

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 21 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 9.2% 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 receive £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 Housing Revenue Account

- (a) Consider any recommendations arising from the Overview, Scrutiny and Policy Development Committee's consideration of Cabinet's initial Budget proposals for the 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 Subsidy & 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 brought 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 brought 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 reported 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 21 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 based on 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