

North Tyneside Council

Report to Council

Date: 16 February 2023

Title: 2023-2027 Financial Planning and Budget Process: Elected Mayor and Cabinet Budget and Council Tax Requirement Resolution for 2023/24

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

Report from: Senior Leadership Team

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

Wards affected: All

PART 1

1.1 Executive Summary:

1.1.1 The Constitution sets out, in its Budget and Policy Framework Procedure Rules, the process that the Authority has agreed for setting the Budget and the Council Tax Requirement. The 2023–2027 Financial Planning and Budget process, incorporating the 2023/24 Budget, reflects these requirements. Further details of the decision-making process are set out in paragraphs 1.5.15 to 1.5.19 of this report.

1.1.2 This report, supporting General Fund Annex 1 and its Appendices sets out the 2023/24 Council Tax Requirement and the Council Tax calculation of estimates and amounts that were considered by Cabinet on 30 January 2023. The report attached at Annex 1 presented the 2023/24 Council Tax Requirement and the estimates and amounts for all aspects of the Elected Mayor and Cabinet’s proposed spending and resource plans for the General Fund Revenue Budget (including the Dedicated Schools Grant), the 2023-2028 Investment Plan and the Treasury Management Strategy and Annual Investment Strategy for 2023/24. The report also indicated the proposed Council Tax Level for 2023/24 that would be required to fund the spending plans outlined in the report.

- 1.1.3 Following Cabinet's decisions on 30 January 2023, the report is now being submitted to be received by Full Council at this meeting. At its meeting on 30 January 2023, Cabinet granted delegated authority to the Elected Mayor to make any final amendments to Cabinet's proposals in relation to information still outstanding, in order that due consideration could be given to the final level of Council Tax that Cabinet wishes to put forward to Full Council for approval for 2023/24 (recommendation 1.2.1 (r) in the original Cabinet report refers).

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

- Tyne & Wear Fire and Rescue Authority precept.
- Public Health Grant allocation.
- Tyne and Wear Joint Service Budgets.
- Youth Justice Board Grant allocation.
- Northumberland Inshore Fisheries and Conservation Authority Levy; and
- Tyne Port Health Authority Levy.
- 2023/24 Capital Allocations.

- 1.1.4 The proposed increase to the Tyne & Wear Fire and Rescue Authority precept for 2023/24 is £5.00 at a Band D. A decision on the proposed increase is not due to be taken by the Fire Authority until 13 February 2023. For the Police and Crime Commissioner for Northumbria precept the Authority has received confirmation that the precept level has been set at an increase of £15.00 (9.75%) at a Band D over the level for 2022/23 on 7 February 2023.

In line with the delegation granted to the Elected Mayor, where necessary, amendments to the Budget and Council Tax Requirement Resolution arising from the outstanding information detailed above will be notified to all Members and Co-opted Members of the Authority in the week commencing 13 February 2023. All amendments will be incorporated into the Cabinet's formal Budget Resolution for 2023/24. Any Notice(s) of Objection will be submitted on the same basis.

- 1.1.5 This report is now presented by the Elected Mayor and Cabinet to Full Council, recommending the 2023/24 General Fund Revenue Budget, Council Tax Requirement and Council Tax Level, the 2023-2028 Investment Plan and the Treasury Management Strategy, Annual Investment Statement for 2023/24.
- 1.1.6 The purpose of this report is therefore to present, for Full Council's consideration and approval:
- (a) The Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution to set the 2023/24 General Fund Revenue Budget and 2023/24 Council Tax Requirement and the Council Tax Level for 2023/24.
 - (b) The Elected Mayor and Cabinet's proposals for the 2023-2028 Investment Plan, including the Capital Investment Strategy and proposed prudential indicators for 2023-2027; and
 - (c) The Elected Mayor and Cabinet's proposals for the Treasury Management Strategy, Annual Investment Statement for 2023/24.

There is also a requirement to obtain appropriate delegations as set out in this report.

1.2 Recommendations:

1.2.1 Council is recommended to:

- (a) Agree the recommendations and delegations set down in paragraph 1.5.24 of this report in relation to the 2023/24 General Fund Revenue Account Budget, the 2023/24 Council Tax Requirement and Council Tax Level for 2023/24, being the Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution.
- (b) Agree the Elected Mayor and Cabinet's proposals for the 2023-2028 Investment Plan, including the Capital Investment Strategy and proposed prudential indicators for 2023-2027, previously agreed at Cabinet on 30 January 2023, attached in the General Fund Annex 1, Appendix D (i), (iii) and (iv) of Appendix A to this report;
- (c) Agree to the administrative change which will make it easier for new Universal Credit (UC) claimants to claim Council Tax Support using information from the Department for Work and Pensions, Annex 1, Section 3.1.6; and
- (d) Agree the Elected Mayor and Cabinet's proposals for the Treasury Management Strategy, Annual Investment Statement for 2023/24, attached in the General Fund Annex 1, Appendix E (i), (ii) of Appendix A to this report.

1.3 Forward Plan:

- 1.3.1 The report first appeared on the Forward Plan that was published on 19 January 2023.

1.4 Council plan and policy framework:

- 1.4.1 The Budget and Policy Framework Procedure Rules are set out in Part 4.7 of the Constitution. The Budget-setting process is described in paragraph 4.7(3) covering the preparation, consideration and final approval of the Authority's Budget. The statutory and constitutional requirements for preparing, considering and approving the Budget drive the timetable for the Financial Planning and Budget process.
- 1.4.2 The Financial Planning and Budget process is a fundamental part of the overall governance and assurance framework of the Authority. This in turn provides assurance that is considered during the preparation of the Annual Governance Statement.

1.5 Information:

The 2023/24 General Fund Revenue Budget and Council Tax Level

2023/24 Financial Plan and Budget

- 1.5.1 At its meeting on 19 September 2022, Cabinet approved the process and timetable to be adopted for the preparation of the draft 2023-2027 Financial Plan, 2023/24 Revenue Budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2023-2028 Investment Plan, as part of the overall Financial Planning and Budget process for 2023-2027. Cabinet also approved the Budget Engagement Strategy.
- 1.5.2 Budget engagement in line with the Budget Engagement Strategy agreed by Cabinet on 19 September 2022, has been undertaken and is summarised in the 30 January 2023 Financial Planning and Budget Report to Cabinet.
- 1.5.3 The following delegations and authorisations were recommended and agreed at Cabinet on 30 January 2023:
- (a) Authorise the Elected Mayor to make any final amendments to the Cabinet's proposals in relation to that information which is still outstanding to enable due consideration to be given to the final level of Council Tax the Cabinet proposes to full Council for approval for 2023/24;
 - (b) 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
 - (c) 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, using S106 monies received by the Authority under section 106 of the Town and Country Planning Act 1990 for the provision of affordable housing, 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 social rent is progressed in line with the Cabinet's priorities.
- 1.5.4 The Overview, Scrutiny and Policy Development Committee Budget Scrutiny sub-group met on 1 December 2022 where the Director of Resources and Senior Officers presented the 2023-2027 Financial Planning and Budget Process: Cabinets Initial Budget proposals. The sub-group reported its views to Overview, Scrutiny & Policy Development Committee at its meeting on the 16 January 2023, which were then considered by Cabinet at its meeting on 30 January 2023.

1.5.5 There were no 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 Strategy, Annual Investment Statement.

1.5.6 Since the Cabinet meeting on 30 January 2023, some information remains outstanding as set out in paragraph 1.1.3. In line with the delegation granted to the Elected Mayor, where necessary, amendments to the Budget and Council Tax Requirement Resolution arising from the outstanding information detailed above will be notified to all Members and Co-opted Members of the Authority in the week commencing 13 February 2023. All amendments will be incorporated into an amended Budget Resolution for 2023/24. Any Notice(s) of Objection will be submitted on the same basis.

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

1. Final Local Government Finance Settlement announcement for 2023/24

1.5.7 The Final Local Government Finance Settlement for 2023/24 was announced on 6 February 2023. The announcement included a change in respect of the Services Grant which resulted in an increase to the Authority of £0.077m.

1.5.8 2. Environment Agency Levy

The Environment Agency Levy for North Tyneside Council has been set for 2023/24 at £0.216m, representing an increase of £0.009m on 2022/23.

3. Police and Crime Commissioner for Northumbria Precept

1.5.9 Police and Crime Commissioner for Northumbria

Precept increase of £15 (9.75%) over the 2022/23 level was approved on 7 February 2023.

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

North Tyneside Council Business Rates Tax base

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

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

Table 1: 2023/24 Percentage share of Business Rates for the Authority

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

- 1.5.12 The 2023/24 NNDR1 form for the Authority ultimately calculates the total amounts due to be retained by the billing authority, its major precepting authorities and the Government in 2023/24. The NNDR1 form for the Authority was submitted to the Department for Levelling Up, Housing and Communities on 24 January 2023. The final NNDR1 results are the figures shown in Table 2 below for the Authority:

Table 2: 2023/24 North Tyneside Council Business Rates Calculation

	2023/24 £m
Central Government Share	30.674
Tyne and Wear Fire and Rescue Authority Share	0.613
North Tyneside Council Retained Business Rates	30.060
Total	61.347

Council Tax Increase for 2023/24

- 1.5.13 The Authority's element of the Council Tax Level for 2023/24 (excluding precepts) is proposed to be as set out in the report to Cabinet on 30 January 2023 i.e., a general 2.99% increase in Council Tax and 2% increase in the Adult Social Care Precept. This is in line with the Government's assumptions.

Business Community Engagement

- 1.5.14 In accordance with the Non-Domestic Ratepayers (Consultation) Regulations 1992, which requires local authorities to carry out Budget engagement with the business community by 25 February each year, the statutory Budget engagement meeting was carried out on 25 January 2023.

Process for Consideration and Determination of the Budget

- 1.5.15 The process for consideration of the Budget is determined by legislation, including the Local Government (Finance) Act 1992 and the Local Authorities (Standing Orders) (England) Regulations 2001. The Authority has adopted a process to ensure compliance with the statutory requirements, which is set out in the Budget & Policy Framework Procedure Rules in the Constitution.
- 1.5.16 At this meeting, Full Council will debate and consider Cabinet's Budget estimates of amounts and the Council Tax Requirement. The Full Council can raise objections to the Cabinet's proposals and final Notices of Objection should be submitted to the Director of Resources on behalf of the Chief Executive by 4pm on 14 February 2023.

- 1.5.17 Although at the time of writing this report the Tyne and Wear Fire and Rescue Authority precept has yet to be confirmed. It is anticipated that the proposed increase of £5.00 at a Band D for Fire and Rescue precept will be confirmed on 13 February 2023. Therefore, it is possible for the Council Tax Requirement to be set at this meeting. The Final Local Government Finance Settlement was announced on 6 February 2023 with a minor increase in Services Grant of £0.077m which has been allocated to contingencies in line with the delegation granted to the Elected Mayor following Cabinet's meeting on 30 January 2023.
- 1.5.18 Following this meeting, the Elected Mayor may be required to reconsider the Cabinet's proposals, considering any objections agreed by Full Council. A Cabinet meeting has been scheduled for 20 February 2023, if required, for this purpose.
- 1.5.19 The Elected Mayor may then revise the proposals or disagree with Full Council and give notice accordingly to the Chief Executive to enable a further meeting of Full Council to be called. This is the final meeting in the process at which the Authority's Budget and Council Tax Requirement calculation will be agreed and the Council Tax Level for 2023/24 set. This meeting, if required, will take place on 2 March 2023. At this meeting, where any proposals of Full Council in respect of the Budget calculations do not accord with the Cabinet's proposals, Cabinet's proposals will prevail unless at the meeting a two-thirds majority of the Members present vote to impose Full Council's own proposals.

Elected Mayor and Cabinet Resolution: Setting the Council Tax 2023/24

- 1.5.20 The Localism Act 2011, introduced changes which impact on the Council Tax calculation for 2023/24 as part of the formal Budget and Council Tax Resolution.
- 1.5.21 Firstly, some aspects of Part 1 of the 1992 Local Government Finance Act (the 1992 Act) were changed and this impacted on the calculation of Council Tax. Secondly, Council Tax capping was abolished in England. Instead, provision was made for Council Tax referendums to be held in England if an authority increased its Council Tax by an amount exceeding the principles determined by the Secretary of State for Housing, Communities and Local Government and agreed by Parliament.
- 1.5.22 The Council Tax referendum principles for 2023/24 were that any authority who proposed to increase Council Tax by 5% or more, would be subject to a binding referendum of the local electorate. The 2023/24 Provisional Local Government Finance Settlement included an allowance of a 3% increase to the Authority's relevant basic amount of Council Tax to support other expenditure and 2% for expenditure on adult social care.

Council Tax Requirement

- 1.5.23 Since the Local Government Finance Act 1992 was amended by the Localism Act 2011, billing authorities have been required to calculate a Council Tax Requirement for the year. The calculation of the Council Tax Requirement for

the Authority for 2023/24, based on the 2023/24 Budget Requirement is set out in Table 4 below:

Table 4: 2023/24 Council Tax Requirement for North Tyneside Council

	£	£
2023/24 Budget Requirement		182,458,582
Financed by:		
Revenue Support Grant	(13,283,804)	
Retained Business Rates	(31,193,251)	
Business Rates Top Up	(20,691,786)	
Council Tax Collection Fund Surplus	(1,237,445)	
		(66,406,286)
Council Tax Requirement		116,052,296

2023/24 Council Tax Requirement Resolution

1.5.24 Cabinet recommends that:

1. The recommended Budgets of the Authority be approved as noted below, subject to the variations listed in paragraphs 2 and 3 below and noting the estimated allocation of £197.763m in Dedicated Schools Grant, for 2023/24:

	£
General Fund Revenue Budget	182,458,582
Total	<u>182,458,582</u>

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

	£
The Tyne and Wear element of the Durham, Gateshead, Newcastle Upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority Transport Levy	12,597,052
Environment Agency	216,198
Total	<u>12,813,250</u>

3. The contingency be set as follows:

	£
Contingency	17,779,572
Total	<u>17,779,572</u>

4. Note that at its meeting held on 23 January 2023, Cabinet agreed the Council Tax base for 2023/24 for the whole Authority area as 62,692 (Item T), in the Formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act") and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
5. Agree that the Council Tax Requirement for the Authority's own purposes for 2023/24 is £116,052,296 (as set down in paragraph 1.5.23, Table 4).

6. Agrees that the following amounts now calculated by the Authority for the year 2023/24 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992, as amended (the Act):

- (a) £391,129,285 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(2) of the Act.
- (b) £275,076,989 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(3) of the Act.
- (c) £116,052,296 Being the amount by which the aggregate at 6(a) above exceeds the aggregate at 6(b) above, calculated by the Authority in accordance with Section 31(A)(4) of the Act, as its Council Tax Requirement for the year (Item R in the formula in Section 31B of the Act).
- (d) £1,851.15 Being the amount at 6(c) above (Item R), all divided by Item T (4 above), calculated by the Authority, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

(e) North Tyneside Council Valuation Bands

Council Tax Band	£
A	1,234.10
B	1,439.78
C	1,645.46
D	1,851.15
E	2,262.51
F	2,673.88
G	3,085.25
H	3,702.30

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

(f) Police and Crime Commissioner for Northumbria Valuation Bands

Note that for the year 2023/24 the Police and Crime Commissioner for Northumbria has issued the following amounts in precepts to the Authority, in accordance with Section 40 of the Local Government

Finance Act 1992, for each of the categories of the dwellings in the Authority's area, as indicated below:

Council Tax Band	£
A	112.56
B	131.32
C	150.08
D	168.84
E	206.36
F	243.88
G	281.40
H	337.68

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

Note that for the year 2023/24 the Tyne and Wear Fire and Rescue Authority has issued the following amounts in precepts to the Authority, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings in the Authority's area, as indicated below:

Council Tax Band	£
A	61.57
B	71.83
C	82.09
D	92.35
E	112.87
F	133.39
G	153.92
H	184.70

(h) Total Valuation Bands

That, having calculated the aggregate in each case of the amounts at 6(e), 6(f) and 6(g) above, the Authority, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2023/24 for each part of its area and for each of the categories of dwellings shown below:

Council Tax Band	£
A	1,408.23
B	1,642.93
C	1,877.63
D	2,112.34
E	2,581.74
F	3,051.15
G	3,520.57
H	4,224.68

7. The Authority's relevant basic amount of Council Tax for 2023/24 is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992, as amended.
8. The Authority's Financial Regulations will apply to the financial management of this Budget.
9. The level of contingencies will be £17.780m as pressures incurred during 2022/23 relating to Social Care, pay award and energy and contractual inflation have been recognised as part of the 2023/24 Financial Planning and Budget process.
10. It is proposed that virement levels and approvals for virement shall be in accordance with the rules set down in the Authority's Financial Regulations in force at the time.
11. The Reserves and Balances Policy is adopted as set out and is subject to review at least annually.
12. The Chief Executive, in consultation with the Elected Mayor, Deputy Mayor, Cabinet Member for Finance and Resources and the Senior Leadership Team to manage the overall 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.
13. The Chief Executive, in consultation with the Elected Mayor and Director of Resources, to authorise the purchase of properties, on the open market, providing value for money is demonstrated and the cost can be contained within existing financial resources of the Authority. This is to ensure that the programme of delivery of affordable homes and homes at social rent is progressed in line with the Cabinet's priorities.
14. The Chief Finance Officer be authorised to serve notices, enter into agreements, give receipts, make adjustments, institute proceedings, and take any action available to the Authority to collect or enforce the collection of Non-Domestic Rates and Council Tax from those persons liable.

15. The Chief Finance Officer be authorised to disburse monies from funds and accounts of the Authority as required for the lawful discharge of its functions.
16. Agree that the Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority receive payment from the Collection Fund in 12 equal instalments on the last working day of each month.
17. Payments from the Collection Fund to be made to the Authority's General Fund in 12 equal instalments on the last working day of each month.

2023-2028 Investment Plan

- 1.5.25 Full Council is requested to approve the proposals for the 2023-2028 Investment Plan, set out in the General Fund Annex 1, Appendix D (i), (iii) and (iv) to this report.

Statement to Council by the Chief Finance Officer

Background

- 1.5.26 The Local Government Act 2003 imposes duties on local authorities in relation to Budget setting. The Act requires that when an authority is deciding its annual Budget and Council Tax level, Elected Members and officers must take into account a report from the Chief Finance Officer on the robustness of the Budget and the adequacy of the Authority's financial reserves.
- 1.5.27 The Government has a back-up power to impose a minimum level of reserves on any authority that it considers is making inadequate provisions.
- 1.5.28 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.

Statement

Robustness of Estimates

- 1.5.29 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 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, presented to the Audit Committee on 16 November 2022.

- The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Authority; and
- The outcome of the Autumn Statement and the Provisional Local Government Finance Settlement, 19 December 2022.

- 1.5.30 The level of contingencies will be £17.780m in recognition of the risks associated with the emerging pressures identified in during 2022/23, the on-going demand pressures in adult and children's social care, inflationary pressures relating to energy and contracts and the impact of the pay award assumptions.
- 1.5.31 Reserves are relatively low and at a minimum level when considering the risks, the Authority faces, and the level of efficiencies required to be achieved in the medium-term.
- 1.5.32 The Cabinet is aware it must keep its Medium-Term Financial Strategy and four-year Medium-Term Financial Plan under review, in the context of the 2021-2025 Our North Tyneside Plan and known key financial risks. Future pressures need to be considered and the Authority cannot take 2023/24 in isolation to future years' needs and pressures. Each year's Budget must continue to be considered within the context of at least a four-year Medium-Term Financial Plan, the five-year Investment Plan, the Medium-Term Financial Strategy, the global economic position prevailing at the time, and the impact of the UK leaving the European Union.
- 1.5.33 To ensure that the Authority continues to keep within its approved Budget and the financial integrity of the Authority is maintained, it is essential that Budget holder responsibility and accountability continues to be recognised as set out in the Authority's Financial Regulations and in the roles and responsibilities section of the Authority's Budget Management Handbook.

Capital Investment Strategy

- 1.5.34 In line with the Prudential Code's requirement that the Chief Finance Officer of an Authority should report explicitly on the 'deliverability, affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions'. The Authority have ensured that that all projects within the 2023-2028 proposed Investment Plan follow the full gateway and governance procedure prior to inclusion on the Plan which ensures the deliverability, affordability and risk associated with each decision is fully understood prior to any decisions being made.
- 1.5.35 In terms of the overall investment position of the Authority, as set out above, a Capital Investment Strategy has been developed to help support the delivery of capital investment and ensure that the investment programme, builds on previous success, with a strong focus on delivery of the Authority's Ambition for North Tyneside including planned investment of £312.315m from 2023/24 to 2027/28.

Adequacy of Financial Reserves

General Fund

- 1.5.36 The level of un-ringfenced reserves remains of concern to the Chief Finance Officer 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 have 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 Ukraine exacerbating this.
- 1.5.37 Since the development of the 2022/23 Budget and Medium-Term Financial Plan 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.
- 1.5.38 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 Financial Monitoring reports to Cabinet, 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.
- 1.5.39 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 reserve to support the 2022/23 in-year pressures. The estimated forecast outturn position as at November 2022 for the General Fund is £8.625m. If this is required, this would further reduce General Fund reserves and balances to £32.727m. 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.
- 1.5.40 These actions together with the requirement to balance the 2022/23 in-year position 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 the MTFP included in the final budget proposals includes corrective action to restore the Strategic Reserve to the agreed level by year 4 of the plan which will be 2026/27.
- 1.5.41 Guidance on Local Authority Reserves and Balances is given in Local Authority Accounting Panel Bulletin 99. This states that "*Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option*", 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 Medium-Term Financial Plan has been developed so that ongoing revenue expenditure is aligned to annual income with no long-term reliance on reserves.

1.6 Decision options:

- 1.6.1 The Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution for 2023/24 is set down in paragraph 1.5.23 of this report.
- 1.6.2 At this meeting, Full Council will debate and give detailed consideration to Cabinet's Budget estimates of amounts and the Council Tax Requirement. Full Council will consider whether it has any objections to Cabinet's proposals.
- 1.6.3 Although at the time of writing this report the Tyne and Wear Fire and Rescue Authority precept has yet to be confirmed. This Authority anticipated that the proposed increase of £5.00 at a Band D will be confirmed on 13 February 2023. For the Police and Crime Commissioner for Northumbria precept the Authority has received confirmation that the precept level has been set at an increase of £15.00 (9.75%) at a Band D over the level for 2022/23 on 7 February 2023.
- 1.6.4 Following this meeting, the Elected Mayor may be required to reconsider Cabinet's proposals, taking into account any objections of Full Council. A Cabinet meeting has been scheduled for 20 February 2023, if required, for this purpose.
- 1.6.5 The Elected Mayor may then revise the proposals or disagree with Full Council and give notice accordingly to the Chief Executive to enable a further meeting of Full Council to be called. This is the final meeting in the process at which the Authority's Budget and Council Tax Requirement calculation will be agreed and the Council Tax Level for 2023/24 set. This meeting will take place on 2 March 2023. At this meeting, where any proposals of Full Council in respect of the Budget calculations do not accord with the Cabinet's proposals, Cabinet's proposals will prevail unless at the meeting a two-thirds' majority of the Members present vote to impose Full Council's own proposals.

1.7 Reasons for recommended option:

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

1.8 Appendices:

Annex 1: 2023-2027 Financial Planning and Budget Process: Cabinet's Final Budget and Council Tax Requirement Proposals, Cabinet 30 January 2023.

1.9 Contact officers:

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1.10 Background information:

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

- (a) Local Authorities (Standing Orders) (England) Regulations, 2001
- (b) North Tyneside Council's Constitution including the Budget and Policy Framework Procedure Rules
- (c) Calculation of the 2023/24 Council Tax Base for North Tyneside Council, Cabinet 23 January 2023
- (d) 2023/24 Provisional Local Government Finance Settlement
- (e) Autumn Statement
- (f) Council General Fund Budget Summaries
- (g) Localism Act 2011
- (h) Local Government (Finance) Act 1992
- (i) Local Audit and Accountability Act 2014
- (j) Equality Impact Assessments

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION-MAKING

2.1 Finance and other resources

2.1.1 The financial implications arising from this report are appraised as part of the decisions made about what will be included in the Authority's Budget and Council Tax Requirement for 2023/24. Decisions on the Budget in relation to the General Fund, Schools' funding, Treasury Management Strategy and Annual Investment Strategy and Investment Plan need to be made within the overall context of the resources available to the Authority and within the legal framework for setting the Budget, and the statutory Council requirement.

2.1.2 Full Council need to have due regard to the Chief Finance Officer's advice in relation to the robustness of the estimates used and to the levels of reserves and balances proposed as part of the four-year Medium-Term Financial Plan for 2023-2027, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in July 2014.

2.2 Legal

2.2.1 By virtue of sections 31A and 31B of The Local Government Finance Act 1992 (the 1992 Act) the Authority is obliged each financial year to undertake a calculation of Council Tax Requirement and the basic amount of its Council Tax. Chapter 4ZA of the 1992 Act also makes provision for Council Tax referendums to be held in England if an authority increases its Council Tax by an amount exceeding the principles determined by the Secretary of State for Housing, Communities and Local Government and agreed by Parliament.

2.2.2 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer of the Authority to report on the robustness of the estimates made for the purposes of the Budget and Council Tax calculations, and the adequacy of the proposed financial reserves. Section 25 of the 2003 Act requires Members and officers to have regard to the Chief Finance Officer's report when making decisions about those calculations. The Government has a back-up power to impose a minimum level of reserves on an authority that it considers to be making inadequate provisions.

2.2.3 The 2023/24 Financial Planning and Budget Process has been prepared to comply with the timescales required within the Budget & Policy Framework Procedure Rules contained in the Authority's Constitution.

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

2.3 Consultation / Community engagement

2.3.1 Internal Consultation

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

2.3.2 External Consultation/Engagement

The 2023/24 Budget Engagement Strategy and approach were agreed by Cabinet on 19 September 2022. Engagement with residents took place over the summer during the Big Community Conversation activity which identified residents' priorities. These views and priorities have been considered for Cabinet's draft Budget proposals as set out in this report. Further engagement on the Budget proposals has taken place during December 2022 and January 2023 in line with the Budget Engagement Strategy agreed by Cabinet on 19 September 2022.

2.4 Human rights

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

2.5 Equalities and diversity

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

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

2.6 Risk management

- 2.6.1 Individual projects within the 2023-2027 Medium-Term Financial Plan and Budget are subject to full risk reviews. For larger projects, individual project risk registers are / will be established as part of the Authority's agreed approach to project management. Risks will be entered into the appropriate operational, strategic, corporate or project risk register(s) and will be subject to ongoing management to reduce the likelihood and impact of each risk.

2.7 Crime and disorder

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

2.8 Environment and sustainability

- 2.8.1 The Our North Tyneside Plan states that “We will reduce the carbon footprint of our operations and will work with partners to reduce the Boroughs carbon footprint.” A number of the proposals will contribute to this. The environmental and sustainability aspects of individual proposals will be assessed in detail as and when agreed and implemented.

PART 3 - SIGN OFF

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