

North Tyneside Council

Report to Council

Date: 15 February 2024

Title: 2024–2028 Financial Planning and Budget Process:
Elected Mayor and Cabinet Budget and Council Tax
Requirement Resolution for 2024/25

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

Report from: Senior Leadership Team

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

Wards affected: All

PART 1

1.1 Executive Summary:

1.1.1 The Constitution sets out in the Budget and Policy Framework Procedure Rules, the process that the Authority has agreed for setting the Budget and the Council Tax Requirement. The 2024–2028 Financial Planning and Budget process, incorporating the 2024/25 Budget, reflects these requirements. Further details of the decision-making process are set out in paragraphs 1.5.15 to 1.5.19 of this report.

- 1.1.2 This report, supporting Annex and its Appendices, sets out the 2024/25 Council Tax Requirement and the Council Tax calculation of estimates and amounts that were considered by Cabinet on 29 January 2024. The report for that Cabinet meeting, is attached to this report as Appendix 1 and is provided for information. That report presented the 2024/25 Council Tax Requirement and the estimates and amounts for all aspects of the Elected Mayor and Cabinet's proposed spending and resource plans for the General Fund Revenue Budget (including the Dedicated Schools Grant), the 2024-2029 Investment Plan and the Treasury Management Strategy and Annual Investment Strategy for 2024/25. The report also gave an indication of the proposed Council Tax Level for 2024/25 that would be required to fund the spending plans outlined in the report.
- 1.1.3 In line with the Cabinet's decisions taken on 29 January 2024, the Cabinet report is now being submitted to be received by Full Council at this meeting. At its meeting on 29 January 2024, Cabinet also gave delegated authority to the Elected Mayor to make any final amendments to Cabinet's proposals in relation to information still outstanding, in order for due consideration to be given to the final level of Council Tax that Cabinet wishes to put forward to full Council for approval for 2024/25 (recommendation 1.2 (n) in the original Cabinet report).

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

- Tyne & Wear Fire and Rescue Authority precept.
- Tyne and Wear Joint Service Budgets.
- Youth Justice Board Grant allocation.
- 2024/25 Capital Allocations.

- 1.1.4 The maximum increase permitted to the Tyne & Wear Fire and Rescue Authority precept for 2024/25 is 3%. A decision on the proposed increase is not due to be taken by the Fire Authority until 19 February 2024. In relation to the Northumbria Police and Crime Commissioner's precept, the Authority has received confirmation that the precept level has been set at an increase of £13.00 (7.69%) at a Band D over the level for 2023/24 on 6 February 2024.

- 1.1.5 In line with the delegation granted to the Elected Mayor, where necessary, amendments to the Budget and Council Tax Requirement proposal arising from the outstanding information detailed in paragraph 11.3 above will be notified to all Members and Co-opted Members of the Authority in the week commencing 12 February 2024. All amendments will be incorporated into the Cabinet's formal Budget proposal for 2024/25. Any Notice(s) of Objection will be submitted on the same basis.
- 1.1.6 This report is now presented by the Elected Mayor and Cabinet to Full Council, recommending the 2024/25 General Fund Revenue Budget, Council Tax Requirement and Council Tax Level, the 2024-2029 Investment Plan and the Treasury Management Strategy, Annual Investment Statement for 2024/25.
- 1.1.7 The purpose of this report is therefore to present, for full Council's consideration and approval:
- (a) The Elected Mayor and Cabinet's Budget and Council Tax Requirement proposal to set the 2024/25 General Fund Revenue Budget and 2024/25 Council Tax Requirement and the Council Tax Level for 2024/25.
 - (b) The Elected Mayor and Cabinet's proposals for the 2024-2029 Investment Plan, including the Capital Investment Strategy, Flexible Use of Capital Receipts Strategy and proposed prudential indicators for 2024-2028; and
 - (c) The Elected Mayor and Cabinet's proposals for the Treasury Management Strategy and Annual Investment Statement for 2024/25.

1.2 Recommendations:

- 1.2.1 Council is recommended to:

- (a) Agree the recommendations and delegations set out in paragraph 1.5.27 of this report in relation to the 2024/25 General Fund Revenue Account Budget, the 2024/25 Council Tax Requirement and Council Tax Level for 2024/25, being the Elected Mayor and Cabinet's Budget and Council Tax Requirement proposal.
- (b) Agree the Elected Mayor and Cabinet's proposals for the 2024-2029 Investment Plan, including the Capital Investment Strategy and the proposed prudential indicators for 2024-2029, presented to Cabinet on 29 January 2024, set out in the General Fund Annex 1, Appendix D (i), (iii) and (iv) of Appendix A of the 29 January 2024 Cabinet report attached to this report at Appendix 1;
- (c) Agree the Elected Mayor and Cabinet's proposals for the Treasury Management Strategy, Annual Investment Statement for 2024/25, attached in the General Fund Annex 1, Appendix E (i), (ii) of Appendix A of the 29 January 2024 Cabinet report attached to this report at Appendix 1.

1.3 Forward Plan:

- 1.3.1 The report first appeared on the Forward Plan that was published on 3 November 2023.

1.4 Council plan and policy framework:

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

1.5 Information:

The 2024/25 General Fund Revenue Budget and Council Tax Level

2024/25 Financial Plan and Budget

- 1.5.1 At its meeting on 27 November 2023, Cabinet considered initial proposals for the 2024–2028 Financial Plan, 2024/25 Revenue Budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2024–2029 Investment Plan, as part of the overall Financial Planning and Budget process for 2024–2028. Cabinet also approved the Budget Engagement Strategy.
- 1.5.2 Budget engagement in line with the Budget Engagement Strategy agreed by Cabinet on 27 November 2023, has been undertaken and is summarised in the 29 January 2024 Financial Planning and Budget Report to Cabinet.
- 1.5.3 At its meeting on 29 January 2024, Cabinet agreed a delegation to authorise the Mayor to make any final amendments to the Cabinet’s proposals in relation to any outstanding information to enable due consideration to be given to the final level of Council Tax the Cabinet proposes to full Council for approval for 2024/25.
- 1.5.4 The Overview, Scrutiny Co-ordination and Finance Committee Budget Scrutiny sub-group met on 28 November, 5, 11 and 19 December 2023, and on 15 and 26 January 2024 where the Cabinet Member for Finance and Resources, the Cabinet Member for Environment, and Senior Officers presented information relating to the 2024–2028 Financial Planning and Budget Process. The sub-group reported its views to Overview and Scrutiny Co-ordination and Finance Committee at its meeting on the 15 January 2024, which were then considered by Cabinet at its meeting on 29 January 2024.

- 1.5.5 There were no formal recommendations made in relation to Cabinet’s engagement approach or the initial Budget proposals for the General Fund, HRA, the 2024–2029 Investment Plan and the 2024/25 Treasury Management Strategy and Annual Investment Statement. The Overview and Scrutiny Co-ordination and Finance Committee met again on 31 January 2024 to consider the updated Cabinet proposals following the Provisional Settlement. The Committee confirmed that there were no further matters to refer to Cabinet.
- 1.5.6 Since the Cabinet meeting on 29 January 2024, some information remains outstanding as set out in paragraph 1.1.3. In line with the delegation granted to the Elected Mayor, where necessary, amendments to the Budget and Council Tax Requirement proposal arising from the outstanding information detailed above will be notified to all Members and Co-opted Members of the Authority in the week commencing 12 February 2024. All amendments will be incorporated into an amended Budget Resolution for 2024/25. Any Notice(s) of Objection will be submitted on the same basis.
- 1.5.7 Where information has been received this has been incorporated into the Budget and Council Tax Requirement Resolution they are as follows:
- 1. Final Local Government Finance Settlement announcement for 2024/25**
- 1.5.8 The Final Local Government Finance Settlement for 2024/25 was announced on 5 February 2024. The announcement confirmed the award of additional funding relating to adults and children’s social care which resulted in an increase to the Authority of £2.148m and an additional £0.030m in the Services Grant.
- 1.5.9 Cabinet confirmed that the intended usage of the additional funding (compared to the 29 January 2024 report proposals) is as follows:

	£m
Reversal of proposed deferral of strategic reserve replenishment	1.331
Additional funding for the Poverty Intervention Fund	0.464
Additional transfer to contingency	0.383
Total additional funding applied	2.178

2. Environment Agency Levy

- 1.5.10 The Environment Agency Levy for North Tyneside Council has been set for 2024/25 at £0.230m, representing an increase of £0.014m on 2023/24.

3. Police and Crime Commissioner for Northumbria Precept

- 1.5.11 The Police and Crime Commissioner for Northumbria approved a Precept increase of £13 (7.69%) over the 2023/24 level on 6 February 2024 for Band D properties.

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

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

Table 1: 2024/25 Percentage share of Business Rates for the Authority

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

- 1.5.14 The 2024/25 NNDRI form for the Authority ultimately calculates the total amounts due to be retained by the billing authority, its major precepting authorities and the Government in 2024/25. The NNDRI form for the Authority was submitted to the Department for Levelling Up, Housing and Communities on 31 January 2024. The final NNDRI results are the figures shown in Table 2 below for the Authority:

Table 2: 2024/25 North Tyneside Council Business Rates Calculation

	2023/24 £m
Central Government Share	30.449
Tyne and Wear Fire and Rescue Authority Share	0.609
North Tyneside Council Retained Business Rates	29.840
Total	60.898

Council Tax Increase for 2024/25

- 1.5.15 The Authority's element of the Council Tax Level for 2024/25 (excluding precepts) is proposed to be as set out in the report to Cabinet on 29 January 2024 i.e., a general 2.99% increase in Council Tax and 2% increase in the Adult Social Care Precept. This is in line with the Government's assumptions and Core Spending Power calculations.

Business Community Engagement

- 1.5.16 In accordance with the Non-Domestic Ratepayers (Consultation) Regulations 1992, which requires local authorities to carry out Budget engagement with the business community by 25 February each year, the statutory Budget engagement meeting was carried out on 11 January 2024.

Process for Consideration and Determination of the Budget

- 1.5.17 The process for consideration of the Budget is determined by legislation, including the Local Government (Finance) Act 1992 and the Local Authorities (Standing Orders) (England) Regulations 2001. The Authority has adopted a process to ensure compliance with the statutory requirements, which is set out in the Budget & Policy Framework Procedure Rules in the Constitution.
- 1.5.18 At this meeting, Full Council will debate and consider Cabinet's Budget estimates of amounts and the Council Tax Requirement. The Full Council can raise objections to the Cabinet's proposals and final Notices of Objection should be submitted to the Director of Resources on behalf of the Chief Executive by 4pm on 13 February 2024.
- 1.5.19 At the time of writing this report the Tyne and Wear Fire and Rescue Authority precept has yet to be confirmed. The Final Local Government Finance Settlement confirmed that the maximum permitted increase is 3%. A 2.99% increase has been assumed which equates to £2.76 at a Band D property for Fire and Rescue authorities. This precept will be confirmed on 19 February 2024, so the final figure will be amended to reflect the actual precept if this differs from the Government's assumption.
- 1.5.20 The Final Local Government Finance Settlement was announced on 5 February 2024. This confirmed the award of £2.178m of additional funding towards adults and children's social care, following the Government's announcement on 24 January 2024. It is proposed that this funding has been allocated as set out in paragraph 1.5.9 which is in line with the principles discussed at Cabinet and Overview, Scrutiny Co-ordination and Finance Committee and in accordance with the delegation granted to the Elected Mayor following Cabinet's meeting on 29 January 2024.
- 1.5.21 Following this meeting, the Elected Mayor may be required to reconsider the Cabinet's proposals, considering any objections agreed by Full Council. A Cabinet meeting has been scheduled for 19 February 2024, if required, for this purpose.

1.5.22 The Elected Mayor may then revise the proposals or disagree with Full Council and give notice accordingly to the Chief Executive to enable a further meeting of Full Council to be called. This is the final meeting in the process at which the Authority's Budget and Council Tax Requirement calculation will be agreed and the Council Tax Level for 2024/25 set. This meeting, if required, will take place on 29 February 2024. At this meeting, where any proposals of Full Council in respect of the Budget calculations do not accord with the Cabinet's proposals, Cabinet's proposals will prevail unless at the meeting a two-thirds majority of the Members present vote to impose Full Council's own proposals.

Elected Mayor and Cabinet Resolution: Setting the Council Tax 2024/25

1.5.23 The Localism Act 2011, introduced changes which impact on the Council Tax calculation for 2024/25 as part of the formal Budget and Council Tax Resolution.

1.5.24 Firstly, some aspects of Part 1 of the 1992 Local Government Finance Act (the 1992 Act) were amended and this impacted on the calculation of Council Tax. Secondly, Council Tax capping was abolished in England. Instead, provision was made for Council Tax referendums to be held in England if an authority increased its Council Tax by an amount exceeding the principles determined by the Secretary of State for Housing, Communities and Local Government and agreed by Parliament.

1.5.25 The Council Tax referendum principles for 2024/25 were that any authority who proposed to increase Council Tax by 5% or more, would be subject to a binding referendum of the local electorate. The 2024/25 Provisional Local Government Finance Settlement included an allowance of a 3% increase to the Authority's relevant basic amount of Council Tax to support other expenditure and 2% for expenditure on adult social care.

Council Tax Requirement

1.5.26 Since the Local Government Finance Act 1992 was amended by the Localism Act 2011, billing authorities have been required to calculate a Council Tax Requirement for the year. The calculation of the Council Tax Requirement for the Authority for 2024/25, based on the 2024/25 Budget Requirement is set out in Table 4 below:

Table 4: 2024/25 Council Tax Requirement for North Tyneside Council

	£	£
2024/25 Budget Requirement		195,246,790
Financed by:		
Revenue Support Grant	(14,163,668)	
Retained Business Rates	(29,840,466)	
Business Rates Top Up	(21,645,730)	
Council Tax Collection Fund Surplus	(4,296,083)	
		<u>(69,945,947)</u>
Council Tax Requirement		125,300,843

2024/25 Council Tax Requirement Resolution

1.5.27 Cabinet recommends that:

1. The recommended Budgets of the Authority be approved as noted below, subject to the variations listed in paragraphs 2 and 3 below and noting the estimated allocation of £219.359m in Dedicated Schools Grant, for 2024/25:

	£
General Fund Revenue Budget	£195,246,790
Total	<u>£195,246,790</u>

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

	£
The Tyne and Wear element of the Durham, Gateshead, Newcastle Upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority Transport Levy	£12,959,626
Environment Agency	£230,435
Total	<u>£13,190,061</u>

3. The contingency be set as follows:

	£
Contingency	£1,382,306
Total	<u>£1,382,306</u>

4. Note that at its meeting held on 22 January 2024, Cabinet agreed the Council Tax base for 2024/25 for the whole Authority area as 64,471 (Item T), in the Formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act") and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
5. Agree that the Council Tax Requirement for the Authority's own purposes for 2024/25 is £125,300,843 (as set down in paragraph 1.5.25, Table 4).
6. Agrees that the following amounts now calculated by the Authority for the year 2024/25 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992, as amended (the Act):
- (a) £412,101,862 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(2) of the Act.
 - (b) £286,801,019 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(3) of the Act.

(c) £125,300,843 Being the amount by which the aggregate at 6(a) above exceeds the aggregate at 6(b) above, calculated by the Authority in accordance with Section 31(A)(4) of the Act, as its Council Tax Requirement for the year (Item R in the formula in Section 31B of the Act).

(d) £1,943.52 Being the amount at 6(c) above (Item R), all divided by Item T (4 above), calculated by the Authority, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

(e) North Tyneside Council Valuation Bands

Council Tax Band	£
A	1,295.68
B	1,511.63
C	1,727.57
D	1,943.52
E	2,375.41
F	2,807.31
G	3,239.20
H	3,887.04

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

(f) Police and Crime Commissioner for Northumbria Valuation Bands

Note that for the year 2024/25 the Police and Crime Commissioner for Northumbria has issued the following amounts in precepts to the Authority, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings in the Authority's area, as indicated below:

Council Tax Band	£
A	121.23
B	141.43
C	161.64
D	181.84
E	222.25
F	262.66
G	303.07
H	363.68

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

Note that for the year 2024/25 the Tyne and Wear Fire and Rescue Authority has issued the following amounts in precepts to the Authority, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings in the Authority's area, as indicated below. Please note, these levels will not be confirmed until the Tyne and Wear Fire and Rescue Authority meets on 19 February 2024:

Council Tax Band	£
A	63.41
B	73.98
C	84.54
D	95.11
E	116.25
F	137.38
G	158.52
H	190.22

(h) Total Valuation Bands

That, having calculated the aggregate in each case of the amounts at 6(e), 6(f) and 6(g) above, the Authority, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2024/25 for each part of its area and for each of the categories of dwellings shown below. Please note the timing of the Tyne and Wear Fire and Rescue Authority meeting on 19 February 2024. Any change to the proposed precept would change the total valuation bands set out below:

Council Tax Band	£
A	1,480.32
B	1,727.04
C	1,973.75
D	2,220.47
E	2,713.91
F	3,207.35
G	3,700.79
H	4,440.94

7. The Authority's relevant basic amount of Council Tax for 2024/25 is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992, as amended.
8. The Authority's Financial Regulations will apply to the financial management of this Budget.
9. The level of contingencies will be £1.382m as pressures incurred during 2023/24 relating to Social Care, pay award and energy and contractual inflation have been recognised as part of the 2024/25 Financial Planning and Budget process.
10. It is proposed that virement levels and approvals for virement shall be in accordance with the rules set down in the Authority's Financial Regulations in force at the time.

11. The Reserves and Balances Policy is adopted as set out and is subject to review at least annually.
12. The Chief Executive, in consultation with the Elected Mayor, Deputy Mayor, Cabinet Member for Finance and Resources and the Senior Leadership Team to manage the overall MTFP Project workstreams and note that decisions made under this delegated authority will be reported to Cabinet as part of the regular budget monitoring information provided.
13. The Chief Executive, in consultation with the Elected Mayor and Director of Resources, to authorise the purchase of properties, on the open market, providing value for money is demonstrated and the cost can be contained within existing financial resources of the Authority. This is to ensure that the programme of delivery of affordable homes and homes at social rent is progressed in line with the Cabinet's priorities.
14. The Director of Resources be authorised to serve notices, enter into agreements, give receipts, make adjustments, institute proceedings, and take any action available to the Authority to collect or enforce the collection of Non-Domestic Rates and Council Tax from those persons liable.
15. The Director of Resources be authorised to disburse monies from funds and accounts of the Authority as required for the lawful discharge of its functions.
16. Agree that the Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority receive payment from the Collection Fund in 12 equal instalments on the last working day of each month.
17. Payments from the Collection Fund to be made to the Authority's General Fund in 12 equal instalments on the last working day of each month.

2024-2029 Investment Plan

- 1.5.28 Full Council is requested to approve the proposals for the 2024-2029 Investment Plan, set out in the Annex 1, Appendix D (i), (iii) and (iv) to this report along with the Flexible Use of Capital Receipts Strategy at Appendix D(v).

Statement to Council by the Director of Resources (As Chief Finance Officer)

Background

- 1.5.29 The Local Government Act 2003 imposes duties on local authorities in relation to Budget setting. The Act requires that when an authority is deciding its annual Budget and Council Tax level, Elected Members and officers must take into account a report from the Chief Finance Officer on the robustness of the Budget and the adequacy of the Authority's financial reserves.
- 1.5.30 The Government has a back-up power to impose a minimum level of reserves on any authority that it considers is making inadequate provisions.
- 1.5.31 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.

Statement

Robustness of Estimates

- 1.5.32 In assessing the robustness of estimates, the Director of Resources 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 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, presented to the Audit Committee on 31 May 2023.
- The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Authority; and
- The outcome of the Autumn Statement and the Provisional Local Government Finance Settlement, 18 December 2023.

1.5.33 The level of contingencies will be £1.382m in recognition of the risks associated with the emerging pressures identified in during 2023/24, the on-going demand pressures in adult and children’s social care, continued inflationary pressures relating to energy and contracts and the impact of the pay award assumptions.

1.5.34 Reserves are relatively low and at a minimum level when considering the risks the Authority faces, and the level of efficiencies required to be achieved in the medium-term.

1.5.35 The Cabinet is aware it must keep its Medium-Term Financial Strategy and four-year Medium-Term Financial Plan under review, in the context of the 2021–2025 Our North Tyneside Plan and known key financial risks. Future pressures need to be considered and the Authority cannot take 2024/25 in isolation to future years’ needs and pressures. Each year’s Budget must continue to be considered within the context of at least a four-year Medium-Term Financial Plan, the five-year Investment Plan, the Medium-Term Financial Strategy, and the national and global economic position prevailing at the time.

1.5.36 To ensure that the Authority continues to keep within its approved Budget and the financial integrity of the Authority is maintained, it is essential that Budget holder responsibility and accountability continues to be recognised as set out in the Authority’s Financial Regulations and in the roles and responsibilities section of the Authority’s Budget Management Handbook.

Capital Investment Strategy

- 1.5.37 In line with the Prudential Code's requirement that the Chief Finance Officer of an Authority should report explicitly on the 'deliverability, affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions'. The Authority have ensured that that all projects within the 2024-2029 proposed Investment Plan follow the full gateway and governance procedure prior to inclusion on the Plan which ensures the deliverability, affordability and risk associated with each decision is fully understood prior to any decisions being made.
- 1.5.38 In terms of the overall investment position of the Authority, as set out above, a Capital Investment Strategy has been developed to help support the delivery of capital investment and ensure that the investment programme, builds on previous success, with a strong focus on delivery of the Authority's Ambition for North Tyneside including planned investment of £334.444m from 2024/25 to 2028/29.

Adequacy of Financial Reserves

General Fund

- 1.5.39 The level of un-ringfenced reserves remains of concern to the Director of Resources in this ongoing period of uncertainty. This year's Financial Management reports to Cabinet have highlighted areas of on-going financial pressure following years of Government cuts and uncertainty, rising energy costs, inflation and growing demand for complex social care.
- 1.5.40 Since the development of the 2023/24 Budget and Medium-Term Financial Plan 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.

- 1.5.41 The Authority brought forward reserves and balances of £59.596m into 2023/24, and 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 brought forward for General Fund reserves of £41.325m.
- 1.5.42 The planned usage does not incorporate the likely usage of the strategic reserve to support the 2023/24 in-year pressures. The estimated forecast outturn position as at November 2023 for the General Fund is £8.622m. If this is required, this would further reduce General Fund reserves to £32.703m.
- 1.5.43 The position regarding Schools Balances held on behalf of maintained schools remain a concern and key risk for the Authority. As reported to Cabinet on 22 January 2024, this is forecast to be a net deficit figure of £5.924m as at 31 March 2024, which includes a range of surplus and deficit balances for individual schools, some of which are material deficit balances. These could ultimately fall on General Fund balances if they cannot be resolved in conjunction with the individual schools.
- 1.5.44 The pressures experienced in 2022/23 saw the Authority's Strategic Reserve fall below the minimum target of £10.000m. The Budget proposals seek to replenish this over the life of the Financial Plan. In 2024/25, these proposals currently expect to replenish the Strategic Reserve by £2.5m.
- 1.5.45 Guidance on Local Authority Reserves and Balances is given in Local Authority Accounting Panel Bulletin 99. This states that *"Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option"*. This was also suggested by the Government within the Provisional Local Government Finance Settlement in order to maintain service delivery.
- 1.5.46 However, the Bulletin does then go on to say *that "It is not normally prudent for reserves to be deployed to finance current expenditure"*. As such, the 2024-2028 Medium-Term Financial Plan has been developed so that ongoing revenue expenditure is aligned to annual income with no long-term reliance on reserves.

1.6 Decision options:

- 1.6.1 The Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution for 2024/25 is set down in paragraph 1.5.26 of this report.
- 1.6.2 At this meeting, Full Council will debate and give detailed consideration to Cabinet's Budget estimates of amounts and the Council Tax Requirement. Full Council will consider whether it has any objections to Cabinet's proposals.
- 1.6.3 Although at the time of writing this report the Tyne and Wear Fire and Rescue Authority precept has yet to be confirmed. This Authority anticipated that the proposed increase of 2.99%, £2.76 at a Band D will be confirmed on 19 February 2024. For the Police and Crime Commissioner for Northumbria precept the Authority has received confirmation that the precept level has been set at an increase of £13 (7.69%) at a Band D over the level for 2023/24 on 6 February 2024.
- 1.6.4 Following this meeting, the Elected Mayor may be required to reconsider Cabinet's proposals, taking into account any objections of Full Council. A Cabinet meeting has been scheduled for 19 February 2024, if required, for this purpose.
- 1.6.5 The Elected Mayor may then revise the proposals or disagree with Full Council and give notice accordingly to the Chief Executive to enable a further meeting of Full Council to be called. This is the final meeting in the process at which the Authority's Budget and Council Tax Requirement calculation will be agreed and the Council Tax Level for 2024/25 set. This meeting will take place on 29 February 2024 if required. At this meeting, where any proposals of Full Council in respect of the Budget calculations do not accord with the Cabinet's proposals, Cabinet's proposals will prevail unless at the meeting a two-thirds' majority of the Members present vote to impose Full Council's own proposals.

1.7 Reasons for recommended option:

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

1.8 Appendices:

Annex 1: 2024–2028 Financial Planning and Budget Process:
Cabinet’s Final Budget and Council Tax Requirement
Proposals, Cabinet 29 January 2024.

1.9 Contact officers:

Jon Ritchie, Finance
Tel No (0191) 643 5701

David Mason, Finance
Tel No (0191) 643 5727

David Dunford, Finance
Tel No (0191) 643 7027

Amar Hassan, Finance
Tel No (0191) 643 5747

Jacqueline Laughton, Chief Executive’s Office
Tel No (0191) 643 7070

Stephen Ballantyne, Head of Law
Tel No 643 5329

Allison Mitchell, Head of Governance
Tel No 643 5724

1.10 Background information:

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

(a) Local Authorities (Standing Orders) (England) Regulations, 2001

(b) North Tyneside Council’s Constitution including the Budget and Policy Framework Procedure Rules

(c) Calculation of the 2024/25 Council Tax Base for North Tyneside Council, Cabinet 22 January 2024

(d) 2024/25 Provisional Local Government Finance Settlement

(e) Autumn Statement

(f) Council General Fund Budget Summaries

(g) Localism Act 2011

(h) Local Government (Finance) Act 1992

(i) Local Audit and Accountability Act 2014

(j) Equality Impact Assessments

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION-MAKING

2.1 Finance and other resources

2.1.1 The financial implications arising from this report are appraised as part of the decisions made about what will be included in the Authority's Budget and Council Tax Requirement for 2024/25. Decisions on the Budget in relation to the General Fund, Schools' funding, Treasury Management Strategy and Annual Investment Strategy and Investment Plan need to be made within the overall context of the resources available to the Authority and within the legal framework for setting the Budget, and the statutory Council requirement.

2.1.2 Full Council need to have due regard to the Chief Finance Officer's advice in relation to the robustness of the estimates used and to the levels of reserves and balances proposed as part of the four-year Medium-Term Financial Plan for 2024-2028, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in July 2014.

2.2 Legal

- 2.2.1 By virtue of sections 31A and 31B of The Local Government Finance Act 1992 (the 1992 Act) the Authority is obliged each financial year to undertake a calculation of Council Tax Requirement and the basic amount of its Council Tax. Chapter 4ZA of the 1992 Act also makes provision for Council Tax referendums to be held in England if an authority increases its Council Tax by an amount exceeding the principles determined by the Secretary of State for Housing, Communities and Local Government and agreed by Parliament.
- 2.2.2 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer of the Authority to report on the robustness of the estimates made for the purposes of the Budget and Council Tax calculations, and the adequacy of the proposed financial reserves. Section 25 of the 2003 Act requires Members and officers to have regard to the Chief Finance Officer's report when making decisions about those calculations. The Government has a back-up power to impose a minimum level of reserves on an authority that it considers to be making inadequate provisions.
- 2.2.3 The 2024/25 Financial Planning and Budget Process has been prepared to comply with the timescales required within the Budget & Policy Framework Procedure Rules contained in the Authority's Constitution.
- 2.2.4 Pursuant to section 30(7) of the 1992 Act the Authority is only able to set the Council Tax either following receipt of the precepts from major precepting authorities or 1 March in any year, whichever is earlier. The amount of Council Tax for each category of dwelling in the borough must be set before 11 March in the relevant year.

2.3 Consultation / Community engagement

2.3.1 Internal Consultation

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

2.3.2 External Consultation/Engagement

The 2024/25 Budget Engagement Strategy and approach were agreed by Cabinet on 27 November 2023. The views and priorities received as part of the consultation process have been considered for Cabinet's Budget proposals as set out in this report. Further engagement on the Budget proposals has taken place during December 2023 and January 2024 in line with the Budget Engagement Strategy agreed by Cabinet.

2.4 Human rights

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

2.5 Equalities and diversity

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

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

2.6 Risk management

- 2.6.1 Individual projects within the 2024–2028 Medium–Term Financial Plan and Budget are subject to full risk reviews. For larger projects, individual project risk registers are / will be established as part of the Authority’s agreed approach to project management. Risks will be entered into the appropriate operational, strategic, corporate or project risk register(s) and will be subject to ongoing management to reduce the likelihood and impact of each risk.

2.7 Crime and disorder

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

2.8 Environment and sustainability

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

PART 3 – SIGN OFF

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