

Overview and Scrutiny Co-ordination & Finance Committee

15 January 2024

Budget Sub-group report

Author: Budget Study Sub-group

Wards: All

Purpose of Report

To inform Overview & Scrutiny Co-ordination & Finance Committee (OSCFC) of the work undertaken by the Budget Study Sub-group in scrutinising the 2024/25 Financial Planning and Budget Process: Cabinet's Initial Budget proposals, and to agree the recommendations to be referred to Cabinet at its meeting on 29 January 2024.

Recommendations

1. The OSCFC is recommended to refer the report of the Budget Study Sub-group to Cabinet for consideration as part of the 2024/25 budget setting process at its meeting on 29 January 2024.
2. That the Budget Study Sub-group be delegated to make any further recommendations and/or views on behalf of the OSCFC to Cabinet at its meetings on the 29 January 2024 and 5 February 2024.

Background

The Council's constitution places a duty on the OSCFC to examine and contribute to the formulation of the Cabinet's budget and strategic planning proposals.

Invitations were extended to all non-executive members of the Council to seek volunteers to serve on the Budget Study Sub-group, which would undertake the detailed work on Cabinet's proposals. The following Members served on the group:

Councillor Jim Montague (Chair)	Councillor John Johnsson
Councillor Liam Bones	Councillor John O'Shea
Councillor Cath Davis	Councillor Bruce Pickard
Councillor Judith Wallace	Councillor Willie Samuel
Councillor Louise Marshall	Councillor Andrew Spowart
Councillor Pam McIntyre	

The group met on the 28 November, 5, 11 and 19 December 2023 where Senior Officers presented information relating to Cabinet's Initial Budget proposals.

At its meeting on the 11 December 2023, further information was requested on a number of areas of the budget, including the implications of the Local Government Provisional Settlement. The Budget Study Sub-group is meeting again (15 January 2024) to consider this further and, therefore, it should be noted that the draft report may be amended by OSCFC (at today's meeting) before submission to Cabinet for consideration.

The OSCFC, along with members of the Budget Study Sub-group, is scheduled to reconvene and consider Cabinet's Final Budget Proposals for 2024/25 and Medium-Term Financial Plan (MTFP) at an extraordinary meeting on Tuesday 31 January 2024.

Refreshed Our North Tyneside Plan and Budget Engagement

The Our North Tyneside Plan 2021 – 2025 sets the vision and policy context that the MTFP, Project Briefs and Budget proposals will operate in and continues to drive the development of the budget. Within Cabinet's proposals were 13

Projects, which represent the key areas of significant focus. These were not exhaustive and will continue to evolve as work is still progressing in these and other areas over the medium term.

The aim of each Project is to present the issues and potential solutions identified, and frame options and choices on service delivery. The Budget Study Sub-group was given the opportunity for in-depth discussions around each project's detailed summaries with project leads and Directors.

As with the previous year, the plan maintains the five themes that reflect priorities aimed at creating a North Tyneside that is thriving, family-friendly, caring, secure and green. All five themes have a clear set of associated policy priorities.

This year's budget engagement is taking place from 29 November 2023 until 21 January 2024, and in line with engagement in previous years the Budget Engagement strategy for 2024/25 included a combination of activity, which involved face to face events with residents, publishing the proposals online via the Council's website and at front line locations, including the four Customer First Centres.

Feedback was provided by residents and others via a questionnaire accessed either on-line or a paper copy at these front-line locations. The Authority also holds a database of over 800 residents (Our North Tyneside Voice) who have signed up to receive information on any consultation opportunities, they were emailed directly about the consultation with a link to the survey at its start and also received several reminders.

This was supported by communications activity via an article in the November issue of Our North Tyneside magazine and subsequent articles in the digital Our North Tyneside e-bulletin, posters in key Council facilities, the media and social media to ensure that people knew how they could get involved. At the time of this meeting, the budget engagement is still on-going and the information included in this report is therefore only a point a time update (8 January 2024), with the final update to be included in the 29 January 2024 Cabinet report.

The aim of the budget engagement strategy was to reach different sectors of the population through an approach that included engagement with residents as a whole and customers/users of services as well as particular groups of people,

including those with protected characteristics. Information on the consultation was also sent to VODA for inclusion in their newsletter, as well as some voluntary and community sector group chief executives asking them to share it with their networks.

Along with the budget survey, there are two additional surveys running in parallel which are linked to two specific proposals in the budget (home to school transport and adult social care charges).

As at 8 January 2024:

- Budget engagement survey: 186 responses received
- Adult social care review of charges survey: 412 responses received
- Review of home to school transport policy and post-16 transport statement: 122 responses received

2024/25 Budget & 2024-28 Medium-Term Financial Plan

The MTFP for 2024 to 2028 was considered at the Cabinet meeting on 27 November 2023. In that report (Section 1.6) it was noted that there was a residual gap of £3.667m for 2024/25 based on the assumptions set out in that report, which reflected the information available at that time. Notably, the report was issued before both the Autumn Statement and the Local Government Finance Provisional Settlement.

In reaching this residual gap, it was noted that the robust approach to financial planning in North Tyneside had continued to serve its intended purpose. The report set out how the starting point for the 2023/24 budget was the MTFP agreed by Council in February 2023, which projected a £7.575m gap, and that, had no new pressures had occurred, the residual gap for 2024/25 would have reduced to £2.265m.

However, the group was informed that a number of significant pressures had emerged which were impacting on the 2023/24 in-year position, as well as increasing the budget required for 2024/25 and beyond. The net impact of these additional pressures, taking into account actions by Cabinet and senior officers to mitigate these pressures, was an additional pressure of £12.209m.

The report also updated the funding assumptions from Government and the impact of an increase in council tax in line with Government assumptions. Taken together, this resulted in a residual gap for 2024/25 of £3.667m.

Review of assumptions and Projects

The Budget Study Sub-group sessions included a detailed review of the updated assumptions used to reach the residual gap of £3.667m, along with sessions with each lead Director for the 13 Projects, considering a range of project documents provided (on a confidential basis) to provide further detail on Cabinet's proposals.

As part of this scrutiny, a range of additional information was requested from service areas, which was provided during December and early January.

Housing Revenue Account

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

The Authority follows the Government's social housing rent policy, under which rent increases are based on the Consumer Prices Index (CPI) rate, as of September, plus 1%. The CPI rate for September 2023 was 6.7% which led to a proposed rent increase for 2024/25 of 7.7%.

In line with previous years, the sub-group was informed that due to the cost-of-living crisis and the current high rates of inflation being experienced, additional support was being provided to tenants. For 2024/25, this included transitional support for existing tenants for service charges, which had risen due to inflationary pressures (notably around utility costs for communal areas).

2023-2028 Investment Plan Considerations

The 2023-2028 Investment Plan proposed approximately £320m over the next five years. New schemes presented to the Sub-group which were agreed to were:

- An upgrade of the Enterprise Resource Planning (ERP) system;
- Moving the Adult Loan Equipment Service to Killingworth depot;
- Improvements to enhance performance, energy and rental income for the Non-Operational buildings portfolio;
- Structural improvement works to Royal Quays Martina Barrage; and
- ICT Infrastructure upgrades.

Treasury Management

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

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

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

Conclusion

The Budget Study Sub-group agreed that the budget setting process was challenging, especially in light of the inflationary pressures and the level of unknown factors, including the timing of the Autumn Statement and the Provisional Settlement.

The Budget Study Sub-group concluded that the main issues of concern with the budget proposals were as follows, which are raised 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 disproportionately 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.

It was acknowledged that the current levels of risk and uncertainty, due in part to the delay in the Provisional Settlement, increases the difficulty for Local Government to plan effectively. However, the Sub-group noted that the outcome of the proposed 2024/25 Budget would be balanced and would be in line with the agreed Our North Tyneside Plan.

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

Presenting Officers

The following officers presented to the sub-group:

Eleanor Binks – Director of Adult Social Care

Wendy Burke – Director of Public Health

Julie Firth – Director Children's Services

Jacqueline Laughton – Assistant Chief Executive

Sam Dand – Director of Environment

Mark Longstaff – Director of Commissioning and Asset Management

Peter Mennell – Director of Housing and Property Services

John Sparkes – Director of Regeneration and Economic Development

Jon Ritchie – Director of Resources

Haley Hudson – Head of Customer Experience and Public Service Reform

David Mason – Head of Finance (Deputy S151 Officer)

Paul Nelson – Head of Environmental Sustainability

Darrell Campbell – Senior Finance Business Partner

Jane Cross – Senior Finance Business Partner

David Dunford – Senior Finance Business Partner

Kirsty Parsons – Senior Manager – Strategy and Transformation

Sue Graham – Health and Social Care Integration Manager

Member attendance

Councillor Jim Montague (Chair)	2
Councillor Liam Bones	5
Councillor Cath Davis	3
Councillor Judith Wallace	3
Councillor John Johnsson	1
Councillor John O'Shea	5
Councillor Bruce Pickard	5
Councillor Willie Samuel	4
Councillor Andrew Spowart	4

Councillor Louise Marshall	5
Councillor Pam McIntyre	1

Background Information

The following documents have been used in the compilation of this report and may be inspected at the offices of the author (please note the Project Briefs are confidential documents):

2024-2028 Financial Planning and Budget Process: Cabinet's Initial Budget proposals

Project Brief 1: Review of External Partnerships

Project Brief 2: Review of Buildings and Asset Management

Project Brief 3: Public Sector Reform

Project Brief 4: Inclusive Education / SEND

Project Brief 5: Ambition for Education

Project Brief 6: Review of Home to School Transport

Project Brief 7: Handling Children's Finance

Project Brief 8: Waste

Project Brief 9: Great Landlord and Specialist Housing

Project Brief 10: Health & Social Care

Project Brief 11: Financial Management

Project Brief 12 People and Workforce

Project Brief 13: Review of School's SLAs