2024-2028 Medium-Term Financial Plan

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

North Tyneside Council

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1. Introduction

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

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

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

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

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

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

2. Our North Tyneside Plan 2021-2025

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

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

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

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

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

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

• We will continue to be the destination of choice for visitors through the promotion of North Tyneside's award-winning parks, beaches, festivals and seasonal activities; • We will reduce the number of derelict properties across the borough; and • We will review how the council purchases and contracts for goods and services to maximise value for money, social value and environmental sustainability.
A family-friendly North Tyneside
• We will support local schools, making sure all children have access to a high-quality education with opportunities to catch up where needed after the pandemic; • We will provide outstanding children's social care services, events and facilities so North Tyneside is a great place for family life; and • We will ensure all children are ready for school and that schools have an inclusive approach so that all of our children and young people have the best start in life.
A caring North Tyneside
• We will provide great care to all who need it, with extra support available all the way through to the end of the pandemic; • We will work with the care provision sector to improve the working conditions of care workers; • People will be cared for, protected and supported if they become vulnerable, including if they become homeless; • We will support local community groups, carers and young carers and the essential work they do; and • We will work to reduce inequality, eliminate discrimination and ensure the social rights of the people of North Tyneside are key to council decision making.
A secure North Tyneside
• Council wardens will work in partnership with Northumbria Police to prevent and tackle all forms of antisocial behaviour; • We will invest an additional £2m per year on fixing our roads and pavements;

• We will maintain the Council Tax support scheme that cuts bills for thousands of low-income households across North Tyneside; • We will tackle health and socio-economic inequalities across the borough including through our Poverty Intervention Fund to tackle food poverty; and • We will provide 5000 affordable homes.
A green North Tyneside
• We will keep increasing the amount of waste that can be recycled and introduce food waste collections and deposit return schemes; • Council environmental hit squads will crack down on littering; • We will secure funding to help low-income households to install low-carbon heating; • We will increase opportunities for safe walking and cycling, including providing a segregated cycleway at the coast; and • We will publish an action plan of the steps we will take and the national investment we will seek to make North Tyneside carbon net-zero by 2030.

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

Some highlights of the Our North Tyneside Plan are:-

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

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

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

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

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

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

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

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

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

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

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

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

3. Borough Profile

3.1 Overview

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

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

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

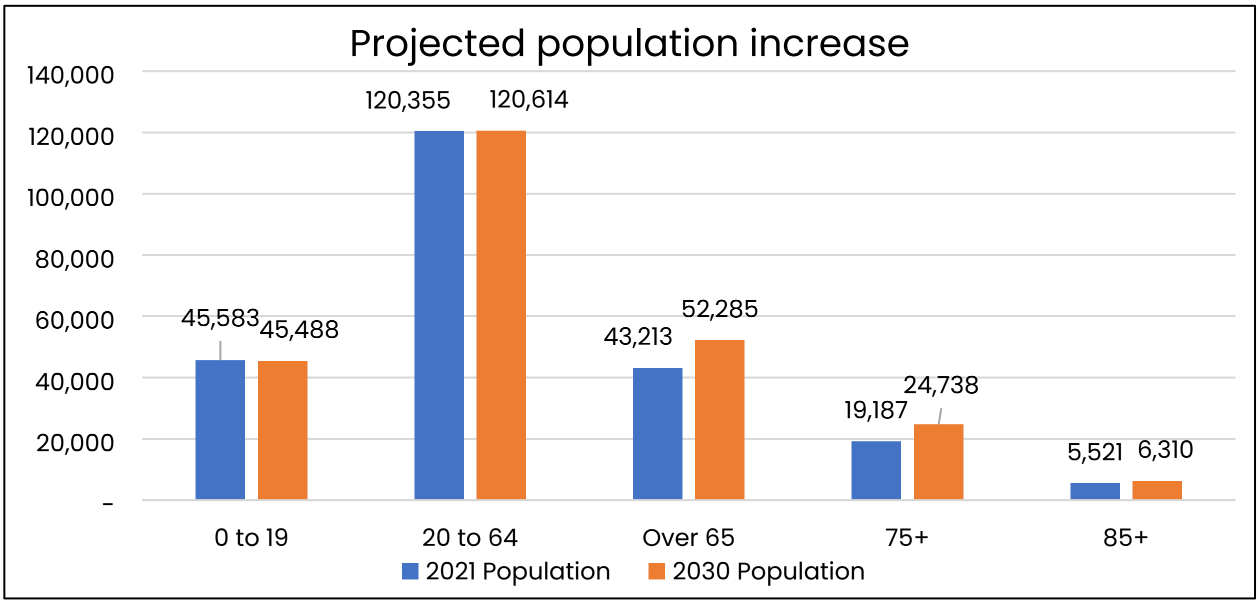
3.1.4 In the 2021 annual residents survey, the issues residents have identified as most needing to be improved and of high importance were road and pavement repairs, the level of anti-social behaviour and clean streets. Road and pavement repairs are the issue perceived to be most in need of improvement.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

3.2 Population

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

[1] Sunday Times 2023

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

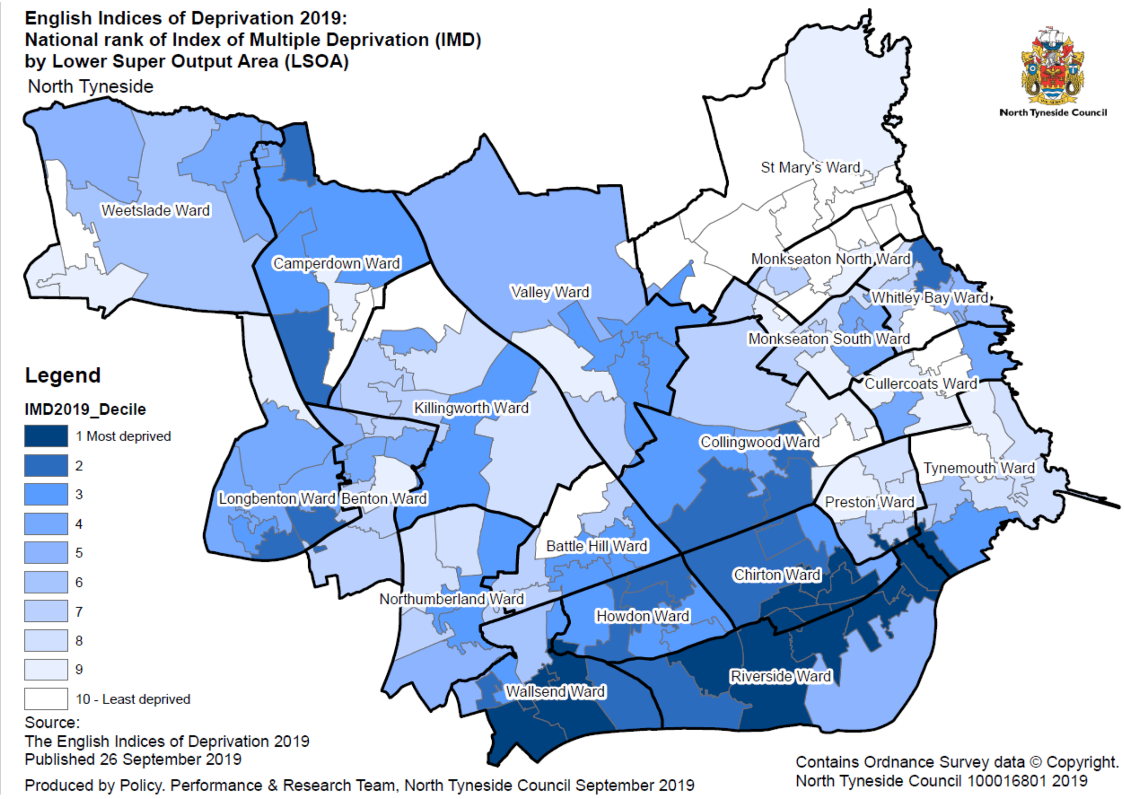


3.2.2 North Tyneside has a relatively small black, Asian and other ethnic minority community population, which accounts for 5.1%[3] of the overall population. A further 2.4% of residents are from white minority backgrounds.

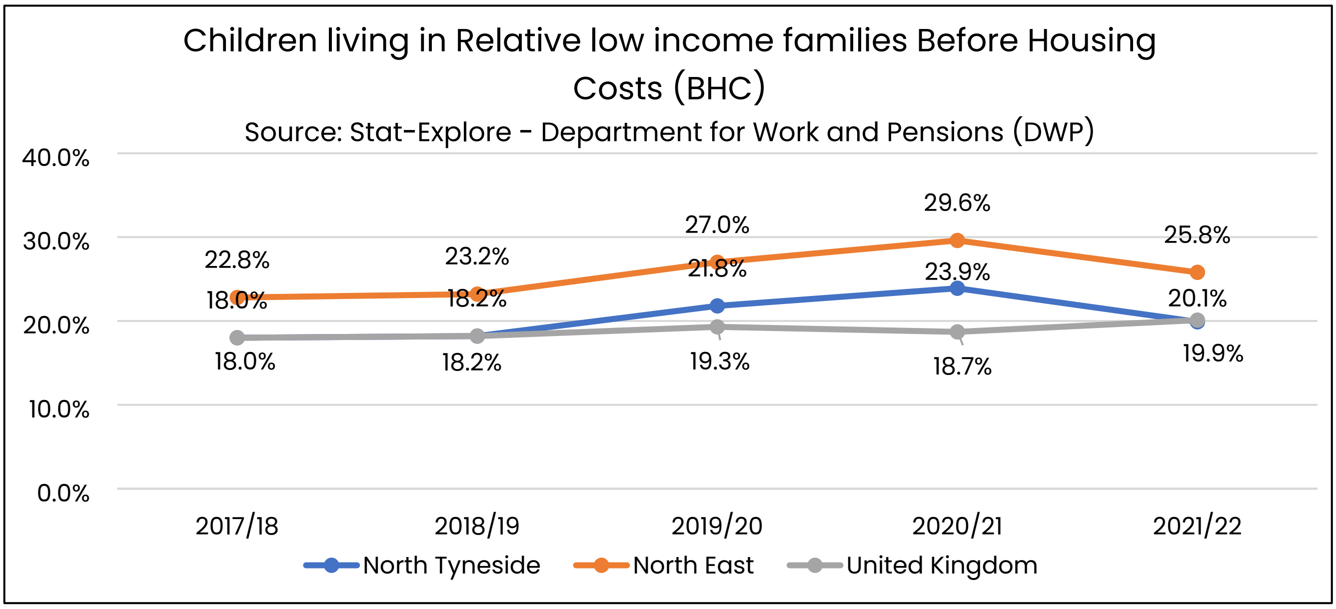
3.3 Deprivation

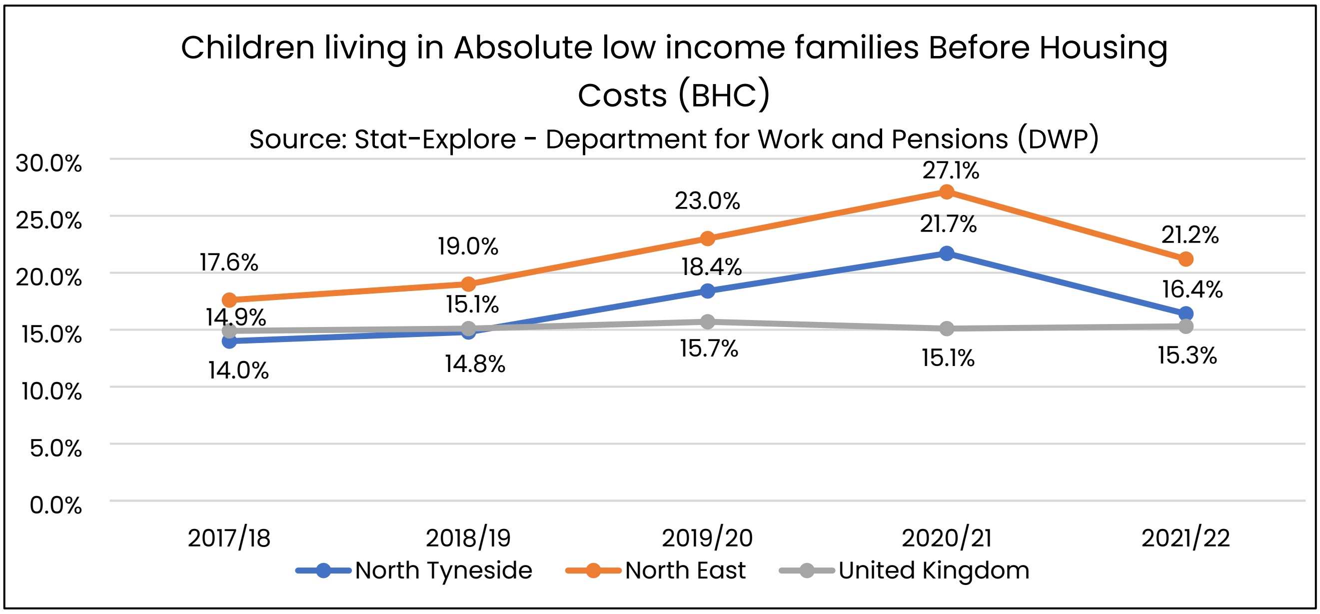
3.3 North Tyneside is one of the least deprived areas in the North-East and deprivation has reduced compared to the rest of England, however some areas continue to experience persistently relatively high levels of deprivation. Just over 20% of these areas in North Tyneside are ranked as being in the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

[2] ONS 2021 mid-year population estimate
[3] ONS 2021 mid-year population estimate



3.4 Children in Low-Income Families





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

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

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

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

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

3.5 Income and Employment

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

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

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

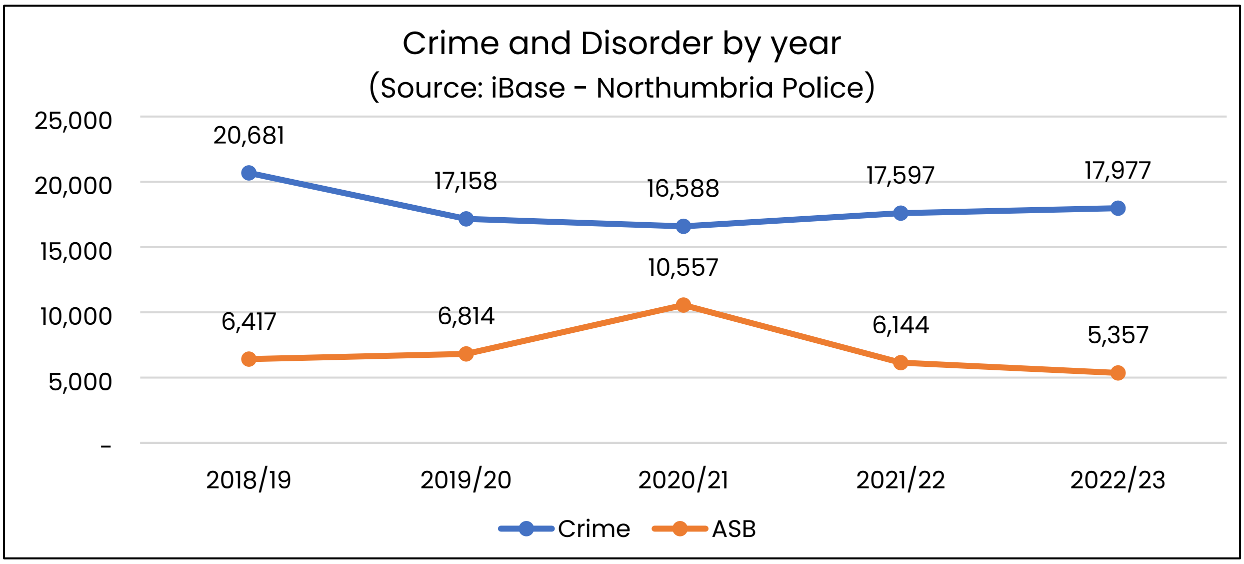
3.6 Local Economy

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

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

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

3.7 Crime and Disorder



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

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

3.8 Health

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

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

3.9 Adult Social Care

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

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

3.9.3 As of November 2023 the authority had:-

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

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

3.10 Children's Services

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

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

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

3.10.2 As of November 2023 there were: -

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

3.11 Housing

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

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

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

3.12 Education

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

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

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

3.12.2 In 2022/23[6]:-

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

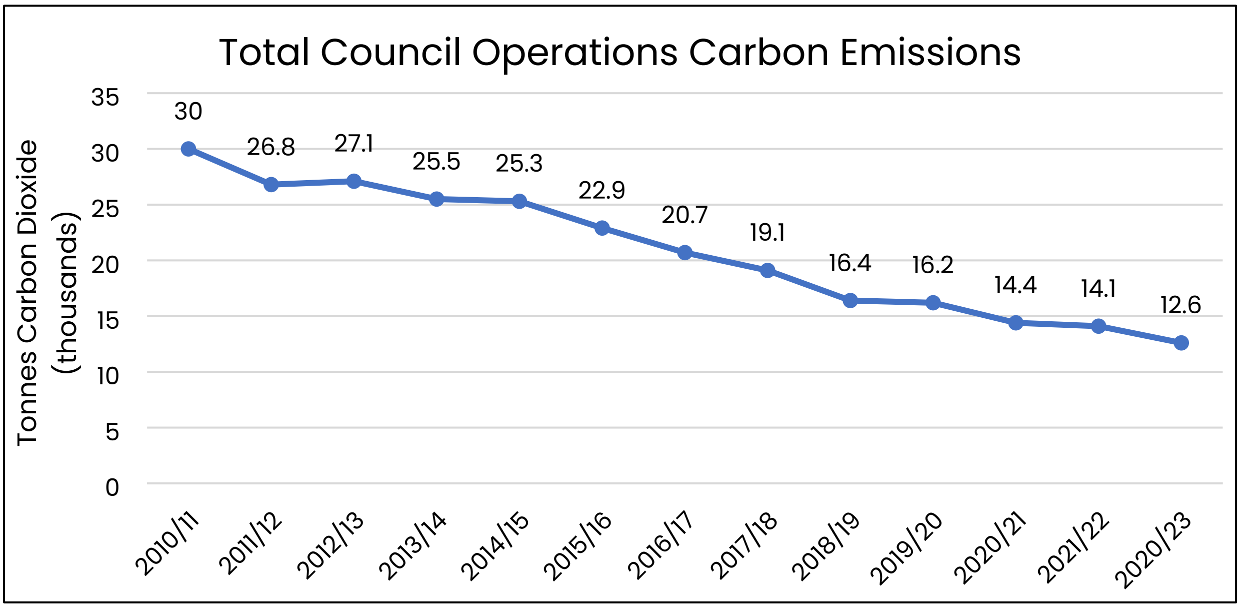
- KS4 - The Government publishes data on the percentage of pupils achieving a 9-5 pass and a 9-4 pass in English and Mathematics. In North Tyneside in 2022, 48% of entrants achieved a strong 9-5 pass, compared with 46% in England. 69% of pupils attained a 'pass' (Grades 9-4), compared with 64% in England.

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

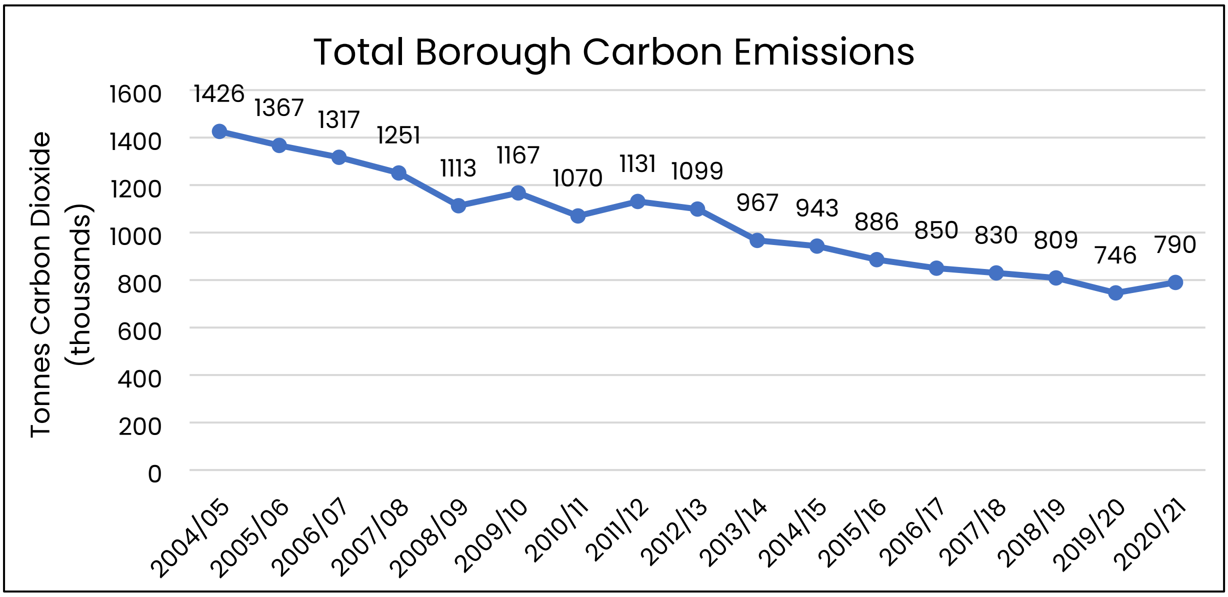
- Employment, Education and Training – As of March 2023, 92% young people aged 16 and 17 years old were recorded in Education and Training. This compared to 92.3% across England. This is a decrease for North Tyneside of 1.5% since March 2022.

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

3.13 Climate



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



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

4. Financial Strategy

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

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

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

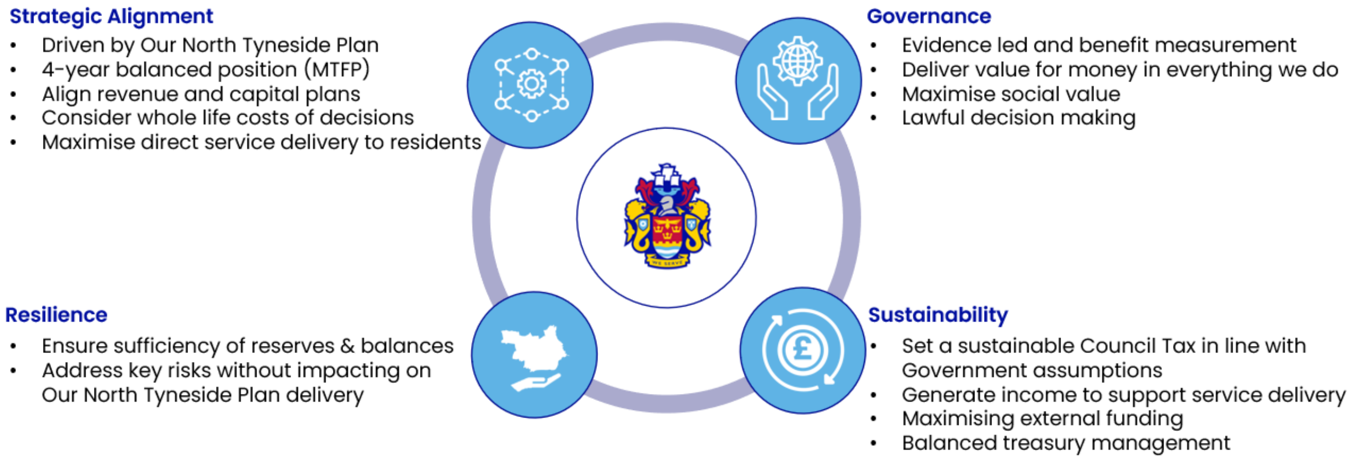
4.4 Key objectives of the MTFP

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

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

- Strategic Alignment
- Governance
- Resilience
- Sustainability

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



Strategic Alignment

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

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

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

Governance

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

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

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

Resilience

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

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

Sustainability

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

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

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

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

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

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

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

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

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

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

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

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

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

5.2 Starting point: Council February 2023

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

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

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

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

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

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

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

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

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

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

Revised General Fund Assumptions – Income and Grants

5.4 Revenue Support Grant (RSG)

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

Social Care Grant and Adult Social Care Reform

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

Market Sustainability and Improvement fund (MSIF)

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

Adult Social Care Discharge Fund

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

Services Grant

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

New Homes Bonus (NHB)

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

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

Table 1 – Revised Funding Estimates

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

Collection Fund

5.5 **Council Tax**

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

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

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

5.6 Council Tax Support

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

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

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

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

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

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

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

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

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

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

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

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

5.7 Business Rates

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

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

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

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

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

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

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

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

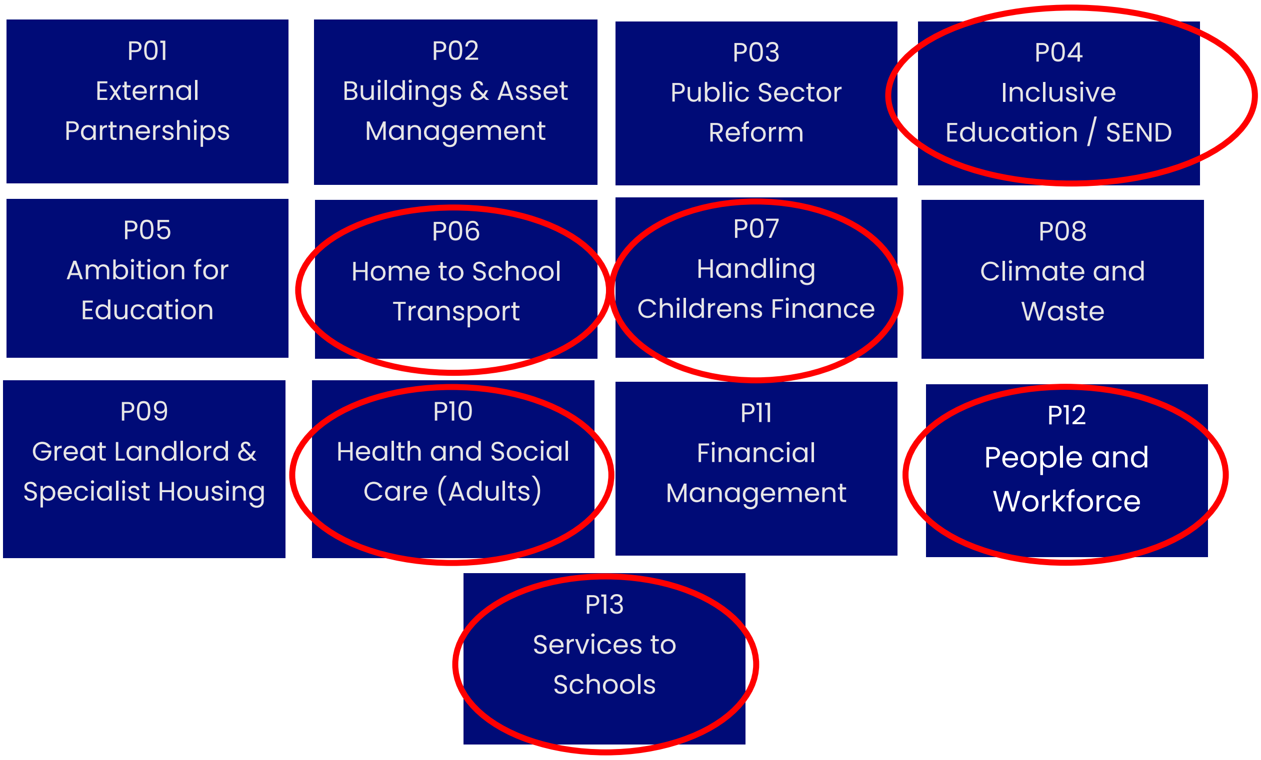
- Whilst the Authority recognises the importance of reserves, as set out in the Financial Strategy, changes are proposed to the timing of the replenishment of the Strategic Reserve to reflect the pressures facing 2024/25, which would see the Strategic Reserve top up be deferred and spread over the MTFP.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

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

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

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

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



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

Table 2: Projects Estimated Financial Impact on 2024/25

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

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

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

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

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

7. Dedicated Schools Grant (DSG)

7.1 Background

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

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

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

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

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

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

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

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

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

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

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

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

In addition, two important restrictions will continue:

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

7.2 Schools Block

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

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

7.3 High Needs Block

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

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

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

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

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

7.4 Early Years Funding for 2024/25

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

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

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

Table 5: Proposed Early Years Funding Rates

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

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

7.5 Central School Services Block Funding for 2024/25

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

Table 6: Allocations for North Tyneside CSSB 2024/25

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

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

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

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

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

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

7.6 Timetable for Agreeing 2024/25 Distributions

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

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

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

8. Housing Revenue Account (HRA)

8.1 Introduction

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

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

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

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

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

8.2 Background and Policy Context

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

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

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

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

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

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

8.3 Key Objectives and headline assumptions for the Housing Service

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

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

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

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

8.4 Key Points for the 2024/25 HRA Budget

Rent Policy

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

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

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

Service Charges

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

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

Table 9 – Proposed changes to Service Charges 2024/25

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

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

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

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

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

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

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

The Housing Capital Investment Plan 2024-2029

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

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

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

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

Housing Repairs Budget 2024/25

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

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

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

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

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

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

Unified Systems ICT Project

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

HRA Unallocated Working Balances

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

Right to Buy (RTB) Sales

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

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

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

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

Treasury Management Strategy (TMS) and HRA Borrowing

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

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

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

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

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

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

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

Depreciation

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

Reserves and Contingencies

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

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

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

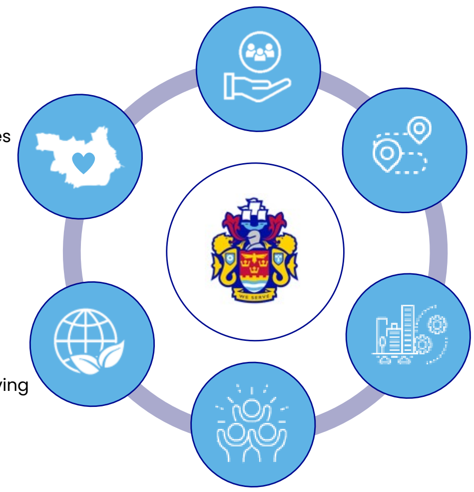
9. Cabinet's initial Budget proposals for the 2024-2029 Investment Plan

9.1 <u>Background</u>

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

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

Figure 1: Benefits of Capital Investment



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

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

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

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

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

9.2 <u>Investment Proposals</u>

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

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

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

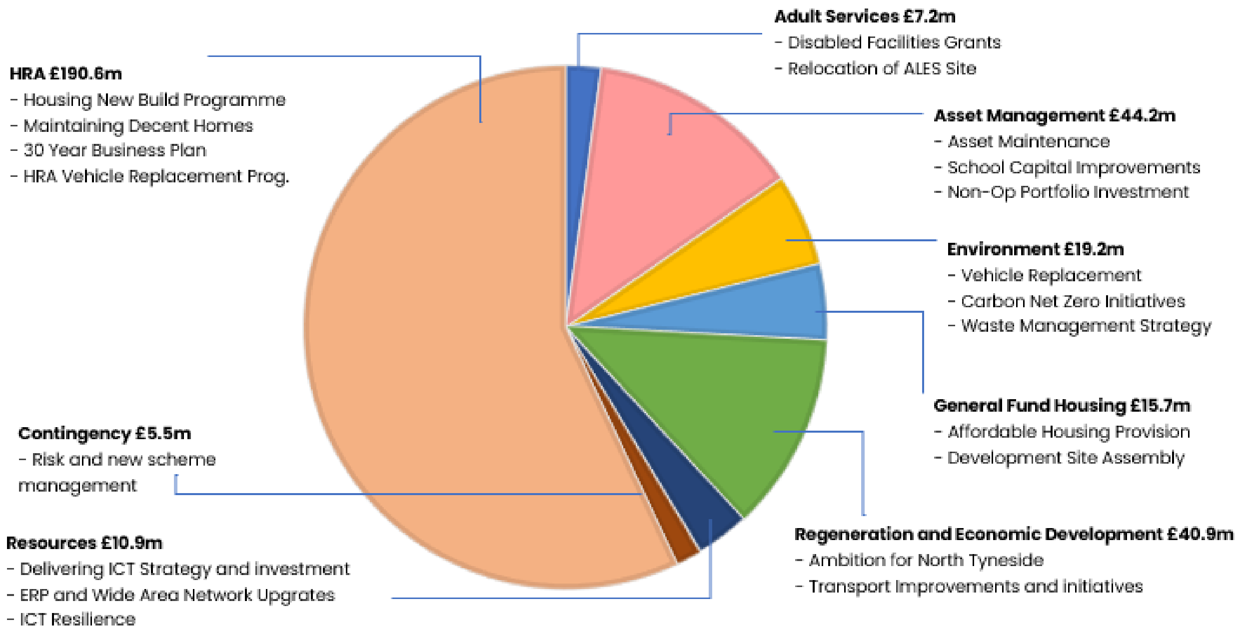
Allocation	Scheme
£4.0m	**Enterprise Resource Planning (ERP) System Upgrade** • Business critical system, with the existing system (BMS) now more than 10 years old and due to become obsolete • Opportunity to enhance both HR and finance systems and improve data analysis and security
£2.8m	**Killingworth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

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

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

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

Figure 2: Proposed Investment Plan: £334.4m



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

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

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

Table 13: Summary of proposed Capital Financing 2024-2029

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

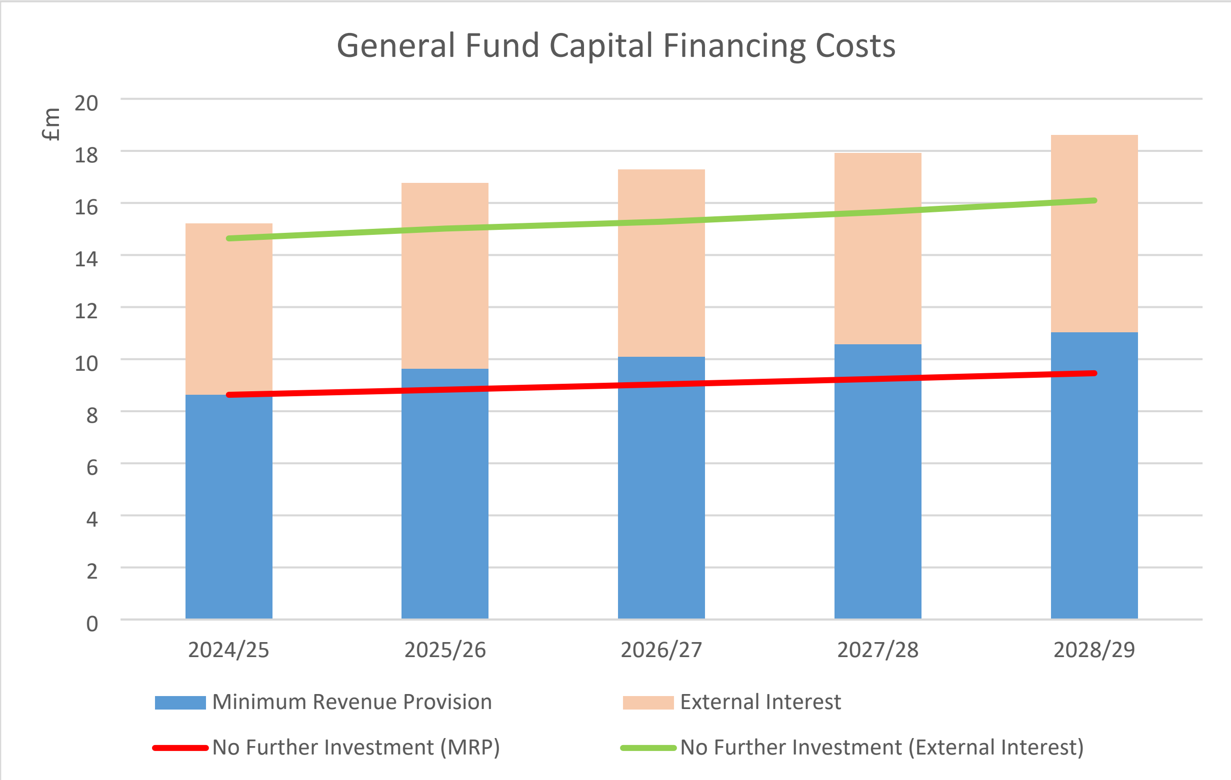
9.2.7 The proposed General Fund Investment Plan includes external grants and contributions of £65.7m, which is 45.6% of the total. Of this, £47.3m relates to schemes that are fully funded by external grants.

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

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

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

Figure 3: General Fund Capital Financing Costs



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

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

9.3 Annual Minimum Revenue Provision (MRP)

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

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

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

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

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

Table 14 – MRP Projections (General Fund)

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

9.4 Prudential Indicators

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

10. 2024/25 Treasury Management

10.1 Background

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

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

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

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

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

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

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

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

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

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

10.2 Treasury Management Reporting

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

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

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

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

10.3 Current Treasury Portfolio Position

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

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

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

* Public Works Loan Board

** Loans from other local authorities

*** Debt Management Office

10.4 Prospects for Interest Rates

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

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

LINK GROUP – JANUARY 2024

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

10.5 <u>Economic Update</u>

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

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

10.6 Non-Treasury Investments

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

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

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

- <u>Equity:</u>

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

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

- <u>Loans:</u>

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

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

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

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

11.1 Summary

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

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

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

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

11.2 Key Considerations

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

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

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

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

12. Provisional Statement to Council by the Chief Finance Officer

12.1 Background

12.1.1 The Local Government Act 2003 imposes duties on local authorities in relation to Budget setting. The Act requires that when an authority is deciding its annual Budget and Council Tax level, Elected Members and officers must take into account a report from the Chief Finance Officer on the robustness of the Budget and the adequacy of the Authority's financial reserves.

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

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

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

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

12.2 Robustness of Estimates

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

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

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

12.3 Capital Investment Strategy

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

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

12.4 Adequacy of Financial Reserves

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

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

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

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

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

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

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

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

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

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

13. Overall Financial Risk Assessment

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

13.2 Key Financial Risks

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

Table 18: Key Financial Risks and mitigating actions

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

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

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

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