWLB – (HRA Self-Financing)	128.193	3.49
Market Loans	20.000	4.35
Temp Loans**	0.000	0.00
Total External Debt	**402.443**	
Less **Investments**		
(UK) DMO***	16.500	1.57
Other Local Authorities	15.000	2.14
Bank Deposits	10.053	2.46
Total Investments	**41.553**	
Net Position	**360.890**	

* 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 13 below sets out Link Asset Services' professional view of interest rates:

Table 13: Link Asset Services' forecast interest rates – 19 December 2022

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

7.5 Economic Update (Provided by Link)

7.5.1 The latest forecast on 19 December 2022 reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. Bank Rate stands at 3.5% currently but is expected to reach a peak of 4.5% in H1 2023 Both long- and short-term rates show elevation until June 23, before slowly decreasing into second half of 2023.

7.5.2 During H1 2022, there has been a change of both Prime Minister and Chancellor. The new team, at the time (Liz Truss and Kwasi Kwarteng) had made a step change in

government policy. The Government's huge fiscal loosening from its proposed significant tax cuts will add to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Whilst the Government's utility price freeze, which could cost up to £150bn (5.7% of GDP) over 2 years, will reduce peak inflation from 14.5% in January next year to 10.4% in November this year, the long list of tax measures announced at the "fiscal event" adds up to a loosening in fiscal policy relative to the previous government's plans of £44.8bn (1.8% of GDP) by 2026/27. These included the reversal of April's national insurance tax on 6th November, the cut in the basic rate of income tax from 20p to 19p in April 2023, the cancellation of next April's corporation tax rise, the cut to stamp duty and the removal of the 45p tax rate, although the 45p tax rate cut announcement has already been reversed.

7.5.3 Following the fiscal event, UK politics remained volatile. The Chancellor Kwarteng was dismissed on the 14 October 2022, replaced by Jeremy Hunt as new Chancellor. This was followed by the Prime Minster, Liz Truss resigning on the 25 October 2022. Liz Truss was replaced by Rishi Sunak on the 25 October 2022. Markets appeared to have stabilised somewhat.

7.5.2 The CPI measure of inflation looks to have peaked at 11.1% in Q4 2022 (as at December 2022 10.5%). Despite the cost-of-living squeeze that is still taking shape, the Bank of England will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. In the coming months it is anticipated that the Bank of England will be looking to loosen the monetary policy when the worst of the inflationary pressures are behind us. The timing of that will be one of very fine judgement as cut too soon, inflation pressures may build up even further, however cut too late, we could see a recession lasting much longer.

7.5.3 Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a cautious message over the course of the last year, only for the Bank of England to have to play catch-up as the inflationary data has proven stronger than expected. Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3.5% in December and the market expects Bank Rate to hit 4.5% by May 2023.

7.5.4 With further increases to the gas and electricity price caps forecast for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023. The MPC noted that the risks around its projections from both external and domestic factors were exceptionally large, given the very large increase in wholesale gas prices since May and the consequent impacts on real incomes for UK households and on CPI inflation. Fears that the Government has no fiscal anchor on the back of these announcements has meant that the pound has weakened again, adding further upward pressure to interest rates.

7.5.5 The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually contracted by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at

over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine.

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 the consultation, a revised 2021 Code was issued in Q4 of 2021, the updated code which addressed issues relating to debt for yield, was to be applied with immediate effect by Local Authorities. As such the North Tyneside Council adopted the 2021 edition code.

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 December 2022, the Authority held the following investments on its balance sheet:

- Equity:

  Newcastle Airport Holding Company Ltd £10.856m (£7.830m 31/3/2021)
  North Tyneside Trading Company £10.508m (£9.075m 31/3/2021)
  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 £9.581m, relates to investment in affordable homes in line with the Cabinet's priorities using section 106 funding. The second, amounting to £2.000m, relates to investment in Aurora Properties (Sale) Ltd for the provision of housing for sale on the open market.

- Loans:

  Sub ordinated debt – Dudley and Shiremoor JSC £0.160m ((£0.160m 31/3/2021)
  Sub ordinated debt – Whitley Bay JSC £0.110m ((£0.110m 31/3/2021)

7.7.4 The current 2022/23 Capital Investment Plan includes further planned investment in the Trading Company of £3.939m (which includes £1.980m in section 106 funding). It is proposed to award a long-term loan of £12.5m to the Trading Company to increase the provision of affordable housing within the Borough, the release of which would be subject to due diligence and would consider all associated risks prior to entering into a loan agreement. 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 2022/23 or over the period of the Financial Plan (2023-2028) are not expected to be material. Recharge income in respect of staff time is estimated to be £0.370m for 2022/23 and approximately £1.200m over the period of the Financial Plan (2023-2028).

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 2023-2027 Financial Planning and Budget process.

8.1.2 The Budget sub-group of Overview, Scrutiny and Policy Development Committee met on 1 December where Senior Officers presented 2023-2027 Cabinet's Initial Budget proposals.

At its meeting on 1 December, further information on a number of areas of the Budget was requested, including the updated position of the Provisional Local Government Finance Settlement (the 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's Final Budget Proposals for 2023-2027 that will take place on Tuesday 31 January 2023. 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 2023-2028 Investment Plan and the 2023/24 Treasury Management Statement and Annual Investment Strategy at its meeting on 6 February 2023.

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.

8.2.3 The sub-group considered the Budget Engagement Strategy and asked Cabinet to consider the following:-

- There are gaps in engaging with 18–30-year-olds and suggested that further ways are explored to find ways to engage with this group. The sub-group suggested that a wider range of social media platforms that were used by young people could be used and stated that Twitter and Facebook were not used by teenagers/young people as much as other platforms. It was suggested that consideration be made to assess the possibility to extend the platforms that the Authority uses to engage.

8.2.4 In considering the 2023/24 Budget and the 2023-2027 Medium-Term Financial plan the sub-group made the following observations and comments:-

- The sub-group recognise the uncertain nature local government funding and the need for the Authority to maintain financial resilience. The sub-group asked Cabinet to consider maintaining the level of reserves as far as possible as this is paramount to provide the financial resilience necessary for the duration of the Medium-Term Financial Plan;
- The sub-group commented that whilst they understood that the Authority would be fully compensated for freezing the business rates multiplier this also removes buoyancy from the business rates system and without alternative means of funding the Authority's income would be reduced.
- Understanding that the Authority is also experiencing significant pressure in relation to rising energy costs the sub-group noted that the only way to reduce energy costs in the longer terms is to reduce the demand in energy through increased investment in energy efficiency.
- The sub-group understood that the low pay commission forecasts indicate that there could be an increase of 8.93% in the National Living Wage which will put significant pressure on the Authority's budget and noted that this should be reflected by the Government as part of the Settlement.
- In relation to Treasury Management the sub-group suggested that when opportunities arise that consideration be taken to ensure the principles of the investment/borrowing body are aligned to that of the Authority and it's green agenda.

8.3 In conclusion, the risk and uncertainty to have Budget proposals due to the delay in the Settlement only increases the difficulty for local authorities to plan effectively over the longer term. The sub-group acknowledged that it was a difficult activity to draft a Budget based on so many assumptions that are outside of the Authority's control. However, it was encouraged during the detailed explanation of all of the assumptions presented that the outcome of the proposed 2023/24 Budget would be balanced in line with the agreed Our North Tyneside Plan. The sub-group also acknowledged that the Budget Engagement Strategy should change each year in line with how the Authority's differing communities can and wish to engage.

8.4 Whilst there were no formal recommendations made in relation to Cabinet's engagement approach or the initial Budget proposals for the General Fund, HRA, the 2023-2028 Investment Plan and the 2023/24 Treasury Management Statement and Annual Investment Strategy, a number of considerations have been raised for Cabinet to consider which have been outlined above.

8.5 A further meeting has been arranged for the Budget sub-group to reconvene and consider Cabinet's draft Budget proposals for 2023-2027 that will take place on Tuesday 31 January 2023, 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 6 February 2023.

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 him 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 16 February 2023, when all outstanding information should be available.

9.1.2 The 2023/24 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 2023-2028 Capital Investment Plan;
- The adequacy of the budget monitoring and financial reporting arrangements in place;
- The adequacy of the Authority's internal control systems, relying on the Assurance Statements provided as part of the Annual Governance Statement for the 2021/22 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 £18.314m as recognition of the risks associated with inflation and delivery of efficiencies. 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 2023/24 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 Capital Investment Strategy

9.3.1 In line with the Prudential Code's requirement that the Chief Finance Officer of an Authority should report explicitly on the 'deliverability, affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions', the Authority has ensured that that all projects within the 2023-2028 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 Adequacy of Financial Reserves

9.4.1 General Fund

9.4.2 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 following years of Government cuts and uncertainty, with the long-term impact of the covid pandemic, rising energy costs, inflation and the long-term impact of the war in the Ukraine exacerbating this.

9.4.3 Since the development of the 2022/23 Budget and MTFP in February 2022, several further significant risks have emerged that are impacting on the 2022/23 budget position, as well as increasing the pressure identified for 2023/24. Since the Provisional Local Government Financial Settlement was announced on 19 December

2023 and further analysis of Core Spending Power has been undertaken the previous reported revised gap has now been resolved and the draft Budget proposals put forward by Cabinet at this meeting show a balanced Budget for 2023/24.

9.4.4 The Authority bought forward reserves and balances of £84.875m into 2022/23, before the impact of the negative reserve relating to the Dedicated Schools Grant (DSG) of £12.851m. As set out in previous budget monitoring reports, this is due to the pressures being experienced in the High Needs Block of the DSG. Taking that deficit balance into account would revise the brought forward balance to £72.024m.

9.4.5 Based on the latest forecast of planned usage, it is anticipated £30.672m will be drawn down in 2022/23 to support service delivery. This would result in a 2023/24 balance bought forward for general fund reserves and balances of £41.352m. The planned usage does not incorporate the likely usage of the strategic reserves to support the 2022/23 in-year pressures, as reported above. If £8.625m was required (based on the current budget monitoring forecast) this would further reduce general fund reserves and balances to £32.727m. Cabinet should also note that within this figure is the net Schools Balance held on behalf of maintained schools. Whilst this is forecast to be a positive net figure of £1.898m as at 31 March 2023, it includes a range of surplus and deficit balances for individual schools, some of which are material deficit balances. These could ultimately fall on General Fund balances if they cannot be resolved in conjunction with the individual schools so will be closely monitored moving forwards with Cabinet and Schools Forum.

9.4.6 These actions together with the requirement to balance the 2022/23 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 included in the draft budget proposals is corrective action to restore the Strategic Reserve to the agreed level.

9.4.7 Table 14 below shows the reserves as at the 31 March 2022 and the projected reserve levels over the period of the Financial Plan:

Table 14: Reserves and Balances as at 31 March 2022 and from 2022/23-2026/27

Reserves and balances	Closing Balance	Projected Closing Balances				
	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
Reserves						
General Fund ringfenced	35.545	28.193	23.733	22.284	20.901	19.125
General Fund unringfenced	20.448	7.523	6.765	10.152	12.076	14.076
General Fund grants	18.484	6.026	4.325	4.026	3.768	3.476
Dedicated Schools Grant	(12.851)	(17.913)	(20.223)	(20.920)	(21.066)	(20.672)
HRA	15.414	15.694	15.977	16.357	16.688	14.741
Reserves Sub Total	**77.040**	**39.523**	**30.577**	**31.899**	**32.367**	**30.747**
Balances						
General Fund Balances	7.000	7.000	7.000	7.000	7.000	7.000
School Balances	3.398	1.898	0.398	(1.102)	(2.602)	(4.102)
Housing Revenue Account Balances	3.501	3.220	2.838	2.569	2.628	2.655
Balances Sub Total	**13.899**	**12.118**	**10.236**	**8.467**	**7.026**	**5.553**
Grand Total Reserves and Balances	**90.939**	**51.641**	**40.813**	**40.366**	**39.393**	**36.300**

9.5 Housing Revenue Account (HRA)

9.5.1 Table 15 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 15: 2022–2026 Housing Revenue Account Balances

HRA Forecast Movement on Reserves	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**
Opening Reserve Balance	(3.501)	(3.220)	(2.838)	(2.569)	(2.628)
Contributions (to)/from balances	0.281	0.382	0.269	(0.059)	(0.027)
Predicted Reserve Balance Carried Forward	**(3.220)**	**(2.838)**	**(2.569)**	**(2.628)**	**(2.655)**

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 2023/24 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 2023-2027 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 Key Financial Risks

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 16: Key Financial Risks and mitigating actions

Potential Risk	Initial Response
Long Term Financial Impact of COVID: There is a risk that there may be long term impact on the ongoing income from Council Tax and business rates	Revenue monitoring to understand affected services and areas; Update financial planning assumptions; A planned use of reserves; A named finance officer to be aware of and collate impacts.
There is a risk of being unable to set a balanced budget for 2023/24 and over the period of the MTFP.	Managed during the budget setting for 2023/24 and robust budget challenge.
The significant impacts of the "cost of living" crisis, exceptional inflationary pressures and the wider impact of the Russian invasion of Ukraine on the economy have the potential to drive additional cost pressures and may lead to reductions in overall income due to the wider economic impacts. The current MTFP approved by Full Council did not provide for the current extreme levels of inflation which are expected to persist throughout the remainder of the financial year and beyond.	Close monitoring of this position during 2022/23 will be required to ensure the MTFP reflects any ongoing pressure and the impact assessment of the current economic situation.
Ongoing uncertainty around local government and wider public sector finances	The Authority will continue to take part in consultations on any funding reforms and will continue to lobby the Government for additional funding where necessary.
There is a risk that the levels of savings and income the Authority has included in the Budget proposals are not fully deliverable.	A robust challenge process will take place to ensure proposals can be delivered. All savings and income will be monitored throughout the year to identify any areas which are not delivering savings as planned so corrective action can be taken.

There is a risk that if the Efficiency Programme is not successfully implemented the Authority may be unable to deliver improved services and meet the increased demand for 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 the Senior Leadership Team 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 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 by 2026/27, for the General fund and for the HRA, which will be considered by Cabinet in January 2023.	Through a robust approach to financial management the Authority is in a position to respond to determine actions necessary if the assumptions that have been made prove to be incorrect. The Authority work closely with national, regional and sub-regional financial networks to help ensure that the Authority is informed and aware of any national developments. Being involved in the consultation process enables any issues or concerns specific to NTC to be highlighted before final decisions are made.
There is a risk that not all growth pressures have been identified in the 2023/24 proposed Budget.	Detailed proposals have been put forward by each Director of Service and challenged by the Senior Leadership Team, Cabinet Members and the Elected Mayor.
There is a risk that demand - led pressures exceed Budget provision.	Demand-led pressures continue in areas such as adults' and children's social care and the impact of the Living Wage on our care providers (and the price for services the Authority then has to pay) have been taken into consideration as part of these initial Budget proposals.
There is a risk that specific factors arising during 2022/23 will not been fully taken into account when preparing the 2023/24 Budget.	The 2022/23 financial position is monitored through bi-monthly reporting to Cabinet and monthly reporting to the Senior Leadership Team. This process ensures factors arising during the year are taken into account.
There is a risk that the in-year pressures being reported through the 2022/23 financial management process	As at 30 November 2022, a pressure of £15.753m (unmitigated) was reported against the 2022/23 Budget.

impact on the deliverability of the 2023/24 budget.	All Services continue to develop and deliver actions to mitigate these financial pressures and expect the outturn forecast to improve through the year. In addition, non-essential spend continues to be minimised and a detailed review of demand-led projections aims to reduce over-commitments. Progress will be monitored through bi-monthly reporting to Cabinet and monthly reporting to the Senior Leadership Team.
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 2022/23 pressures into 2023/24 will be considered.
There is a risk that there are insufficient levels of reserves and balances.	A full review of reserves and balances is undertaken on a regular basis as part of both the in-year monitoring and planning processes.
There is a risk that the Authority will be unable to protect its housing assets and services to tenants as a consequence of reduced income to the HRA. Government policy on welfare reform is resulting in a number of direct challenges to rent collection; the spare room subsidy and the benefit cap have already had an impact.	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 Investment Plan is revised annually to help mitigate the impact of changes. In addition, the Financial Inclusion Strategy sets out how the Authority and its partners will support its residents to better manage their finances and maximise their income. The HRA budget includes proposal to increase support to tenants in managing their ability to sustain their tenancies. The Authority has representation on the DLUHC and CIPFA HRA working groups. This enables specific issues to be raised and allows the Authority to comment and influence change on HRA regulation
There is a risk that there may be a significant financial impact on school resources if the number of schools requesting deficit continues to rise at its current rate. 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, 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.

There is a risk that the Authority may be unsuccessful in securing additional support from the ESFA to mitigate the pressures and current deficit position within the DSG	Internal Governance processes are being developed to ensure a robust plan is submitted and ongoing discussions are taking place with the ESFA. Schools Forum are being kept up to date with all plans that are included within the DSG Management Plan, and this will form part of budget setting for the DSG for 2023/24.
There is a risk that the DSG Deficit Statutory override will come to an end in 2022/23 leaving the Authority with a significant risk to its reserves if the level of deficit needs to be covered by General Fund Reserves	The Authority will continue to submit responses to consultations with the DfE to ensure the DfE are aware that if the Statutory override was to come to an end the Authority would be at significant risk of financial sustainability.

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

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NTCouncilTeam

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2023-2027 - General Fund Medium-Term Financial Plan

General Fund Budget	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
General Fund Base Budget	163.512	182.458	182.267	179.618
Legislative / regulatory changes	3.041	1.660	0.181	0.181
Inflationary changes (pay and prices)				
- Pay award (Incl. pension)	8.286	2.025	2.065	7.812
- Social Care Demand Pressures	2.647	0.000	0.000	0.000
- Energy Inflation	5.572	0.000	0.000	0.000
- Contractual Inflation	3.000	0.000	0.000	0.000
- Levies & Precepts	0.736	0.499	0.412	0.424
Commercial Pressures				
- Care Market	1.604	1.354	1.604	1.604
- Children's Home	0.600	0.000	0.000	0.000
- Home to School Transport	0.550	0.000	0.000	0.000
Corporate Pressures				
- Investment cost of borrowing	0.542	0.098	0.674	0.674
- Corporate changes	11.562	1.000	1.150	1.150
Total Growth / Pressures	**38.140**	**6.636**	**6.086**	**11.845**
Base Budget Plus Growth	**201.652**	**189.094**	**188.353**	**191.463**
Replenishment of the Strategic Reserve	0.000	4.000	2.500	2.500
Minimum Revenue Saving	(4.000)	4.000	0.000	0.000
Spend Requirement	**197.652**	**197.094**	**190.853**	**193.963**
Estimated Base Budget Carry Forward	(172.086)	(182.267)	(179.618)	(179.872)
2021-2024 - Efficiency Programme	(1.035)	0.000	0.000	0.000
2022-2026 - Efficiency Programme	(0.639)	(0.208)	(0.185)	0.000
Gap	**23.892**	**14.619**	**11.050**	**14.091**
<u>Provisional Settlement 2023/24</u>				
New Homes Bonus	(0.118)	(1.559)	0.625	0.000
Fall Out of Services Grant	(0.211)	0.000	1.876	0.000
Fall Out of Lower Tier Services Grant	0.319	0.000	0.000	0.000
Increase to Social Care Grant for 2023/24	(6.525)	(2.767)	19.772	0.000
Social Care Wrap-Up – Independent Living Fund	0.612	0.000	0.000	0.000
ASC Market Sustainability	(1.718)	(1.216)	2.934	0.000
Ringfenced Discharge Support Grant	(1.343)	(0.895)	2.238	0.000
Improved Better Care Fund	0.000	0.000	9.579	0.000
Social Care Charging Reform Grant	0.000	0.000	0.696	0.000
Social Care Grants (New Adult RNF Distribution)	0.000	0.000	(36.950)	(2.186)

Damping	0.000	0.000	2.390	1.343
Business Rates Multiplier Uplift	(3.571)	(0.607)	0.000	0.000
Council Tax Support Fund – Income	(0.427)	0.427	0.000	0.000
Council Tax Support Fund – Expenditure	0.427	(0.427)	0.000	0.000
Public Health Grant – Expenditure	0.000	0.000	0.374	0.000
Public Health Grant – Income	0.000	0.000	(0.374)	0.000
Removal of NIC Charge	(1.250)	0.000	0.000	0.000
Local Council Tax Support Grant – Rolled into RSG	0.285	0.000	0.000	0.000
Food Labelling Grant – Rolled into RSG	0.006	0.000	0.000	0.000
RSG Uplift	(1.437)	0.000	0.000	0.000
Increase in Top-Up	(0.187)	0.000	0.000	0.000
NNDR Cost of Collection	(0.006)	0.000	0.000	0.000
Total Change – Provisional Settlement	**(15.144)**	**(7.044)**	**3.160**	**(0.843)**
2.99% Council Tax	(3.305)	0.000	0.000	0.000
2% ASC	(2.210)	0.000	0.000	0.000
Increase in Council Tax Base	(0.376)	0.000	0.000	0.000
Collection Fund (CTax & NNDR) Changes	(2.857)	0.000	0.000	0.000
Total Change to Resources	**(8.748)**	**0.000**	**0.000**	**0.000**
Revised Gap	**0.000**	**7.575**	**14.210**	**13.248**
Cumulative Gap		**7.575**	**21.785**	**35.033**

2023-2027 - General Fund Budget Assumptions

Description (Amount)	Legislative/Regulatory related changes (£3.041m in 2023/24)
How have the above amounts been calculated?	The value in 2023/24 represents the reduction in grants such as New Homes Bonus £1.193m, Services Grant £1.665m and Housing Benefit Admin Subsidy £0.101m and an increase of £0.082m in respect of Land Charges.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Changes to Central Government external funding of grants or changes in regulations
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	Changes to Central Government funding and/or regulations
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the Budget that can absorb these pressures.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Authority will overspend its budget.

Description (Amount)	Pay award (£8.286m in 2023/24)
How have the above amounts been calculated?	The annual pay award, £7.286m, calculation is initially based on an agreed pay award of £1,925 per FTE applied to 2022/23 staffing budgets (the full cost includes salary, employer's national insurance, and employer's pension contributions). In 2022/23, the base budget did not have sufficient resource to cover the full pay award, so had to be covered from alternative sources (circa £2m). The 2023/24 growth also includes an assumed 2023/24 pay award of circa 5%, although the final amount will be subject to national agreement. The proposed Budget also includes a contingency of £1m for further pay award or wider staffing pressures that was not included in the November report. Taken together, the proposed total budget growth for pay awards is £8.286m.
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 local government employers
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	Impact of the 2022/23 award and assumption of a similar % increase (c.5%) in 2023/24
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 2023/24.
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)	Social Care Demand Pressures (£2.647m in 2023/24)
How have the above amounts been calculated?	This cost pressure is based on potential increases in costs associated with demand driven pressures within Adults and Children's Social care
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Increased demand for packages, combined with inflationary price increases and complexity of cases.
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?	Whilst work continues to manage the number of cases and packages provided, external driven pressures have reached a level where full mitigation is not possible.
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)	Energy Inflation (£5.572m in 2023/24)
How have the above amounts been calculated?	This cost pressure is based on potential increases in the cost of energy for 2023/24 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. This takes into account the expected level of support from Government schemes.
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 (£0.736m in 2023/24)
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 increase is as a result of both pressures facing Nexus and 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)	Contractual (£3.000m in 2023/2024)
How have the above amounts been calculated?	The figures for the 2023/24 figure are based on the price increases set to be incurred in areas such as Waste Management, where the current rate of inflation will significantly impact the Household and Recycling contracts. These price increases are reflective of the current market conditions within Waste Recycling.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Price increases as a result of external market forces.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	Yes – the Authority is obligated to source disposal of the waste it collects from households.
Is there scope to fund this cost pressure from existing resources?	No, there are no underspends in the Budget that can absorb this pressure.
More generally, what is the impact of not agreeing funding for the cost pressure?	The Authority will overspend its budget.

Description (Amount)	Care Market (£1.604m in 2023/24)
How have the above amounts been calculated?	This growth requirement is expected to be needed in 2023/24 onwards and is based on estimated client population growth along with known growth pressures for 2021/22 – 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)	Children's Home (£0.600m in 2023/24)
How have the above amounts been calculated?	Revenue costs required for the running of Maple House
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	New home opened requiring a revenue budget for staffing and other revenue expenditure.
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)	Home to School Transport (£0.550m in 2023/24)
How have the above amounts been calculated?	This growth requirement is expected to be needed in 2023/24 onwards and is based on estimated growth in children receiving home to school transport and the impact external market forces are having on the cost of delivering the service.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	Commercial pressures driven by external market forces increasing the price of delivering the home to school transport service combined with increases in demand.
If the cost pressure is due to increased demand, what evidence exists to support this?	Increased number of pupils receiving the service.
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 activity is required.
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 (£0.542m in 2023/24)
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.
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 (£11.562m in 2023/24)
How have the above amounts been calculated?	Additional resources provided as a result of the provisional settlement are to be held in contingency, to enable the Authority to react in-year to emerging pressures and will be allocated accordingly during 23/24. In addition, there 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 2023/24.
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)	Minimum Revenue Provision ((£4.000m) in 2023/24)
How have the above amounts been calculated?	The value in 2023/24 represents the saving available following the Authority changing calculation methodology to the annuity method. This was first actioned at the end of the 2021/22 financial year and has now been signed off by external audit enabling a future saving to built into the budget.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	External review by third party of our MRP requirement.
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 the benefit of a change to the accounting treatment and calculation surrounding MRP.

Description (Amount)	Provisional Settlement changes ((£15.144m) in 2023/24)
How have the above amounts been calculated?	Based on the Provisional Local Government Finance Settlement announced on 19 December 2022
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	This is not a cost pressure; it is a mixture of additional income or the reduction of income following grants falling out or being combined with other grants that forms part of the Provisional Settlement. The detailed breakdown is included in table 2 of the Cabinet cover report.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	n/a
Is there scope to fund this cost pressure from existing resources?	This is not a cost pressure it is income that forms part of the Provisional Settlement.
More generally, what is the impact of not agreeing funding for the cost pressure?	This is not a cost pressure it is income that forms part of the Provisional Settlement.

Description (Amount)	Resources changes ((£8.748m) in 2023/24)
How have the above amounts been calculated?	Additional increases in the rate of Council Tax and Adult Social Care precept following announcements made in the Autumn Statement on 17 November 2022 and confirmed as the Government's expectations for Authorities in the Provisional Local Government Finance Settlement announced on 19 December 2022. Additional income generated following the completion of the Collection Fund budget for 2023/24.
What is the source of the cost pressure (e.g. increased demand, fall-out of external funding, contractual or other price increases)?	This is not a cost pressure; it is a mixture of additional income through Council Tax increases and resources following the completion of the Council Tax base and the NNDR1 for 2023/24.
If the cost pressure is due to increased demand, what evidence exists to support this?	n/a
What, if anything, can be done to mitigate the cost pressure?	n/a
If the cost pressure is due to increased inflation, what benchmark is being used to assess the price increase?	n/a
Does the activity causing the cost pressure need to continue?	n/a
Is there scope to fund this cost pressure from existing resources?	This is not a cost pressure it is income that forms part of the Provisional Settlement and Collection Fund.
More generally, what is the impact of not agreeing funding for the cost pressure?	This is not a cost pressure it is income that forms part of the Provisional Settlement and Collection Fund.

Appendix C (i)

2023-2027 - Housing Revenue Account (HRA) Financial Plan, Reserves and Contingency Movement

HRA Forecast Expenditure Plan	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Original Base Budget	0.371	0.382	0.269	(0.059)
Add:				
Pressures and Growth				
North Tyneside Living (NTL) – Unitary charge	0.111	0.114	0.118	0.120
Depreciation (formerly MRA)	0.481	0.499	0.515	0.533
Housing Investment Plan-revenue support	1.308	2.004	0.544	2.122
Pension Fund Deficit Funding	0.000	0.000	0.000	0.855
Revenue Repairs – Pay Award & Rebasing re 2022-23 Pay Award	0.517	0.225	0.231	0.239
Revenue Repairs – Apprentices & Succession Plans	0.053	(0.018)	0.031	0.021
Revenue Repairs – Increased Superannuation Rate	0.064	0.005	0.005	0.005
Revenue Repairs – Additional White Paper Responsibilities	0.400	0.000	0.000	0.000
Revenue Repairs – Increased Material & Operational Costs	0.743	0.369	0.136	0.139
Revenue Repairs – Craftworkers Pay Review	0.450	0.000	0.000	0.000
Increased Energy Costs – Communal Areas & Blocks	0.220	0.007	0.009	0.007
General Management Pay Award & Rebasing re 2022-23 Pay Award & Prices	0.466	0.226	0.224	0.229
General Management – Increased Superannuation Rate	0.055	0.007	0.007	0.008
General Management – Apprentice Succession Planning	0.092	0.003	0.003	0.003
ICT Strategy – Unified Systems Review Project Costs	0.065	(0.065)	(0.300)	(0.075)
Bad Debt Provision	0.023	0.023	0.024	0.025
Total - Pressures and Growth	**5.048**	**3.399**	**1.547**	**4.231**
Efficiency Savings				
Council Dwellings – Rebasing and Rent Increase	(3.648)	(1.618)	(1.763)	(1.834)
Temporary and Dispersed Accommodation – Rebasing & Rent Increase	(0.103)	(0.013)	(0.013)	(0.014)
Garage & Other Rents – Rebasing & Rent Increase	(0.145)	(0.025)	(0.017)	(0.017)
NTL – Transitional Rent Protection	(0.010)	(0.010)	(0.010)	(0.010)
Interest on Balances	(0.025)	0.000	0.000	0.000

Base Budget Review – Management Cost Centres	(0.397)	0.000	0.000	0.000
Service Charges – Furniture Packs – Rebasing & Rent Increase	(0.106)	(0.037)	(0.038)	(0.039)
Service Charges – Sheltered and Communal Areas – Rent Increase	(0.154)	(0.066)	(0.069)	(0.071)
Treasury Management – Existing Debt & DME	(0.159)	(0.153)	(0.112)	0.000
Treasury Management – New and Temporary Debt	0.000	0.000	0.000	(0.039)
Treasury Management – Debt Set Aside (MRP Equivalent)	(1.260)	(1.230)	0.491	(1.332)
North Tyneside Living – contribution to/from Reserves & Monitoring Costs	(0.061)	(0.063)	(0.064)	(0.066)
General Management – Adult Social Care Levy	(0.062)	0.000	0.000	0.000
Revenue Repairs – Adult Social Care Levy	(0.087)	0.000	0.000	0.000
Repairs Budget–impact of stock reductions	(0.070)	(0.047)	(0.030)	(0.027)
Total – Efficiency Savings	**(6.287)**	**(3.262)**	**(1.625)**	**(3.449)**
Reserves & Contingencies				
General Management Contingency - Review	1.250	(0.250)	(0.250)	(0.750)
Repairs Contingency - Review	0.000	0.000	0.000	0.000
Total – Reserves & Contingencies	**1.250**	**(0.250)**	**(0.250)**	**(0.750)**
Revised Base Budget	**0.382**	**0.269**	**(0.059)**	**(0.027)**

HRA Revenue Balances	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**
Changes in Contingencies	0.000	0.000	0.000	0.000
Contribution to/(from) Balances	0.012	(0.114)	(0.328)	0.032
TOTAL	**0.012**	**(0.114)**	**(0.328)**	**0.032**

Appendix C (ii)

2023-2027 - Housing Revenue Account Business Plan

	2022/23 Draft Outturn	2023/24 Draft Budget	2024/25 Draft Budget	2025/26 Draft Budget	2026/27 Draft Budget
	£m	£m	£m	£m	£m
Rent, Garages and Service Charge Income	(63.105)	(66.978)	(68.729)	(70.629)	(72.605)
PFI Credits - North Tyneside Living	(7.693)	(7.693)	(7.693)	(7.693)	(7.693)
Rent from Shops, Offices etc.	(0.430)	(0.425)	(0.434)	(0.434)	(0.434)
Interest on Balances	(0.075)	(0.075)	(0.075)	(0.075)	(0.075)
Contribution from Balances	(0.281)	(0.382)	(0.269)	0.000	0.000
Total Income	**(71.584)**	**(75.553)**	**(77.200)**	**(78.831)**	**(80.807)**
Capital Financing Charges	12.514	11.094	9.711	10.090	8.719
Management Costs	11.267	11.694	11.873	11.816	11.988
Repair and Maintenance	13.160	14.869	15.403	15.776	16.153
PFI Contract Costs – North Tyneside Living	9.787	9.836	9.887	9.941	9.995
Revenue Support to Strategic Investment	10.271	11.588	13.592	14.137	16.259
Depreciation / Major Repairs Account (MRA)	13.741	14.219	14.718	15.232	15.767
Bad Debt Provision	0.679	0.773	0.796	0.820	0.844
Transitional Protection	0.035	0.030	0.020	0.010	0.000
Management Contingency	0.130	1.450	1.200	0.950	0.200
Pension Fund Deficit Funding	0.000	0.000	0.000	0.000	0.855
Contribution to Balances	0.000	0.000	0.000	0.059	0.027
Total Expenditure	**71.584**	**75.553**	**77.200**	**78.831**	**80.807**

	2022/23	2023/24	2024/25	2025/26	2026/27
HRA Balances	**£m**	**£m**	**£m**	**£m**	**£m**
Estimated HRA Balances B/Fwd	**(3.501)**	**(3.220)**	**(2.838)**	**(2.569)**	**(2.628)**
Contribution to/from HRA	**0.281**	**0.382**	**0.269**	**(0.059)**	**(0.027)**
Estimated HRA Balances C/Fwd	**(3.220)**	**(2.838)**	**(2.569)**	**(2.628)**	**(2.655)**

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Project	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000	Financing type	£000
General Fund								
BS026 Asset Planned Maintenance	2,800	3,100	1,750	1,500	1,500	10,650	Council Contribution	10,650
CO079 Playsites	91	0	0	0	0	91	Section 106 Contributions	91
CO091 Neighbourhood Parks	75	90	100	0	0	265	Section 106 Contributions	265
CO093 Rising Sun Country Park S106 Ecology	13	0	0	0	0	13	Section 106 Contributions	13
DV064 Council Property Investment	300	0	0	0	0	300	Council Contribution	300
DV066 Investment in North Tyneside Trading Co	4,508	3,000	3,000	3,000	2,000	15,508	Section 106 Contributions	1,549
							Council Contribution	13,959
DV071 S106 Contributions to Set Up Health Facilities	13	0	0	0	0	13	Section 106 Contributions	13
DV073 Ambition for North Tyneside	1,669	2,000	0	0	0	3,669	Council Contribution	3,225
							Revenue Contribution	444
DV074 North Shields Heritage Action Zone (Ambition)	173	0	0	0	0	173	Council Contribution	87
							Historic England HAZ	86
DV077 Tyne Brand Development Site	3,950	190	0	0	0	4,140	Brownfield Housing Fund	4,140
DV080 Segedunum Roman Museum MEND	455	0	0	0	0	455	Council Contribution	100
							Revenue Contribution	56
							Arts Council Funding (MEND)	299
DV081 North Shields Cultural Quarter	450	0	0	0	0	450	NoTCA Cultural and Creative Zone Funding	450
DV082 Wallsend Town & High Street Programme	1,360	0	0	0	0	1,360	NoTCA Town and High Street Fund	1,360
ED075 Devolved Formula Capital	1,110	610	610	610	610	3,550	Education Funding Agency	3,550
ED120 Basic Need	2,000	0	0	0	0	2,000	Education Funding Agency	2,000
ED132 School Capital Allocation	4,034	3,868	3,868	3,868	3,868	19,506	Education Funding Agency	19,340
							Section 106 Contributions	166
ED190 High Needs Provision Capital Allocation	2,060	0	0	0	0	2,060	Education Funding Agency	2,060
EV034 Local Transport Plan	2,552	2,552	2,986	2,986	2,986	14,062	Dept for Transport LTP Integrated Transport Allocation	4,790
							Dept for Transport LTP Maintenance	9,132
							Public Transport Funding	140
EV056 Additional Highways Maintenance	3,253	3,253	2,000	2,000	2,000	12,506	Council Contribution	10,000
							Dept for Transport - Pothole Funding	2,506
EV069 Vehicle Replacement	1,248	1,676	1,123	3,000	1,500	8,547	Council Contribution	8,547
EV076 Operational Depot Accommodation Review	225	0	0	0	0	225	ERDF	225
EV083 Street Lighting LED	1,860	1,366	0	0	0	3,226	Council Contribution	3,226
EV091 Other Initiatives Climate Change	1,000	1,000	1,000	1,000	1,000	5,000	Council Contribution	5,000
EV094 Transforming Cities Fund - North Shields Transport Hub	9,110	826	0	0	0	9,936	Council Contribution	1,376
							Transforming Cities Fund	8,560
EV096 Highways Maintenance - Tanners Bank	300	0	0	0	0	300	Dept for Transport Highways Maintenance	300
EV098 Transforming Cities Fund - NT08 Four Lane Ends Bus Priority	1,190	0	0	0	0	1,190	Transforming Cities Fund	1,190
EV099 Transforming Cities Fund - NT10 Links To Metro	3,418	0	0	0	0	3,418	Dept for Transport LTP Integrated Transport Allocation	157
							Transforming Cities Fund	3,261
EV100 Active Travel 3 - Permenant Seafront Scheme	3,231	0	0	0	0	3,231	Dept for Transport - Active Travel Fund	3,231
GEN03 Contingencies	2,000	2,000	1,000	1,000	1,000	7,000	Council Contribution	7,000
GEN12 Local Infrastructure	100	100	100	100	100	500	Council Contribution	500
GEN13 Project Management	100	100	100	100	100	500	Council Contribution	500
HS004 Disabled Facilities Grant	1,869	1,869	0	0	0	3,738	Better Care Fund	3,738
HS051 Private Sector Empty Homes	205	205	206	0	0	616	Council Contribution	616
IT020 ICT Strategy	1,000	1,000	1,250	1,250	1,250	5,750	Council Contribution	5,750
St Peter's Sports Hub	4,062	0	0	0	0	4,062	Football Foundation Grant	1,879
							Section 106 Contributions	1,760

Project	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
General Fund Total	**61,784**	**28,805**	**19,093**	**20,414**	**17,914**	**148,010**
HS015 Refurbishment / Decent Homes Improvements	23,766	22,346	22,378	23,097	25,013	116,600
HS015 HRA Energy Efficiency Improvements and Decarbonisation Measures	1,713	1,904	3,157	3,523	3,702	13,999
HS017 Disabled Adaptations	1,583	1,599	1,315	1,328	1,341	7,166
HS039 ICT Infrastructure Works	761	210	112	113	114	1,310
HS044 HRA New Build	6,130	4,000	4,000	3,500	4,000	21,630
HS054 HRA Vehicle Replacement	0	0	0	1,800	1,800	3,600
HRA Total	**33,953**	**30,059**	**30,962**	**33,361**	**35,970**	**164,305**
TOTAL INVESTMENT PLAN £'000	**95,737**	**58,864**	**50,055**	**53,775**	**53,884**	**312,315**

Financing type	£000
Football Association Contributions	373
Rugby League Contribution	50
	148,010

General Fund						
Council Contribution	11,773	16,626	8,529	9,950	8,450	55,328
Council Contribution - Capital Receipts	0	0	0	0	0	0
Grants & Contributions	49,511	12,179	10,564	10,464	9,464	92,182
Revenue Contribution	500	0	0	0	0	500
General Fund Financing Total	**61,784**	**28,805**	**19,093**	**20,414**	**17,914**	**148,010**
Housing Revenue Account						
HRA Capital Receipts	3,280	2,170	2,153	1,060	1,202	**9,865**
HRA Vehicle Replacement Reserve	0	0	0	1,800	600	**2,400**
HRA Grants	450	0	0	0	0	**450**
HRA Other Contributions	415	130	80	130	200	**955**
HRA Revenue Contributions	11,589	13,592	14,137	16,259	16,557	**72,134**
HRA Major Repairs Reserve	18,219	14,167	14,592	14,112	17,411	**78,501**
HRA Financing Total	**33,953**	**30,059**	**30,962**	**33,361**	**35,970**	**164,305**
Total Financing	**95,737**	**58,864**	**50,055**	**53,775**	**53,884**	**312,315**

Project Ref	Project Title	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
	Housing						
HS002	HRA Schemes	**33,953**	**30,059**	**30,962**	**33,361**	**35,970**	**164,305**
	Made up of:-						
HS015	Decency Refurbishments(incl.re-programming)	18,968	16,535	17,376	18,576	18,650	**90,105**
HS017	Disabled Adaptations (incl.re-programming)	1,583	1,599	1,315	1,328	1,341	**7,166**
HS015	Climate Change / Decarbonisation Measures eg Solar PV etc	1,500	1,690	2,941	3,305	3,482	**12,918**
HS015	Capitalisation of Major Repairs	1,283	1,296	1,308	1,322	1,335	**6,544**
HS015	Furniture Pack Scheme	521	526	531	537	542	**2,657**
HS015	Asbestos Works	315	318	322	325	329	**1,609**
HS015	Energy Efficiency & Environmental Improvements	213	214	216	218	220	**1,081**
HS015	Fencing / Walling / Offstreet parking / Landscaping	1,136	2,106	1,202	635	2,388	**7,467**
HS039	ICT Strategy (incorporating Unified Systems Project)	761	210	112	113	114	**1,310**
HS015	Garages (Renovation/Demolition)	124	127	131	135	139	**656**
HS015	Water Pipe Renewals/Fire Damage Reinstatement	135	137	139	140	141	**692**
HS015	Apprentice Costs & CLAs (Apprentices split with Repairs)	539	534	579	614	651	**2,917**
HS015	Footpaths & Communal Areas & Fire Doors	103	106	109	112	116	**546**
HS015	Project Management Fee	467	481	495	510	525	**2,478**
HS015	Pay Review Contingency	175	180	186	191	197	**929**
NEW Co	Vehicle Replacement Programme	0	0	0	1,800	1,800	**3,600**
HS044	Potential New Build (incl. re-programming)	6,130	4,000	4,000	3,500	4,000	**21,630**
	Total: Housing	**33,953**	**30,059**	**30,962**	**33,361**	**35,970**	**164,305**
	TOTAL	**33,953**	**30,059**	**30,962**	**33,361**	**35,970**	**164,305**

FINANCING

HOUSING

Council Contribution						
Capital Receipts	3,280	2,170	2,153	1,060	1,202	**9,865**
Vehicle Replacement Reserve	0	0	0	1,800	600	**2,400**
Other Funds eg Green Fund, RTB Admin Surplus etc	415	130	80	130	200	**955**
Revenue Contributions	11,589	13,592	14,137	16,259	16,557	**72,134**
Total Council Contribution	15,284	15,892	16,370	19,249	18,559	**85,354**
Grant Contributions	450	0	0	0	0	**450**
Depreciation / Major Repairs Reserve	18,219	14,167	14,592	14,112	17,411	**78,501**
	33,953	**30,059**	**30,962**	**33,361**	**35,970**	**164,305**
TOTAL	**33,953**	**30,059**	**30,962**	**33,361**	**35,970**	**164,305**

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2023-2028 Prudential Indicators

Introduction

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

1.1 The Prudential Code was updated in December 2021 and these indicators have been prepared in accordance with the principles outlined in the revised code.

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

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

1.4 Within this overall prudential framework there is an impact on the Authority's treasury management activity as it will directly impact on borrowing and investment activity. The draft Treasury Management Strategy for 2023/24 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 be paid for from HRA resources.

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

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

1.10 The indicators cover:

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

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

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

1.13 The following sets down the draft Prudential Indicators as calculated and proposed for North Tyneside Council for 2023–2028. 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 for the HRA housing rents – both of which cannot be cross subsidised to support operations. Affordability is ultimately determined by a judgement on acceptable Council Tax or housing rent levels.

1.15 In considering the affordability of its Investment Plan, the Authority is required to consider all the resources that are currently available and estimated for the

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

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

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

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

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

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Est.	Est.	Est.	Est.	Est.	Est.
General Fund	11.87%	11.42%	14.51%	15.26%	15.45%	15.98%
HRA	26.99%	25.73%	23.01%	22.64%	19.42%	19.34%

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

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

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

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Est.	Est.	Est.	Est.	Est.	Est.
General Fund	6.26%	6.30%	6.95%	7.64%	8.10%	8.45%

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 2022/23 to 2027/28, for the General Fund and HRA combined

1.23 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.

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

CFR and this position will continue to be updated in readiness for its implementation.

Table 3: Gross external debt compared to CFR

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Est. £000s	Est. £000s	Est. £000s	Est. £000s	Est. £000s	Est. £000s
External Borrowing	427,587	437,794	450,518	456,641	463,593	471,045
Other Liabilities (including PFI and Finance Leases)	102,216	100,464	173,918	166,930	159,490	151,566
Total Gross Debt	529,803	538,258	624,436	623,570	623,082	622,611
Capital Financing Requirement	**605,206**	**607,085**	**688,222**	**679,706**	**673,608**	**664,406**

Prudential Indicators for Capital Expenditure

Estimate of capital expenditure

1.25 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.

1.26 The Investment Plan for 2023-28 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

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Est. £000s	Est. £000s	Est. £000s	Est. £000s	Est. £000s	Est. £000s
General Fund	66,119	61,784	28,805	19,093	20,414	17,914
HRA	26,614	33,953	30,059	30,962	33,361	35,970
Total	**92,733**	**95,737**	**58,864**	**50,055**	**53,775**	**53,884**

1.27 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.

1.28 The availability of financing from capital receipts, grants and external contributions also carries significant risks. These risks are particularly relevant to capital receipts, where market conditions are a key driver to the

flow of funds, causing problems in depressed or fluctuating market conditions. There is a much-reduced reliance on capital receipts in the proposed plan.

Estimate of Capital Financing Requirement (CFR)

1.29 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

	2022/23 Est. £000s	2023/24 Est. £000s	2024/25 Est. £000s	2025/26 Est. £000s	2026/27 Est. £000s	2027/28 Est. £000s
General Fund	305,027	312,094	397,047	392,749	388,936	382,594
HRA	300,178	294,992	291,175	286,957	284,672	281,812
Total	**605,206**	**607,085**	**688,222**	**679,706**	**673,608**	**664,406**

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

	2022/23 Est. £000s	2023/24 Est. £000s	2024/25 Est. £000s	2025/26 Est. £000s	2026/27 Est. £000s	2027/28 Est. £000s
General Fund	179,552	192,255	195,987	200,504	202,814	203,490
Total	**179,552**	**192,255**	**195,987**	**200,504**	**202,814**	**203,490**

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 2024. An uplift has been applied to the external and operational boundaries to allow for this change. Work is ongoing to calculate the actual impact of the change. This will be reported through the Financial Management reports to Cabinet.

1.36 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

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Est. £000s	Est. £000s	Est. £000s	Est. £000s	Est. £000s	Est. £000s
Borrowing	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Other Long-Term Liabilities	235,000	235,000	210,000	210,000	210,000	210,000
Total	**1,235,000**	**1,235,000**	**1,210,000**	**1,210,000**	**1,210,000**	**1,210,000**

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 2023/24 budget report for capital expenditure and financing, and in

accordance with its approved Treasury Management Policy Statement and Practices.

Operational Boundary for total external debt

1.39 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

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

Prudential Indicators for Treasury Management

Adoption of the CIPFA Code of Practice for Treasury Management

1.42 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 2023-2028

1.43 Full Council will be requested to set an upper limit on its fixed interest rate exposures for 2023/24 through to 2027/28 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 2023/24 through to 2027/28 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:

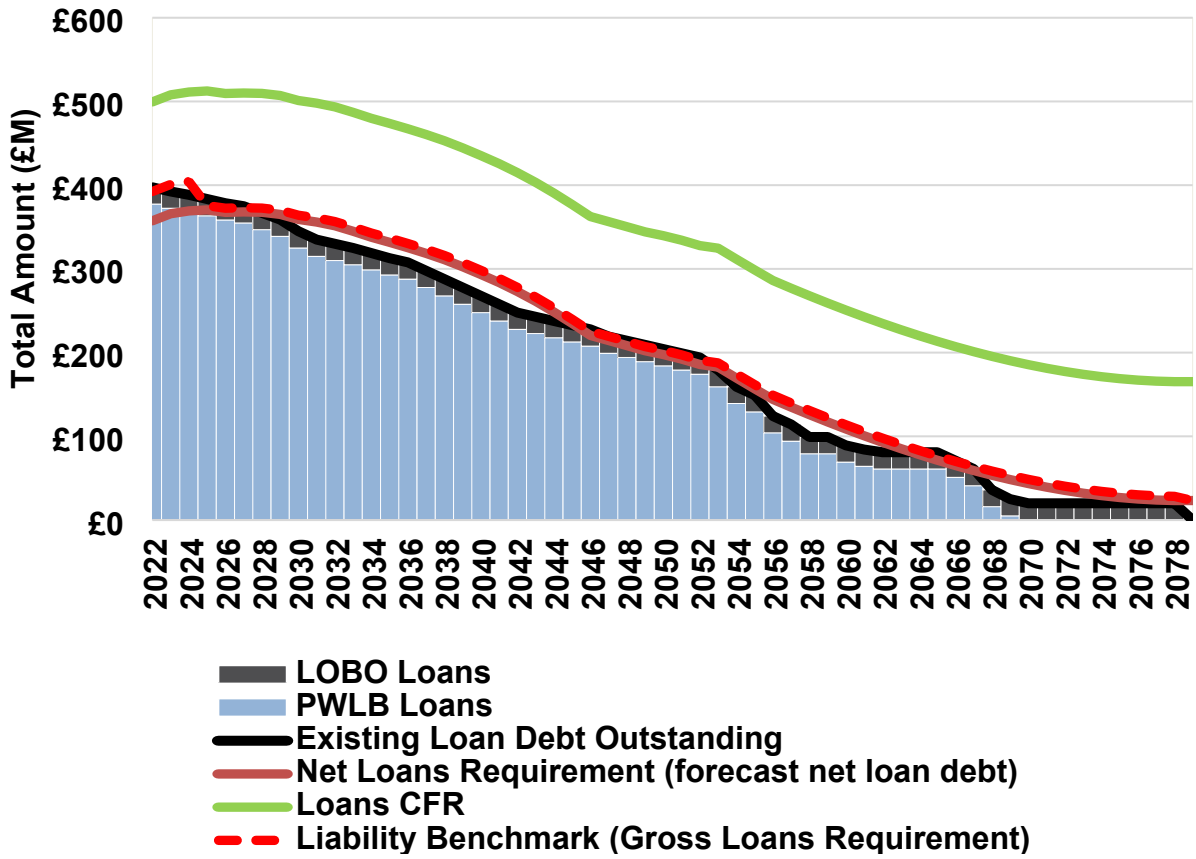
Table 9: Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate

	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%

Liability Benchmark

1.46 The liability benchmark is a measure of how well the existing loans portfolio matches the authority's planned borrowing needs. An example of a liability benchmark chart is shown in Chart 1, below.

Chart 1: North Tyneside Council Liability Benchmark



1.47 The purpose of this prudential indicator is to compare the authority's existing loans outstanding (the black line) against its future need for loan debt, or liability benchmark (the dotted red line). If the black line is below the red line, the existing portfolio outstanding is less than the loan debt required, and the authority will need to borrow to meet the shortfall. If the black line is above the red line, the authority will (based on its current plans) have more debt than it needs, and the excess will have to be invested. The chart therefore tells an authority how much it needs to borrow, when, and helps to align maturities to match its planned borrowing needs.

North Tyneside Council

CAPITAL STRATEGY

2023 - 2033

WE LISTEN | WE CARE | WE ARE AMBITIOUS | WE ARE GOOD VALUE FOR MONEY

North Tyneside Council – Capital Strategy

North Tyneside Council

1 Introduction

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

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

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

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

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

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

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

2 Objectives of the Capital Strategy

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

2.2 The Authority's Capital Strategy ensures that Environmental, Social and Governance (ESG) considerations are embedded within the decision-making process.

2.3 The Investment Plan represents a significant commitment of the Authority's resources to either purchase new assets or enhance existing assets to support the effective delivery of the Authority's services and promote wider economic and housing regeneration.

2.4 Key objectives include:

- Providing a framework within statutory legislation to support capital decision making and ongoing management and monitoring to ensure the Investment Plan remains affordable, sustainable, proportionate and prudent over the long-term;
- Outline the process to identify, programme and prioritise potential capital schemes;
- Providing a long-term view of capital expenditure plans and associated risks to the Authority;
- Consider resources and funding options over the longer term to minimise the impact upon the Authority's revenue budget.

3 Capital Expenditure

3.1 Capital expenditure is where the Authority spends money on assets, such as property or vehicles, that will be used for more than one year.

> *'Expenditure that results in the acquisition of, or construction of, or the addition of subsequent costs to assets (tangible or intangible) in accordance with proper practices'*
>
> *Local Government Act 2003 – Capital Expenditure*

3.2 To qualify as capital expenditure, expenditure must be directly attributable to an asset and:

- Results in the acquisition, construction or improvement of an asset
- Is separately identifiable and measurable
- Results in a measurable benefit to the Authority for a period of more than 12 months

3.3 In Local Government, this also includes spending on assets which may be owned by other bodies and loans or grants awarded to other bodies for capital purposes provided this is not an investment primarily to generate a yield for the Authority.

3.4 The Authority's Capitalisation Policy (set out in Appendix 2) is audited as part of the production of the Statutory Accounts.

3.5 The majority of the Authority's non-current assets are properties that are used to support service delivery. As at 31 March 2022 the Authority's land, buildings and infrastructure asset base of over 450 properties has a current use Balance Sheet value of approximately £241 million, approximately 945 kilometres of highways and bridges, subways, culverts and other structures with a historic value of £179 million, council housing stock comprising almost 15,000 properties with a balance sheet value of £675 million and ICT and other equipment with a balance sheet value of £15m. In addition the Authority has an interest in assets of companies in which the Authority has a financial interest in terms of equity and loans.

4. Strategic Priorities

4.1 All investment within the Investment Plan must be clearly aligned to the Authority's strategic approach to Building A Better North Tyneside. The Our North Tyneside Plan sets out the Authority's ambitions for making North Tyneside an even greater place to live, work and visit by 2025. The plan outlines a vision of building a better North Tyneside, looking to the future and listening to and working better for residents.

4.2 The Our North Tyneside Plan builds on the Authority's work over the last eight years and addresses the key challenges faced as a result of the COVID-19 pandemic. It is a plan to build a better North Tyneside and to restore hope and confidence in the future which seeks to tackle inequalities and discrimination and ensure no-one is left behind.

4.3 There are five key themes within the Our North Tyneside Plan, each with specific areas of work and clear priorities as set out in Appendix 1.

- **A thriving North Tyneside**
- **A secure North Tyneside**
- **A family-friendly North Tyneside**
- **A caring North Tyneside**
- **A green North Tyneside**

4.4 The Authority will continue to work collaboratively in partnership with our residents, our businesses, our community and voluntary sector as well as our regional partners, the North of Tyne Combined Authority and other key organisations like the NHS, the police, fire and rescue services to help deliver the Our North Tyneside Plan.

4.5 The development of the Investment Plan has clear links to the Authority's Medium Term Financial Plan and revenue budget. To ensure the Investment Plan remains affordable, sustainable and prudent over the long-term, the whole life capital and revenue implications of each capital project are considered prior to determining whether a scheme can be supported and accommodated from within the Authority's financial plans.

4.6 Within the Investment Plan, the key focus includes supporting schemes which:

- Deliver policy priorities
- Maintain existing assets
- Generate ongoing savings through invest-to-save initiatives
- Facilitate regeneration and enhance key strategic infrastructure
- Maximise the use of external funding

4.7 The Authority has a series of key strategies which support the delivery of the Our North Tyneside Plan and provides more detailed guidance and priorities for the development of specific projects, set out in the following table.

Our North Tyneside Plan	
Thriving	• Strategic Economic Plan • Employment and Skills Strategy • Inclusive Economy Strategy • Estates Strategy • Our Ambition for North Tyneside • North Shields Master Plan

Secure	• Local Plan and Master Plans
	• Transport Strategy
	  ○ Highways Asset Management Plan
	  ○ Network Management Plan
	• Housing Strategy
	  ○ Strategic Housing Market Assessment
	  ○ Strategic Land Availability Assessment
	  ○ Housing Revenue Account Business Plan
	  ○ Housing Revenue Account Asset Management Plan
	• Flood Alleviation
	  ○ Flood Risk Management Strategy
	  ○ Coastal Strategy

Caring and Family Friendly	• Joint Strategic Needs Assessment • Health and Wellbeing Strategy • Community Safety Strategy • Ambition for Education • Children and Young People Plan • Special Education Needs and Disability (SEND) Inclusion Strategy
Green	• Climate Emergency ○ Carbon Net-Zero 2030 Action Plan • 10-Year Plan for Waste
Organisation	• Medium Term Financial Plan • Asset Management Plan • Treasury Management Strategy • ICT Digital Strategy

4.8 For any capital investment the Authority takes into consideration environmental, social and governance factors (ESG), which are embedded within the Authority's core strategies and reporting arrangements, with a view to influencing and delivering positive change within the Borough.

4.9 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 2050. Subsequently, in acknowledgement of the gravity and urgency of the Climate Emergency, the refreshed Our North Tyneside Council Plan 2021-25, approved by full Council in September 2021, confirmed that *'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.' At the end of 2021/22, the Authority's carbon footprint had decreased by 53% since the baseline year of 2010/11, meeting the 2023 target.

4.10 The Investment Plan therefore supports the delivery of the Authority's Carbon Net-Zero 2030 Action Plan which was approved by Cabinet in August 2022. The Authority's Carbon Net-Zero 2030 Board provides governance to both project development and delivery.

4.11 Projects delivered with the capital funding will reduce the carbon footprint of the Authority's estate and operations and the Borough and will typically focus on improving energy efficiency of buildings, decarbonising heat, decarbonising travel and generating renewable energy.

4.12 The Authority provides a range of services with significant social value to the residents of the Borough, many of which require capital investment through the Investment Plan. This includes investment in areas such as the provision of social housing, schools, parks, playgrounds and green infrastructure as well as ensuring that the procurement approaches for major capital investment incorporate social value considerations. In addition, capital investment proposals also undertake Equality Impact Assessments as part of the decision-making process.

4.13 As part of the SEND Inclusion Strategy, the draft Dedicated Schools Grant (DSG) Management Plan is a 5 year plan which seeks to address the DSG High Needs deficit. The authority is looking to remodel it's SEND provision with potential capital investment and external funding contributions being explored.

5. Investment Plan Governance

5.1 To ensure available resources are managed in the optimum way, the Authority considers and plans the Investment Plan as part of the service and revenue budget planning process within the Medium Term Financial Plan framework.

5.2 The Authority has a range of mechanisms in place to ensure the effective management of capital resources to deliver the Authority's strategic priorities including:

- Democratic decision making and scrutiny provide political direction and ensure accountability around investment decisions including:
  - *Full Council* – responsible for approving the Capital Strategy, Treasury Management Strategy and Investment Plan
  - *Cabinet* – responsible for setting the corporate framework and political priorities to be reflected in the Investment Plan, recommending projects for inclusion and monitoring delivery of the Investment Plan throughout the year
- Investment Programme Board – responsible for considering specific project proposals and recommending approval of schemes and variances to Cabinet
- Officer groups which bring together multi-disciplinary professional expertise from across the Authority helping to develop and scrutinise capital schemes, preparing business cases and to establish project boards for major and complex schemes as appropriate to ensure effective delivery.

5.3 Introducing schemes to the Investment Plan has a specific approved governance process which involves progressing through a series of Gateways, outlined in Appendix 3, which are considered by the Investment Programme Board.

5.4 As part of the approval process, all schemes will be required to develop a robust business case detailing full capital costs and full life revenue costs, including provision for ensuring that assets are maintained and that the financial implications are reflected in the Authority's financial plans. This will be provided as part of the Gateway 2 submission to the Investment Programme Board for approval prior to commencement of the scheme.

6. Setting the Investment Plan

6.1 The Investment Plan is set for a five-year period and reviewed annually alongside the development of the Authority's revenue budget. The review process considers the position on existing commitments, ensuring these remain a priority for the Authority, as well as considering the introduction of additional priority schemes. Any variation to the Investment Plan, including the introduction of additional schemes, will consider the resourcing implications and potential delivery arrangements.

6.2 The Authority manages the introduction of new capital schemes through the Gateway process, with the details of proposed schemes being outlined on Gateway forms supported by individual business cases which are considered by Officer groups and reported to Investment Programme Board in advance of progressing to Cabinet and Council for consideration.

6.3 Individual project proposals must demonstrate a strong alignment with the Authority's strategic priorities and consider the associated financial implications and risks, including an analysis of:

- Project delivery timescales and estimated cashflows
- Projected financial implications across the lifetime of the scheme (whole life costs)
- Projected outcomes, both financial and non-financial

6.4 The projected financial implications of any capital investment decision must be incorporated into the Authority's Capital Financing Requirement and Medium-Term Financial Plan to ensure that a scheme is affordable and sustainable.

6.5 A key principle is that all investment decisions should ensure that risks are fully understood, with appropriate strategies in place to manage risks effectively. All capital projects are required to align to the Authority's risk management framework.

6.6 During the year, Investment Programme Board consider requests to vary existing capital commitments and to introduce additional schemes, which follow the same assessment process and are considered by Cabinet for inclusion in the Investment Plan.

7. Monitoring the Investment Plan

7.1 Capital schemes within the Investment Plan are monitored by project managers, supported and co-ordinated by finance. This process considers delivery against the original programme, budget allocation, funding sources and agreed outputs.

7.2 Project managers are responsible for effective control and monitoring of their projects ensuring:

- Only genuine capital expenditure is charged to the project;

- Capital expenditure is properly attributable to the specific project;
- Capital expenditure is within the agreed budget, or approval is sought for any variations;
- Expenditure profiles are realistic and subject to regular review and formal approval is sought to adjust this where required;
- Risks relating to the project are considered, recorded, communicated and monitored;
- The projected outcomes of the scheme are achieved.

7.3 Where capital schemes are more complex, a multi-disciplinary project group may be established to oversee the effective delivery of the scheme. This may also be supplemented by external specialist advice where it is deemed this is necessary.

7.4 A formal monitoring report on the progress of schemes within the Investment Plan is taken to Investment Programme Board on a monthly basis, which provides information on delivery progress, risks and captures any potential changes. Any changes are underpinned by the Gateway governance process (Appendix 3) which formally records any variance to the existing approved schemes. Formal reports are also taken relating to the outturn ensuring that Investment Programme Board understand the impact of the capital investment and outputs that have been achieved in any particular year.

7.5 Cabinet receives bi-monthly monitoring reports and must provide formal approval to additional resource allocations, changes to existing schemes relating to amounts, financing arrangements, delivery timing or outputs.

8. Longer-Term Planning

8.1 The Investment Plan is based upon a five-year planning cycle, aligning with the Authority's medium-term financial plan. However, the Prudential Code requires a longer-term consideration of the Authority's capital investment requirements, acknowledging that this will involve a high degree of estimation at this stage and that specific proposals will evolve.

8.2 The Investment Plan, approved by Council in February 2022 covers the period to 2026/27 and amounts to almost £330m, with £173m of General Fund schemes and £157m within the Housing Revenue Account.

8.3 Potential additional capital projects will be identified through the Gateway process however there are elements of recurring capital investment which will be necessary to continue to ensure effective service delivery beyond the Investment Plan period. This includes investment in areas such as:

- Highways – improvement and maintenance of the Authority's highway assets including roads, bridges, footpaths and traffic signal equipment
- Property – improvement and maintenance of the Authority's operational buildings utilised to support service delivery
- Vehicles – acquisition of vehicles, including refuse collection vehicles, to support service delivery
- IT equipment and infrastructure – improvement and replacement of the IT infrastructure and devices to ensure effective and secure service delivery

8.4 This has resulted in the following indicative projections for future capital investment programmes beyond the existing Investment Plan term:

Asset Group (£m)	Investment Plan	Years 6 – 10
Highways	10.0	10.0
Council Property	13.0	10.0
Vehicles	8.0	10.0
IT Infrastructure	6.0	10.0
Total Projected	37.0	40.0

9. Capital Funding Sources

9.1 There are a range of external and internal funding sources that the Authority considers to support the delivery of the Investment Plan. These primarily include:

- External grants and contributions
- Capital receipts generated from the sale of assets
- Contribution from revenue resources
- Prudential borrowing
- Institutional investment

External Grants and Contributions

9.2 The Authority actively explores external funding opportunities to support the delivery of priority schemes within the Investment Plan. This can include the use of grants awarded on a formula basis from Government departments or as a result of competitive funding applications to Government departments or other grant awarding bodies such as Heritage Lottery, Local Enterprise Partnerships or the North of Tyne Combined Authority.

9.3 As part of the Investment Programme Board governance the Authority reviews each external funding opportunity to understand the associated conditions and risks that may pass to the Authority to manage as part of scheme delivery.

9.4 The Authority receives significant contributions from Developers as part of the planning process to support additional development and mitigate the impact locally. This includes Section 106 contributions, Community Infrastructure Levy and Section 278 contributions towards highways improvements. Any associated conditions relating to these contributions are addressed when developing specific project proposals and monitored as part of the delivery of the Investment Plan.

Capital Receipts

9.5 The Authority has a significant property estate the majority of which is held for operational purposes to ensure the effective delivery of the Authority's core services. However, strategic reviews of the portfolio can result in identifying properties which are deemed surplus to requirements and can be sold.

9.6 The proceeds arising from the sale of the Authority's assets are used to support the Investment Plan to fund the delivery of the Authority's priorities. The Authority has a planned and structured approach towards managing the disposal of assets, overseen by the Strategic Property Group.

9.7 The Authority does not commit capital receipts in advance of realisation and does not ring-fence the use of receipts to specific schemes except where regulations may require this. Typically, the following options will be considered when determining the optimum allocation of receipts:

- Repayment of existing debt
- Mitigating the need for future borrowing requirements to deliver the Investment Plan
- Funding transformational projects which will deliver significant efficiency savings
- Funding additional capital investment

Revenue Contributions

9.8 Capital investment can be financed directly from the Authority's revenue budget. However, the current pressures on the Authority's revenue budget limit the extent of this type of funding in the General Fund.

9.9 The Housing Revenue Account business plan utilises significant revenue contributions to fund investment in the Authority's housing stock. These contributions are transferred via a ring-fenced Major Repairs Reserve.

Prudential Borrowing

9.10 Under the Prudential Code the Authority is able to borrow to fund capital investment provided it can be demonstrated that the borrowing is prudent, affordable and sustainable. The Authority is unable to utilise borrowing to support any investment which is primarily for yield.

9.11 The level of borrowing that can be supported is dependent on the availability of revenue resources required to fund the associated financing costs, with the need to identify a long-term source of revenue to meet these payments. This position is reviewed as part of developing robust business cases for each project, considering the ongoing revenue implications of every investment decision.

9.12 The Authority makes provision for the repayment of the principal element of the borrowing through the Minimum Revenue Provision (MRP) which is charged to the revenue budget each year. The Authority considers the MRP policy on an annual basis as part of setting the revenue budget, with the calculation aligned to the useful life of the assets to which the borrowing relates in accordance with the guidance.

9.13 As part of complying with the Prudential Code several indicators are considered by full Council, showing ratios of costs and levels of borrowing. These indicators are monitored on an ongoing basis and reported formally to Cabinet and Council to ensure investment plans remain within agreed parameters.

Institutional and Alternative Investment

9.14 Whilst not currently actively pursuing this type of funding arrangement, the Authority may also consider long-term financing arrangements as an alternative to the use of prudential borrowing as a means to facilitate additional regeneration within the Borough.

9.15 This type of funding, typically involving UK Pension Funds with strong Environmental, Social and Governance credentials, also requires a long-term revenue commitment which means the Authority must fully understand the risks involved and the likely performance of the underlying asset. Any decision to explore alternative investment opportunities would be subject to Cabinet approval as part of developing the specific project.

10. Asset Management

10.1 It is essential to understand the need, utilisation, condition and the investment and operating costs associated with the Authority's asset portfolio to ensure the effective use of the Authority's resources.

10.2 To ensure that capital assets continue to be of long-term use, the Authority has approved asset management plans in place for property assets with the intention to create a sustainable, efficient and fit-for-purpose portfolio of assets. A disposal strategy is also in place to find alternative beneficial uses for any assets which are deemed surplus to requirements.

10.3 The Authority also has asset management plans in place for highways and other infrastructure assets which guide investment decisions and seek to align spending plans with other key priorities as part of a co-ordinated and targeted approach to maximise value.

11. Debt, borrowing, investments and treasury management

11.1 CIPFA define Treasury Management in the Treasury Management Code of Practice as follows:

> *'The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with the activities; and the pursuit of optimum performance consistent with those risks'*
>
> *CIPFA – Treasury Management Code of Practice*

11.2 The Treasury Management role is to keep sufficient but not excessive cash available to meet the Authority's spending needs, while effectively managing the risks involved. Surplus cash is invested until it is required, while a shortage of cash will be met by borrowing to avoid excessive credit balances or overdrafts in the bank account. The Authority is typically cash rich in the short-term as revenue income is received before it is spent and the Authority holds cash reserves. Revenue cash surpluses are often offset against capital cash shortfalls to reduce the overall borrowing requirement.

11.3 The Authority's Treasury Management Strategy specifies how the Authority manages its treasury activities and includes the Authorities borrowing and investment strategies as well as specifying the Authority's risk appetite.

Borrowing Strategy

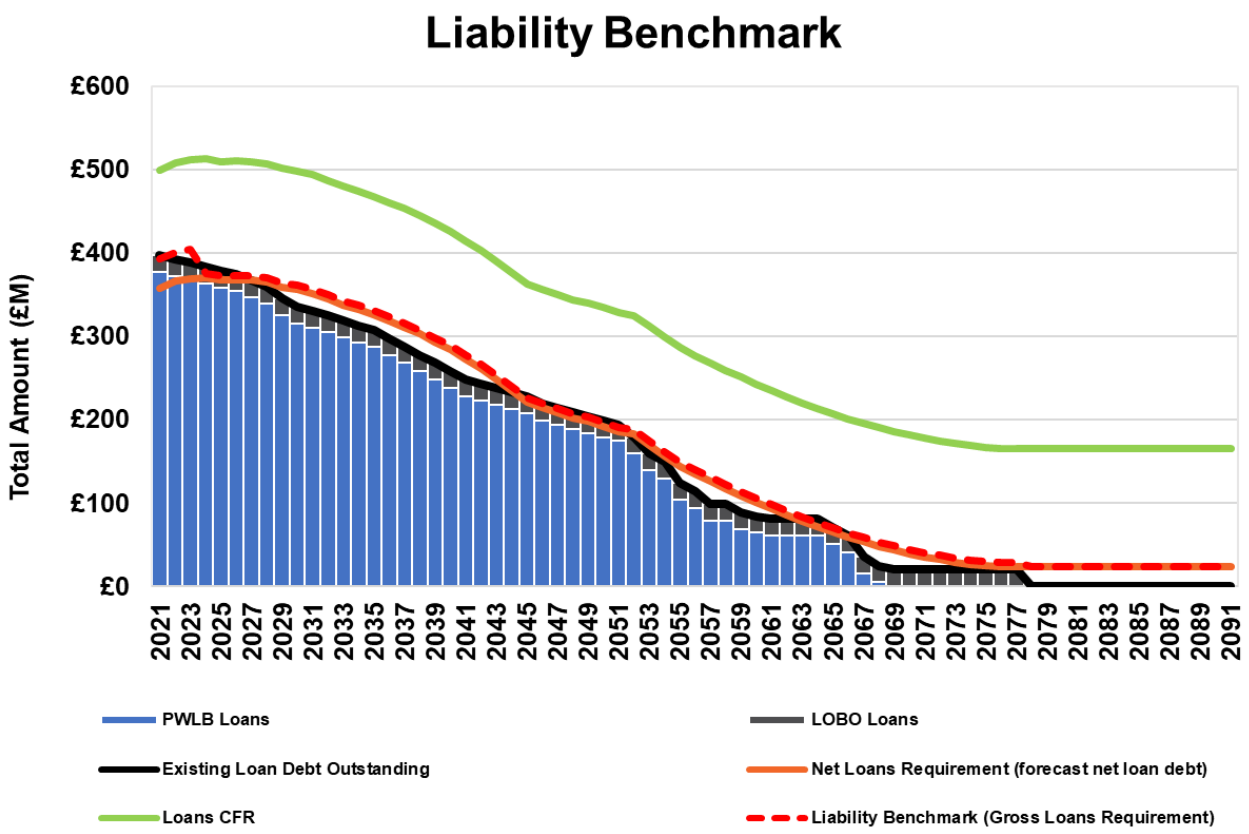
11.4 The borrowing strategy outlines the options available to fund the Capital Financing Requirement (CFR), which is the Authority's underlying need to borrow, and how the risks around borrowing will be managed. Prudential Indicators are set annually as part of the Authority's revenue budget and these help to ensure that the Investment Plan remains affordable, sustainable and prudent by setting maximum levels of borrowing, interest rates exposure and the total borrowing maturity exposure per period.

11.5 The following table shows the estimated net revenue cost of debt charges and future borrowing levels that will be required to meet the CFR over the 10-year timeframe of the Capital Strategy. This includes assumptions on longer-term investment requirements beyond the existing Investment Plan but does not include other long-term liabilities such as PFI schemes.

£m	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
Capital Financing Requirement (Excl PFI)	499.5	503.0	506.6	514.3	512.8	514.1	512.8	508.3	500.3	495.0
Existing External Debt	398.4	393.4	388.4	384.9	376.9	368.9	355.0	345.0	340.0	335.0
Additional External Debt Requirement	101.0	109.5	118.2	129.4	135.9	145.3	157.9	163.4	160.3	160.0
Net Debt Charges	13.4	14.8	15.8	16.8	17.4	18.2	18.7	17.5	17.9	18.4

Liability Benchmarking

11.6 To compare the Authority's actual borrowing to its underlying need to borrow a liability benchmark has been calculated using the Authority's loans and Capital Financing Requirement less its underlying cash investments.



11.7 The liability benchmark indicates that the Authority will be under-borrowed against its requirements. This will mean that additional borrowing will be required but the Authority will manage that by monitoring interest rates and identifying the optimum borrowing opportunities in accordance with its Treasury Management Strategy. There may be occasions when the Authority will opt to actively be under-borrowed to avoid excessive interest rate costs through the use of internal resources.

Borrowing Limits

11.8 The Authority sets an affordable borrowing limit (also known as the authorised limit for external debt) each year to comply with the Prudential Code. A lower operational boundary is also set as a warning level should debt approach the limit. An indication of these based on the Investment Plan is set out in the table below:

£m	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
Authorised Limit for External Debt										
Borrowing	1,040	1,020	1,010	1,000	980	960	940	920	900	880
PFI and Leases	135	235	235	235	235	235	235	235	235	235
Total	1,175	1,255	1,245	1,235	1,215	1,195	1,175	1,155	1,135	1,115
Operational Boundary for External Debt										
Borrowing	520	520	520	520	520	520	520	520	520	520
PFI and Leases	115	185	185	180	175	175	175	175	175	175
Total	635	705	705	700	695	695	695	695	695	695

12. Investments for service of commercial purposes

12.1 The Authority has not entered into any non-treasury financial investments which are purely to generate a commercial return. The Authority does own a portfolio of tenanted non-operational units, such as industrial units and retail units which generate a source of revenue income, however these have been held for a number of years and are retained primarily to support the Authority's priorities around local employment and regeneration. As such, the key risk exposure relates to void periods and reductions in rental income.

12.2 There are currently no plans to enter into a non-treasury financial investment primarily to obtain a revenue return. However, if the opportunity arose the long-term financial implications and potential risks would be assessed as part of the due diligence process and any arrangement would require Cabinet approval.

13. Other long-term liabilities

13.1 Local Authorities may take on liabilities and hold investments where this forms part of service delivery. Whilst these are not included within the Investment Plan they are included within the wider Capital Strategy to provide an overarching view of the Authority's financial position.

13.2 As at 31st March 2022 the Council held £105.361m long-term liabilities in respect of PFI schemes;

- Sheltered Accommodation £70.711m
- Schools £20.614m
- Joint Service Centres £10.115m
- Street Lighting £3.921m

14. Knowledge and skills

14.1 Officers and Councillors involved in the decision-making process regarding capital expenditure, borrowing and investment matters are required to have an appropriate level of skills and knowledge to make informed decisions.

14.2 The Authority employs experienced, professionally qualified officers which include qualified accountants from CIPFA, ACCA and CIMA with commitments to Continued Professional Development. In addition, the Authority ensures that key officers involved in the delivery of schemes within the Investment Plan from other disciplines also have the required professional standing and suitable experience to effectively manage risk.

14.3 The Authority also utilises Link Asset Services to provide additional advice and support regarding treasury management decisions and provide additional specialist knowledge.

14.4 Where individual capital schemes are complex or higher-risk in their nature the Authority will engage with specialist advisors where necessary to assist with the due diligence process which could include assisting with developing business cases, project appraisal or delivery advice and support. The outcome of this advice will form part of the reports to senior officers and Councillors as part of the decision-making process.

14.5 Treasury management and capital training is available to Officers and Councillors including formal training delivered by external advisors as well as in-house presentations and briefings on specific and relevant issues.

15. Conclusion

15.1 The Capital Strategy is a reporting requirement of the CIPFA Prudential Code, most recently updated in 2021, and this Strategy summarises how capital expenditure, capital financing and treasury management activity contribute towards the infrastructure and provision of services for the residents of the Borough.

15.2 The Capital Strategy takes account of the Authority's vision to build a better North Tyneside and helps to ensure that any new investment is considered within the context of growth in a financially and environmentally sustainable manner.

15.3 The Capital Strategy provides an overview of how associated risk is managed and the implications for future financial sustainability, ensuring that the impact of capital investment plans are aligned with the Authority's Medium Term Financial Plan and the ongoing financial challenges that the Authority faces.

Appendix 1 – Our North Tyneside Plan

Our North Tyneside Plan

2021 TO 2025

BUILDING A BETTER NORTH TYNESIDE

A thriving North Tyneside

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

A secure North Tyneside

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

A family-friendly North Tyneside

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

A caring North Tyneside

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

A green North Tyneside

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

Appendix 2 – Capitalisation Policy

Expenditure on the acquisition of a non-current asset, or expenditure that adds to rather than simply maintains the value of a non-current asset is capitalised on an accruals basis and classed as a non-current asset on the Authority's balance sheet provided that the benefits to the Authority and the services it provides will last for a period of more than one year.

Expenditure that should be capitalised will include expenditure on the:

- Acquisition, reclamation or enhancement of land;
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- Acquisition, installation or replacement of plant, machinery and vehicles;
- Replacement of a component of a non-current asset that has been treated separately for depreciation purposes and depreciated over its individual useful life.

In this context, enhancement means the carrying out of works that are intended to:

- Significantly lengthen the useful life of the asset; or
- Significantly increase the open market value of the asset; or
- Significantly increase the extent to which the asset can or will be used for the purposes of the Authority.

The Authority capitalises expenditure on developing and implementing computer software and licenses as an intangible asset, provided that the expected life exceeds one year.

The Authority capitalises dedicated Project Management costs where this is directly linked to the delivery of a major project included within the Investment Plan.

All capital expenditure creating or enhancing a non-current asset will be recorded in the Authority's Asset Register where the asset can be separately identified. Some expenditure may also relate to assets owned by a third party rather than the Authority and this is capitalised as Revenue Funded from Capital under Statute (REFCUS) in accordance with accounting regulations.

The Authority's de-minimis level is £10,000 for land, buildings and infrastructure and £6,000 for equipment, except for certain external funding regimes where different levels of capitalisation are specified.

All expenditure is capitalised using capital accounts and is financed at the year-end, as long as the scheme has been approved through the Authority's Investment Plan. This includes programmes of spending such as purchase of fleet vehicles, ICT equipment, strategic maintenance or health and safety schemes, where individual project spend could be less than the current de-minimis level.

Appendix 3 – Investment Plan Governance: Gateway Process

Investment Programme Board The purpose of the Gateway process is to ensure that all necessary approvals are secured at all key stages of any Capital project – this also includes regional projects. Project Officers are responsible for the completion and submission of all Gateway Forms to the Strategic Investment and Property Team and must include sign off by the relevant Cabinet Member. The team will then ensure that all Gateway Forms are presented to IPB as required.	
Gateway 0 **Strategic Fit**	**Purpose:** A brief submission to demonstrate that a mandate exists, the project or programme has been prioritised and an outline business case has been developed. There is a requirement to convey how far the idea has been developed in terms of feasibility. **Role:** The submission will be scrutinised by the IPB in terms of strategic fit, corporate priorities, available capital resources and estimated revenue implications. This allows the Project Officer to commence the detailed feasibility stage.
Gateway 1 **Feasibility**	**Purpose:** This document constitutes a formal bid for capital investment for inclusion in the Investment Plan. It should provide sufficient information to enable effective financial and technical scrutiny ahead of further review at strategic and member level. Figures on cost and funding should be as accurate as possible. At Gateway 1 there is a focus on viability, affordability, procurement and delivery. The initial submission of the Gateway 1 form will be considered by a sub-group of IPB. This will ensure that all projects are aligned to the Authority's Our North Tyneside Plan and that any financial or other implications are addressed prior to consideration by the full IPB Board **Role:** The IPB will scrutinise the bid in terms of its financial and technical viability and management of risk. The IPB will be briefed on outcomes and recommended actions and may wish to prioritise, amend or modify the submission in light of these comments. The IPB provide recommendations to Cabinet to form part of the budget setting and financial management processes.
Gateway 2 **Approval and Delivery**	**Purpose:** This stage provides formal approval to spend the Authority's resources and must be secured before any capital expenditure is incurred on a programme / project. This template brings together all the information needed for an appraisal and approval to be given. If the request varies from the previous Gateway, either in terms of expenditure, funding or both then any variance must be explained and justified. In addition, this Gateway Form must provide information on the spend profile which will then be monitored as part of the overall investment plan. **Role:** Officers in both the Strategic Investment & Property Team and the Client Finance Team will complete final checks to confirm that relevant information has been submitted correctly and appears reasonable and in accordance with the business case.

Gateway 3 **Exception Report**	**Purpose:** This submission addresses variances from the approved position which could include project delays, financial concerns or new information that may now have an impact on the project. Information contained in this submission should provide the IPB with information on the project and the specific issues as to why the matter has been escalated to the IPB and must include a revised spend profile. A Gateway 3 submission may be required on more than 1 occasion subject to the issues / matters that may / may not be raised regarding a particular project. The relevant Project Officer responsible for the project will be expected to attend the IPB to present the Gateway 3 submission. **Role:** The submission will be scrutinised by the IPB in terms of the wider strategic fit, corporate priorities together with the associated implications for capital resources and revenue budgets, prior to submission to Cabinet or Council as required.
Gateway 4 **Project Close**	**Purpose of Document:** The purpose of this document is to confirm financial completion, transfer or the abandonment of a project and to report on the status of associated records. Completion of all relevant sections is mandatory to enable consolidated reporting on the Investment Plan, helping to confirm scheme outputs and any relevant lessons that have been learned and which can then inform the delivery of similar schemes in the future. **Role:** The Investment Programme Board will provide scrutiny and review this submission including for capital accounting and financial closure purposes.

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Appendix E (i)

Treasury Management Statement and Annual Investment Strategy

2023/24

Date: January 2023
Owner: Strategic Finance

North Tyneside Council

1.1 Treasury Management Strategy for 2023/24

1.1.1 The proposed Strategy for 2023/24 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 will be arranged for the Authority's treasury advisors, Link Asset Services to provide all members involved in the investment decision-making process within 2023.

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

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the conflict in Ukraine, and a range of different UK Government policies, UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, Euro Zone, and US 10-year yields all rising by over 200bps (2%) since the turn of the year. Inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

The Bank of England has raised bank base rate (BBR) from 0.50% to 3.50% during 2022. This has resulted in increased rates in borrowing, should the Authority look to borrow.
The impact of the interest rate rises have led 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 2023/24 treasury operations. The Director of Resources will monitor the interest rates in financial markets and adopt a pragmatic approach to changing circumstances, reporting any decisions to Cabinet or full Council, as appropriate, at the next available opportunity. Such circumstances include a situation where:

- If it were felt that there was a significant risk of a sharp fall in long and short-term interest rates, then long-term borrowings will be postponed, and potential rescheduling from fixed rate funding into short-term funding will be considered; or
- If it were felt there was a significant risk of a much sharper rise in long and short-term rates than that currently forecast, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

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 If short-term borrowing rates are 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 2023/24 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

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Treasury Management Practices

2023/24

Date: January 2023
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 five-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

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Our North Tyneside Plan and Budget Engagement

This year's budget engagement ran from 8th December until the 22nd of January. Delays in information from the Government meant the Authority were unable to start any earlier than the 8th whilst the Authority waited for the Autumn Statement to be announced and for the Provisional Local Government Finance settlement to be published.

With COVID restrictions being a thing of the past, this year the Authority have been able to offer a wider range of ways for residents and key stakeholders to get involved.

Methods have included:

- Face to face engagement via focus groups, meetings & site visits
- Email communications to community groups, boards, forums, businesses, residents & NTC staff
- Digital communications via NTC social media channels and local news media
- Printed materials to hot spot areas of digital exclusion including Community Conversation Corners, NTC staff based at Killingworth, adult social care users, residents of social housing aged 60+ and resident panels.

Top line figures include: *

- Face to face engagement: 599 individuals
- Email communications: Estimated reach of 7991
- Other digital comms: Reach of 10,028 across NTC channels with 692 engagements. We are unable to tell the reach through other channels, but this is likely to increase the number by several thousand more.
- Printed materials: 91 printed surveys were delivered to various sites and to several residents and staff members

**** Data correct as of 17.01.23 with some information still to be received***

There were 199 responses received to the on-line budget engagement survey. People welcomed the initiatives that are being taken to address poverty intervention and the cost-of-living crisis and supported the work that is ongoing with the voluntary sector agencies.

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 Adult Social Care Precept. In relation to the considerations regarding an increase in Council Tax and the Adult Social Care precept, the majority of people who took part in the engagement were supportive of a 2.99% increase in Council Tax for the general uplift. However, only 26.7% of respondents agreed with the proposed 4.99% increase to Council Tax which would include the general uplift and the uplift for the Adult Social Care Precept.

Most respondents agreed with the Authority's focus on the four key approaches to managing the Budget. The responses received included suggestions to help the

Authority to achieve a balanced budget. There were 162 responses received and these were all in line with the current key approaches to managing the Budget.

Individual engagement is broken down in the table below:

Face to face public engagement			
Method	**Venue**	**Numbers**	**Attendee type**
Site visit	John Willie Sams Centre - Dudley	50	Residents
Site visit	The Oxford Centre - Longbenton	19	Residents
Site visit	Wallsend Forum	51	Residents
Site visit	North Shields Customer First Centre	20	Residents
Focus group	Quadrant	13	Tenants/residents panel
Site visit	North Shields Beacon Centre	16	Residents
Focus group	Quadrant	8	Youth Councillers and SEND Youth Forum
Site visit	Warm Welcome sites	35	Staff and service users of warm welcome sites
Site visit	Community Conversation Corners	4	Staff and service users of CCC
Site visit	The Beacon Centre	18	Residents
Site visit	Killingworth Shopping Centre	50	Residents
Site visit	Whitley Bay Customer First Centre	24	Residents
Site visit	White Swan Centre	11	Residents
Focus group	VCS	7	VCS organisations
Meeting	NTSP	23	Professionals
Meeting	UNIONS CSJCF	TBC	Professionals
Meeting	Chamber of Trade	20	Professionals
Meeting	Strategic Partners - Equans & Capita	150	Professionals
Meeting	Head Teachers & School Forum	80	Professionals
Focus group	Housing Revenue Account	TBC	Tenants
TOTAL		**599**	
Email communications			
Method	**Contact name**	**Numbers**	**Attendees type**
Email	Panel members	161	Residents and tenants

Email	Have Your Say	91	Newsletter distribution list
Email	Teamwork and Chief Executive Brief	3500	NTC staff
Email	Community groups	299	All known community groups in North Tyneside
Email	Poverty Intervention Board	17	PIB members
Email	Parent and Carers Forum	596	Newsletter distribution list
Email	Carers Forum	21	Forum members
Email	VODA	1550	Newsletter distribution list
Email	Health Watch	1220	Newsletter distribution list
Email	Members	60	Elected Members
Email	Warm Welcome Sites	35	Staff and service users of warm welcome sites
Email	Ethnic Diversity Task Force	41	Members of the taskforce
Email	North Tyneside Carers Forum	TBC	Adult social care users
Email	NTC Killingworth staff	400	Senior staff to circulate to frontline staff
TOTAL		**7,991**	
Digital comms			
Method	**Site**	**Reach**	**Engagement**
Social media	NTC Facebook & Twitter	10,028	692
News article	Northumberland Gazette	Unknown	Unknown
News article	Chronicle	Unknown	Unknown
News article	Our North Tyneside	TBC	
TOTAL		**10,028+**	**692+**
Printed materials			
Method	**Organisation**	**Numbers**	**Attendee type**
Printed survey	North Tyneside Living Schemes	TBC	Residents aged 60+
Printed survey	NTC Killingworth site	TBC	Staff based at Killingworth
Printed survey	Housing 21	40	Adult social care users

Printed survey	Resident/tenants panel	21	Residents who want to receive postal surveys
Printed survey	Community Conversation Corners	40	Users of the 4 CCC's
TOTAL		**91**	

Reserves and Balances Policy

Date: 30 January 2023 **Version:** V1 **Author:** Jon Ritchie

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 Director of Resources (Chief Finance Officer)
Within the existing statutory and regulatory framework, it is the responsibility of the Director of Resources (in his role as Chief Finance Officer) to advise the Authority about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use.

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); and
- 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. Due to the level of pressures the Authority is managing, driven by external market forces out of the Authority's control, the current projected outturn for 31 March 2023 would result in the Strategic Reserve balance falling below the level of £10.000m at the start of 2023/24. The Medium-Term Financial Plan for 2023-2027 contains planned replenishments to bring the reserve back to this level by 2026/27.

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 outturn 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.

Appendix H

2023-2027 Financial Planning and Budget Process

Timetable of Key Milestones for 2023/24

Date / Meeting	Detail
19 September 2022 **Cabinet**	Cabinet approves the 2023-2027 Financial Planning and Budget process, incorporating the associated Engagement Strategy.
28 November 2022 **Cabinet**	Cabinet considers its 2023-2027 initial Budget proposals in relation to General Fund, Schools, Housing Revenue Account & Investment Plan for 2023-2028.
29 November 2022	Notice of Objection process for the 2023/24 Budget commences.
29 November 2022	Budget and Council Plan engagement process begins. Ends in January 2023.
30 November 2022 **Scrutiny Process**	Scrutiny of the 2023-2027 Financial Planning and Budget process.
30 November / 1 December 2022 **Overview, Scrutiny and Policy Development Committee**	Overview, Scrutiny and Policy Development Committee consider Cabinets Initial Budget Proposals for 2023-2027 Financial Planning and Budget and Council Plan process.
19 December 2022	2023/24 Provisional Local Government Finance Settlement published
16 January 2023 **Overview, Scrutiny and Policy Development Committee**	Overview, Scrutiny and Policy Development Committee considers the results of its review of the 2023-2027 Financial Planning and Budget and Council Plan process.
23 January 2023 **Cabinet**	2023/24 Council Tax Base agreed by Cabinet
30 January 2023 **Cabinet**	Cabinet approves the final proposals in relation to the 2023/24 Housing Revenue Account budget and associated Business Plan, including an assessment in relation to the current year's budget monitoring information (2022/23). In addition, Cabinet will agree the Annual Housing Rent policy for 2023/24.

Appendix H

Date / Meeting	Detail
30 January 2023 **Cabinet**	Cabinet considers its Budget proposals for 2023-2027 in relation to General Fund Revenue, Schools & Investment Plan for 2023-2028, taking into account feedback received as part of Budget Engagement and any recommendations from Overview and Scrutiny and Policy Development Committee.
31 January 2023 **Overview, Scrutiny and Policy Development Committee**	Overview, Scrutiny and Policy Development Committee/Budget Study Group as appropriate considers Cabinet's final Budget proposals.
6 February 2023 **Cabinet**	Cabinet meeting to consider any recommendations of the Overview and Scrutiny Budget Study Group following its review of the Cabinets 2023/24 Budget and Council Tax proposals.
14 February 2023	4pm deadline for responses to the Authority's Notice of Objection
16 February 2023 **Council**	Cabinet submits to the Council its estimates of amounts for the 2027-2027 Financial Plan and 2023/24 Budget & Council Tax levels.
20 February 2023 (if required) **Cabinet**	Cabinet Meeting to consider any objections to Cabinet's Budget and Council Plan proposals. The Cabinet meeting on 20 February 2023 is now a scheduled meeting with other items of business and will proceed even where no objections are approved.
2 March 2023 (if required) **Council**	Council meeting to agree the Budget for 2023/24, the Council Tax level for 2023/24 and the Investment Plan for 2023-2028

Overview, Scrutiny & Policy Development Committee

16 January 2023

Budget Sub-group report

Author: **Budget Sub-group**

Wards: **All**

Purpose of Report

To inform Overview, Scrutiny & Policy Development Committee of the work undertaken by the Budget Sub-group in scrutinising the 2023/27 Financial Planning and Budget Process: Cabinet's Initial Budget proposals.

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 2023/27 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 30 January 2023 & 6 February 2023.

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 Linda Arkley	Councillor Rebecca O'Keefe
Councillor Liam Bones	Councillor John O'Shea
Councillor Janet Hunter	Councillor Bruce Pickard
Councillor Louise Marshall	Councillor Willie Samuel

The group met on the 1 December where Senior Officers presented 2023/27 Cabinet's Initial Budget proposals.

At its meeting on the 1 December 2022, 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's Final Budget Proposals for 2023/27 at a meeting on Tuesday 31 January 2023.

Refreshed Our North Tyneside Plan & Budget Engagement

The Our North Tyneside Plan 2021 – 2025 (the Council Plan) sets the vision and policy context that the Financial Plan and Budget proposals will operate.

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.

In line with engagement in previous years the Budget Engagement strategy 2023/24 included a combination of activity, that involved publishing the proposals online via the Council's website and at front line locations including in the four Customer First Centres. Feedback was able to be provided by residents and others via a questionnaire either on-line or at these front-line locations. This was supported by communications activity via posters in key Council facilities, the media and social media to ensure that people knew how they could get involved.

The aim of the budget engagement strategy was to reach different sectors of the population through an approach that included engagement with residents as a whole and customers/users of services as well as particular groups of people, including those with protected characteristics. The approach ensured it reached particular interest groups such as carers, older people, children and young people and council housing tenants.

Opportunities for face-to-face engagement with lead officers during November/December 2022 took place which included an in-depth session with the Residents Panel (which any resident can join).

The engagement approach also involved targeted activity with specific external stakeholder groups that included North Tyneside Strategic Partnership, Businesses, Schools, Voluntary and Community Sector (including faith groups), the Black and Minority Ethic community.

There was also internal engagement with key interest groups including the Diversity Ethnic Community Network and Carers/Young People.

The sub-group raised that view that there might be different ways to engage with 18-30 year olds and suggested that further endeavor be made to find ways to engagement with this group including via a wider range of social media platforms that were used by young people. It was stated that twitter and facebook were not used by teenagers/young people as much as other platforms. It was suggested that consideration be made to assess the

possibility to extend the platforms that Authority uses to engage. As the authority reviews its overall approach to engagement in 2023, these options will be further explored.

2023/24 Budget & 2023/27 Medium-Term Financial Plan

The MTFP for 2023/24 to 2025/26 set at the Council meeting in February 2022 set out a gap of £21.534m over the 4-year period, with a gap of £10.655m for 2023/24. The gap reduced to £7.471m following the agreed increase in Council tax and adult social care precept.

It was noted that the robust approach to financial planning in North Tyneside served its intended purpose and had no new pressures had occurred, a review of changes to Government funding assumptions and reductions to growth pressures from management action, would have reduced the residual MTFP gap for 2023/24 from £7.471m to £1.059m.

However, the group was informed that a number of significant risks emerged that had impacted the 2022/23 budget outturn position, as well as increasing the £7.471m gap identified for 2023/24. The additional risks were in relation to Social Care fees, Employee Pay Award, Energy inflation and Contractual inflation which were anticipated to increase the gap by £15.635m. Therefore, the revised gap for 2023/24 was £23.106m.

The sub-group was informed and discussed that at the time of presentation there were a number of unspecified risk/burdens that could affect the budget which included;

- Further energy inflation
- Further contractual inflation
- Children's services
- Adult Social Care and Cost of Social Care Reform
- High Needs Block
- General Inflation
- Council Tax Base
- Population changes and potential impact on the transport levy calculation
- One off reserves used in 2022/23

Work had been undertaken to review the assumptions included in the MTFP, including revising assumptions around the level of Government funding that would be provided.

These included

- Pensions deficit – the MTFP included an estimated figure of £2.747m that would be required in the base budget to address the forecast deficit on the pension fund. Following receipt of the updated position of the Tyne and Wear Pension Fund it had been confirmed the fund was in surplus so this amount will not be required.

- New Homes Bonus (NHB) – the schedule of NHB payments was expected to reduce from next financial year due to the winding down of the scheme. However, it is expected that there could be an extension of the scheme. A one-year extension, without any residual/legacy payments, would see an additional £0.500m next financial year.

- Fall out of services grant – an additional £1.665m would be available for the 2023/24.

- Inflationary uplifts – inflation in the Revenue Support Grant, business rates and Improved Better Care Fund, these assumptions had been uplifted from 2% to 6.5%, although confirmation was still required from Government in the Provisional Settlement

- Reversal of national insurance contribution increases – the full year effect of this was estimated £1.250m.

Further options to reduce the General Fund gap for 2023/24

No proposal about Council Tax and/or Adult Social Care levies had been made, however, assumed increases in Council Tax, based on current tax base estimates, would raise approximately £3.294m of additional funding (made up of £2.192m general Council Tax (1.99%) and £1.102m from the Adult Social Care Precept (1%)).

Strategic Reserve – Given the current financial position, it was proposed to defer the 2023/24 contribution.

Minimum Revenue Provision (MRP) – it was estimated that this would lead to an underspend on the debt charges budget in 2023/24 in the region of £4.000m.

Following these assumed items, the MTFP gap would be reduced from £23.106m to £5.996m.

Review of General Fund Reserves

The Authority continued to maintain a level of reserves to plan for and manage financial risk.

It noted that at the end of 2022/23, grants relating to COVID would be fully used or repaid in line with the grant conditions.

Reserves balances were forecast to fall to £54.369m by the end of the financial year 2026/27, with the assumption that no utilisation of the strategic reserves to underwrite revenue budget pressures over the MTFP. It was noted that should the Authority utilise the strategic reserve to underwrite the revenue budget pressures, without replenishment in future years, this could lead to the Authority being in breach of the internal requirement to maintain a level of strategic reserves no less than £10m as per the Reserves and Balances Policy.

Some members of the sub-group considered the maintaining of reserves was paramount to provide the Authority a degree of financial resilience and flexibility for the Borough.

Autumn Statement

At the time of writing the Cabinet report, the Government's assumption was that local authorities in England would have the additional flexibility to set council tax by increasing the referendum limit to 3 per cent per year from April 2023.

In the Autumn Statement, this was revised so that councils could increase Council Tax and the social care precept by 4.99% (higher than their original assumption). Whilst the Cabinet report did not include this, given the timing of the Autumn Statement, if this was built into the budget proposals (with the condition that continued support for those on the lowest incomes) the funding gap for 2023/24 would reduce to £3.8 million. This additional

information was included in the public consultation so that views could be expressed about a 4.99% option.

Other key messages in the Autumn Statement included:

- The Government has given assurance that local authorities will be fully compensated for the business rates measures that will include the funding of new burdens for any administrative expenses or software changes.

- The Government will provide extra funding for adult social care and funding allocated towards reforms to be made available to address inflationary pressures, with flexibility for councils to use the funding across adults and children's services according to local needs.

- The Government committed to providing additional targeted cost of living payments for households that are in receipt of a means-tested benefit, over state-pension age, or claiming a disability benefit.

- There was additional certainty on the Energy Price Guarantee where £1 billion would be provided to enable the extension of the Household Support Fund in England over 2023/24.

- The increase in the National Living Wage (NLW). It is clear that local authorities need to be sufficiently funded in order to meet the additional costs without cutting jobs or services.

At the time of the Sub-group meeting, it was not possible to confirm the level of financial support in relation to the above points. This information was not made available until the announcement of the Provisional Local Government Finance Settlement ("the Settlement") on 19 December 2022, with further detail following later that week.

Given the timing of the Settlement and time required by officers to process this over the Christmas holiday, the latest information is still not in the public domain. This will be included in Cabinet's proposed budget, to be discussed on 30 January 2023. As noted in the introduction, the Sub-group will reconvene the following day to consider the latest information available.

Key Themes

The sub-group heard that the key themes for the delivery of more efficient services in the Authority were consistent with the previous year, which are summarised below:

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

Workforce Planning & OD
Organisation wide proposals, which underpin many of the other 3 priorities, to make the best use of the Authority's greatest asset, the staff team.

Commissioning, Procurement & Commercial

How the Authority purchases and engages with its 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 the Authority's asset base, both in terms of our operational and non-operational assets, and moving towards a comprehensive Asset Management Plan.

The sub-group was informed of how changes to service delivery could benefit both cost savings and increased customer outcomes/satisfaction.

The sub-group was informed of the newly formed Customer First Office and how technology would provide increased benefits. The planned development of a new Customer relationship management (CRM) was a core capability for the authority.

The CRM was a high-quality system that would transform customer interaction to be digital first in many instances, improving customer service and efficiency. The system would provide a platform for customer facing teams to innovate new way of working.

Housing Revenue Account

Members were reminded that the Financial Planning for the Housing Revenue Account (HRA) would set a Budget and updated four-year MTFP, supported by the updated 30-year Business Plan.

The Authority follows the Government's social housing rent policy, which for the last two years has seen rent increases based on the Consumer Prices Index (CPI) rate, as of September, plus 1%. The CPI rate for September 2021 was 3.1% which led to a rent increase for 2022/23 of 4.1%.

The sub-group was informed that due to the cost-of-living crisis and the current high rates of inflation being experienced, this approach would lead to significant rent increases for tenants in 2023/24. The September 2022 rate of CPI was 10.1% and applying the existing policy would see a rent increase of 11.1% for 2023/24. In response, the Government undertook a consultation over the autumn to consider capping these increases at 3%, 5% or 7%. The draft budget was set at a 5% increase, which was the Government's assumption at the time of writing the report. The Autumn Statement subsequently confirmed that the rent cap would be set at 7%.

The sub-group noted that continuing range of pressures the Authority was facing including post-pandemic legacy costs, war in Ukraine, rates of inflation, and general economic uncertainty, also impacts the HRA which must contend with key issues, namely:

- 2022/23 pay award being above 2% budgeted for;
- Uncertainty over future pay awards;
- Craft Workers Pay Review;
- Additional responsibilities required of Landlords under Government Safety White Paper following Grenfell disaster e.g. Carbon Monoxide Detectors in every home and increased periodic electrical inspections;
- Increased costs for Materials across the Supply Chain; and
- Increased Sub-Contractor costs linked to inflationary issues.

The above issues had been factored into refreshing the HRA Business Plan, along with the current proposed rent increase with the aim of ensuring that the 30-year HRA Business Plan is balanced. These included maintaining 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 as part of the Authority's Carbon Net-Zero 2030 Action Plan.

2023-2028 Investment Plan Considerations

The 2023-2028 Investment Plan considerations presented were in relation to:

- Projected investment of £1.000m pa to progress the key priority to Carbon reduction targets; and
- A new year 5 (2026/27) had been added to reflect rolling programme projects such as Asset Planned Maintenance, ICT infrastructure refresh and sustained investment of £2m/annum on additional Highways Maintenance.

Treasury Management

Treasury management continues to be underpinned by CIPFA guidance and codes of practice that ensure security of Capital, the liquidity of investments and returns a yield.

The approach to be taken was the same that had been successful in previous years to maintain low-cost balances, invest longer and securely whilst taking advantage of very low borrowing rates from temporary borrowing markets.

Some members of the sub-group suggested that, when opportunities arise, consideration be taken to ensure the principles of the investment/borrowing body are aligned to that of the Authority and its green agenda.

Conclusion

It was acknowledged that the current levels of risk and uncertainty, due to the delay in the Settlement increases the difficulty for Local Government to plan effectively.

It was also acknowledged that it was a difficult activity to draft a budget based on assumptions that were outside the Authority's control. However, it was encouraged from the detailed explanation of all the assumptions presented that the outcome of the proposed 2023/24 Budget would be balanced and in line with the agreed Our North Tyneside Plan.

It acknowledges that the Budget Engagement Strategy should change each year in line with how the Authority's differing communities can and wish to engage.

Presenting Officers

The following officers presented to the sub-group:

Jon Ritchie – Director Head of Resources
Jacqueline Laughton – Assistant Chief Executive
Peter Mennell – Director of Housing
Darrell Campbell - Principal Accountant
Haley Hudson - Customer and Digital Strategy Manager

Daniel Simms - Chief Information Officer.

Background Information

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

2023-2027 Financial Planning and Budget Process: Cabinet's Initial Budget proposals

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 continued into 2022/23. No additional allocation was awarded for 2023/24.
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 associationshttps://en.wikipedia.org/wiki/Housing_association the legal right to buy, at a large discount, the council house they are living in
RPI – Retail Price Index	The Retail Price Index (RPI) is published on a monthly basis and it shows the changes in the cost of living. It reflects the movement of prices in a representative sample of goods and services used regularly, such as food, housing, clothing, household goods and transport. Items considered the most important are given a higher weighting in the overall index.
S256 agreements	Legal agreements that allow Health to transfer money to Local authorities using powers listed under Section 256 (s256) of the Health & Social Care Act

Self-Financing	Housing Revenue Account (HRA) self-financing commenced in April 2012. Local housing authorities from this date were able to fully retain the money they received in rent in order to plan and provide services to their current and future tenants and in return took on a level of historical debt.
SEN	The term 'special educational needs' has a legal definition, referring to children who have learning problems or disabilities that make it harder for them to learn than most children of the same age.
Service Area	Groups of related cost centres.
Settlement Funding Assessment	For individual local authorities, this comprises of the Revenue Support Grant for the year in question and the Baseline Funding Level.
Short-term	A period of less than one year.
SLT	Senior Leadership Team – this includes the Chief and Deputy Chief Executive and all Heads of Service.
Subjective	A subjective is a code within the General Ledger that indicates the type of expenditure incurred, for example basic pay. A subjective can also be used to record the type of income generated, for example rents and fees.
Supported Borrowing	This is borrowing to fund expenditure in the Investment Plan where the annual financing costs of such borrowing are supported by government through formula grant. No new supported borrowing has been awarded since 2010/11.
Trading Account	These accounts within the General Ledger hold the values of both the cost and income of a traded or recharged service e.g. cleaning or transport. Customers can be internal or external to the Authority.
Transitional Protection	North Tyneside agreed that for those tenants who were already residents of an NTC sheltered property at the point of the Sheltered Housing PFI works would have their rent held at the level they paid before the investment.
Treasury Management	The management of the Authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
Unitary charge	A PFI contract bundles the payment to the private sector as a single ('unitary') charge for both the initial capital spend and the ongoing maintenance and operation costs.
Universal Credit	Universal Credit is a social security benefit in the United Kingdom introduced in 2013 to replace six means-tested benefits and tax credits: income-based Jobseeker's Allowance, Housing Benefit, Working Tax Credit, Child Tax Credit, income-based Employment and Support Allowance and Income Support.
Unsupported Borrowing	This relates to borrowing to fund expenditure where the annual financing costs have to be met from the Authority's own revenue resources. This is also known as prudential borrowing.
Variance	The difference between net budgeted expenditure and income compared to net actual expenditure and income i.e. the actual or predicted overspend or underspend against Budget.
Virement	A transfer of budgets from one area of the Budget to another.
Yield	Return on an investor's capital investment.

Yield Curve	Graph plotting the yield of all bonds of the same credit quality with maturities ranging from the shortest to the longest available. If the resulting curve shows that short-term yields are lower than longer-term yields, then it is called a positive yield curve. If short-term yields are higher than longer-term yields it is called an inverted yield curve. If there is little difference between short and long-term yields, then it is a flat yield curve.

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