

North Tyneside Council

Report to Cabinet

Date: 30 November 2020

Title: 2021-2025 Financial Planning and Budget Process: Cabinet's Initial Budget proposals

Portfolio(s):	Elected Mayor	Cabinet Member(s):	Mrs Norma Redfearn
	Deputy Mayor		Councillor Bruce Pickard
	Finance and Resources		Councillor Ray Glindon
	Housing and Transport		Councillor Steve Cox
	Community Safety and Engagement		Councillor Carole Burdis

Report from Service Area:	Senior Leadership Team	
Responsible Officer:	Janice Gillespie, Head of Resources (Chief Finance Officer)	Tel: (0191) 643 5701
Wards affected:	All	

PART 1

1.1 Executive Summary:

- 1.1.1 On 3 August 2020, Cabinet agreed its 2021-2025 Financial Planning and Budget Process incorporating the associated Engagement Strategy. This report represents a key milestone in the development of the 2021/22 Budget and 2021-2025 Medium-Term Financial Plan (MTFP), as it sets out Cabinet's initial Budget proposals for the next financial year and beyond.
- 1.1.2 The Authority's 2020/21 Budget and accompanying MTFP were agreed by full Council in February 2020, prior to the significant escalation of the COVID-19 pandemic. Inevitably, the MTFP agreed in February 2020 could not foresee the adjustments which have been necessary to respond to COVID-19 during the current financial year.
- 1.1.3 The 2021/22 Budget is being prepared in exceptional circumstances and there is a significant level of risk and uncertainty in relation to the level of funding that will be available to local government in 2021/22 and beyond. Nationally, the Comprehensive

Spending Review (CSR), which would have set out the Government's spending plans over the next three years, has been delayed and a one-year spending round was announced by the Chancellor on 25 November 2020.

1.1.4 The key features of the Spending Review 2020 include:

- Core spending power for local authorities in 2021/22 is estimated to increase by 4.5% in cash terms. The Government announced one-off grant funding for local authorities and expects to provide over £3bn of additional support for COVID-19 pressures in 2021/22. This will include:
 - an additional £1.55bn of grant funding to meet additional expenditure pressures as a result of COVID-19;
 - £670m of additional grant funding to help local authorities support the more than 4 million households that are least able to afford Council Tax payments;
 - providing an estimated £762m to compensate local authorities for 75% of irrecoverable loss of Council Tax and business rates revenues in 2020/21 that would otherwise need to be funded through local authority budgets in 2021/22 and later years; and
 - extending the existing COVID-19 sales, fees and charges reimbursement scheme for a further 3 months until the end of June 2021.
- The underlying core settlement for local authorities in 2021/22 includes:
 - £300m of new grant funding for adult and children's social care, in addition to the £1bn announced at Spending Review 2019 that is being maintained in 2021/22 in line with the Government's commitment;
 - increasing Revenue Support Grant in line with inflation;
 - maintaining the existing New Homes Bonus scheme for a further year but with no new legacy payments; and
 - providing £16m to support modernisation of local authorities' cyber security systems.
- In addition, local authorities will be able to levy a 3% adult social care precept. In the longer term, the Government advises that in terms of delivering a sustainable improvement of the adult social care system proposals will be brought forward next year.
- The referendum threshold for increases in Council Tax will remain at 2% in 2021/22. MHCLG will set out full details of the Council Tax referendum principles and adult social care precept flexibility as part of the consultation on the detailed methodology for the Local Government Finance Settlement for 2021/22. There is no indication currently on how the issue of Council Tax equalisation will be dealt with at this stage.

1.1.5 The Provisional Local Government Finance Settlement is not due until December 2020 and is expected in the week commencing 14 December. In addition, key reforms to local government funding, including the Fair Funding Review, Business Rates Retention and reform of adult social care funding have all been repeatedly delayed.

1.1.6 When the 2020/21 Budget and MTFP were agreed in February, nobody could have predicted the financial impact of the COVID-19 pandemic both nationally and locally. Reports published by both the Office for National Statistics and the Office for Budget Responsibility describe the significant economic impact that COVID-19 has had on public sector finances; this impact has also been felt locally. Whilst the Government has

provided some additional funding to cover the financial impact suffered as a result of the pandemic in relation to lost income and additional expenditure, it does not cover all the financial pressures.

- 1.1.7 Throughout the response to the pandemic, the Authority has provided local leadership and has taken action to maintain the delivery of vital services to residents and businesses across the Borough. Additional support has also been given to the NHS and wider health system through enhanced hospital discharge processes to free up capacity, protect vulnerable people, support businesses, and ensure the safety of all staff delivering this vital work.
- 1.1.8 The ongoing impact of COVID-19, along with continued uncertainty about future funding, represent a significant challenge for the Authority. This report sets out an approach for Budget-setting that takes account of this. Despite the unprecedented level of risk and uncertainty, the Authority will continue to develop its Budget plans for 2021/22 and beyond on the basis of maintaining continued progress to deliver the Ambition for North Tyneside and the priorities of the Our North Tyneside Plan (the Council Plan).
- 1.1.9 The Spending Review 2020 announced on 25 November 2020 has confirmed some of the assumptions made in the preparation of these initial budget proposals but there remains a need for ongoing flexibility to respond to changing circumstances particularly in light of the forecast economic impacts. The MTFP will continue to be updated in light of future Government announcements and as the scale of the impact on the Authority becomes clear This will be reported to Cabinet and to Overview, Scrutiny and Policy Development Committee as the Budget-setting process progresses.

1.2 Recommendation(s):

It is recommended that Cabinet:

- (a) agree the key principles being adopted in preparing the Medium-Term Financial Strategy for the Authority, subject to an annual review;
- (b) note performance against the Our North Tyneside Plan outcomes;
- (c) consider and agree the initial Budget proposals in relation to the 2021/22 General Fund Revenue Budget and Dedicated Schools Grant, including the assessment in relation to the current year's Budget monitoring information;
- (d) consider and agree the proposed 2021-2026 Investment Plan, including initial prudential indicators for 2021-2026 in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Framework and a proposed Minimum Revenue Provision (MRP) policy in line with capital finance regulations;
- (e) note the draft Capital Investment Strategy and note that this Strategy will now be subject to consultation as part of the Budget Engagement Strategy;
- (f) note that all approved schemes within the 2021-2026 Investment Plan will be kept under corporate review by the Investment Programme Board;
- (g) consider and agree the initial proposals in relation to the Treasury Management Statement, Annual Investment Strategy for 2021/22 and Treasury Management Practices (TMPs);

- (h) note the formal Reserves and Balances Policy for the Authority, subject to review at least annually;
- (i) note the Provisional Statement by the Chief Finance Officer;
- (j) consider and agree the 2021/22 rent policy for housing; and consider and agree the initial Budget proposals in relation to the 2021-2025 Housing Revenue Account budget, and associated Business Plan, including an assessment in relation to the current year's budget monitoring information (2020/21);
- (k) note the proposed 1.5% rent increase from April 2021 (in line with Government policy), and the initial proposals in relation to housing service charges and garage rents for 2021/22;
- (l) authorise the Head of Resources, in consultation with the Head of Commissioning and Asset Management, the Cabinet Member for Children, Young People and Learning and the Cabinet Member for Finance and Resources, to undertake resource allocations to schools for 2021/22 in line with the school funding arrangements set out in the report;
- (m) authorise the Elected Mayor, in conjunction with the Cabinet Member for Finance and Resources, Deputy Mayor and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of these initial Budget proposals; and
- (n) authorise the Chief Executive, in consultation with the Elected Mayor, Cabinet Member for Finance and Resources, Deputy Mayor and the Senior Leadership Team, to manage the Efficiency Programme and note that progress will be reported to Cabinet as part of the regular Budget monitoring process.

1.3 Forward Plan:

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 2 November 2020.

1.4 Council Plan and Policy Framework

- 1.4.1 The Budget and Policy Framework Procedure Rules are set out in Part 4.7 of the Authority's Constitution. The Budget is guided by paragraph 4.7.3, covering the process for the preparation, consideration and final approval of the Authority's Council Tax requirement and Council Tax level. The statutory and constitutional requirements for preparing, considering and approving these issues drive the timetable for the financial planning and Council Tax-setting process of the Authority.
- 1.4.2 The Budget proposals will also be presented to the Overview, Scrutiny and Policy Development Committee during the course of the Budget-setting process. The priorities in the 2020-2024 Our North Tyneside Plan provide the strategic framework within which Budget resources are allocated.
- 1.4.3 The Financial Planning and Budget process is a fundamental part of the overall governance and assurance framework of the Authority. This in turn provides assurance that is considered as part of preparing the Annual Governance Statement each year.

1.5 Information:

1.5.1 Background

- 1.5.1 On 20 February 2020, full Council approved a Medium-Term Financial Plan for the period 2020/21 to 2024/25, providing a financial framework to support the delivery of the Authority's priorities as set out in the 2020-2024 Our North Tyneside Plan. The Budget set in February for 2020/21 was balanced, based on a robust set of assumptions in relation to the resources available, and prudent estimates of the expenditure that was necessary to deliver the Authority's Services.
- 1.5.2 Whilst the Authority was aware of COVID-19 at the time of Budget-setting, it would have been impossible to predict the significant escalation of the pandemic which led to the first national lockdown being implemented by the Government on 23 March 2020, and the subsequent financial implications that would follow this.
- 1.5.3 As Budget-planning activity progresses, Cabinet will be aware that there is a significant amount of uncertainty remaining. Social care continues to be funded by short-term one-off grant allocations and, in the absence of a sustainable funding solution, the Government has continued to allow local authorities to apply an adult social care precept of up to 2%, which leaves the financial burden of supporting our vulnerable adult residents with local taxpayers.
- 1.5.4 It is without doubt that the need for the Authority to take action and respond to the COVID-19 pandemic has adversely impacted the financial position of the Authority. As Cabinet will be aware, in a normal year it is challenging to deliver a balanced in-year position against the Budget. The financial impact of COVID-19 has compounded this challenge and, as described in the September Financial Management report, the current estimated pressure due to COVID-19 at the end of September is £4.259m for the General Fund and £2.484m for the Housing Revenue Account.

In addition, to delivering business as usual, the Authority has needed to mobilise its workforce to undertake new responsibilities and lead the local response to the pandemic. The COVID-19 Support Hub was specifically set up to support and protect the clinically extremely vulnerable residents in the Borough during the first national lockdown when they were required to shield in their homes to protect themselves from the virus. Proactive work has continued to support the care sector to meet the additional operation costs due to COVID-19. The Authority has also effectively administered over £34.8m of grants to eligible businesses to help support the local economy, whilst also ensuring that the public and staff are protected by introducing effective control measures to our public buildings and open spaces.

Cabinet will be aware that some services had to be suspended during the initial escalation of the pandemic and due to national lockdown measures. This led to a significant loss of sales, fees and charges income, with school improvement, leisure, cultural and catering services seeing the biggest income losses. On 2 July 2020, the Government announced that financial support would be provided to local authorities for income lost on sales, fees and charges. This income compensation scheme provides support for some of the income lost; however, the Authority is required to cover the first 5% of any budgeted losses. This area poses a specific risk for 2020/21 and the medium-term as it remains uncertain how quickly demand for services will recover. It is likely that the Authority will continue to see reduced income levels in relation to sales, fees and charges in future years.

The impact of COVID-19 poses a significant risk to the local economy, which will influence the Authority's ability to raise resources. Increased levels of unemployment, resulting in higher claims for Universal Credit coupled with a suppressed level of growth in new properties, means that it is highly likely key income sources, including Council Tax, will be under significant pressure in 2021/22.

Business rates are also likely to be impacted in the event of business closures, due to 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. Appeals against rateable values may increase where rental values have been impacted.

Demand for adult social care has increased as a direct result of the pandemic, and it is possible that some of the increases in demand will continue into 2021/22. The care market has also experienced increases in operational costs and lost income due to under occupancy in some care homes where the Authority has supported with grants that have been received by the Government. There is a risk that a rise in the underlying costs will impact market prices which will not be covered by additional funding from the Government; this would leave the Authority with increased financial pressures in 2021/22.

There is the potential for additional cost pressures in Children's Services, linked to surges in demand, particularly in relation to looked after children, as we see the impact of rising unemployment on family life, in particular for those families already managing financial hardship. In addition, there is a risk that the wider operating environment has changed, which may put pressure on assumptions about traded services with schools.

- 1.5.5 Cabinet will be aware that in challenging circumstances the priorities, as set out in the Our North Tyneside Plan, continue to be met and that the Authority has a good track record of delivering those priorities within the funding resources that are available. This is evidenced by the fact that Cabinet have delivered balanced outturns, without the need to use reserves, in each of the last three financial years.
- 1.5.6 Whilst the approach to Budget-setting this year feels very different and there is a significant amount of risk and uncertainty, Cabinet will continue to plan for the future listening and focusing on the priorities of residents and businesses. This includes producing a balanced Budget for 2021/22 and a Medium-Term Financial Plan which is based on a reasonable and prudent set of assumptions. Despite the unknowns, the residents and businesses that live and work within the Borough need certainty that the Authority is continuing to deliver services that meet their needs and that their money is being spent well.

Approach to Managing Uncertainty

- 1.5.7 Whilst there is still a significant level of uncertainty, the Authority will continue to deliver best practice as would be expected for our residents. That means there is a refreshed four-year Medium-Term Financial Plan for both the General Fund (GF) and Housing Revenue Account (HRA) alongside a five-year Capital Investment programme. Those financial plans have been based on a benchmarked set of assumptions which have included information from HM Treasury, the National Office of Statistics and the Office for Budget Responsibility, CIPFA, dialogue with the Society of Municipal Treasurers, as well as the local Treasurers across the LA7 and ANEC areas.

In 2020/21, a three-year settlement was announced as part of the Local Government Finance Settlement for the Dedicated Schools Grant (DSG) covering the period to 2022/23. The final DSG allocation is not expected to be announced until December 2020, therefore financial planning for High Needs and early years will be based on the indicative DSG grant which was announced in July 2020.

The Authority's reserves and balances continued to be reviewed in light of the changing picture of risk and uncertainty, and that will be reflected in the Chief Finance Officer's Section 151 Statement, included in the Annex to this report.

- 1.5.8 The Authority has continued to engage effectively with its NHS partners and has worked collaboratively with partners across the care sector. In June, Cabinet outlined its approach to supporting the care sector and produced an action plan of measures which ensured that care homes across the Borough received financial support to safeguard services for the most vulnerable residents in the Borough. Cabinet will be considering options over the MTFP period, with a particular focus on a stronger approach to commissioning and demand management across the care sector, ensuring that services will meet individuals' needs, maintaining a sustainable care market and that all services offer value for money. This will take account of the changing nature of demand for adult social care services and the challenges facing adult social care nationally.
- 1.5.9 The latest estimates of the financial impact of the COVID-19 pandemic are set out in the September Budget Monitoring report. Many of the additional costs, lost income and undeliverable savings in the current year will have an extended impact on the 2021/22 Budget. As at September 2020, the total estimated financial impact of COVID-19 including the HRA was £27.323m. This includes estimated additional costs of £20.615m, lost income of £13.274m and estimated savings of £6.566m this has been funded by £21.444m of grants leaving a gap of £5.879mm for the Authority to fund. Further details of this are included in Table 1 below:

Table 1: Estimated Financial Impact of COVID-19

Service	Lost Income	Increased Costs	Savings	Net Impact of COVID-19
	£m	£m	£m	£m
Commissioning & Asset Management	3.545	2.271	(1.986)	3.830
Environment Housing & Leisure	7.399	0.535	(0.063)	7.871
Adult Social Care	0.110	11.937	(4.394)	7.653
Children's Social Care and Public Health	0.760	3.315	(0.003)	4.072
Law and Governance	0.357	0.000	(0.120)	0.237
Central	0.000	0.840	0.000	0.840
Corporate Strategy	0.080	0.013	0.000	0.093
Regeneration & Economic Development	0.055	0.000	0.000	0.055
Resources	0.968	0.084	0.000	1.052
Total	13.274	18.995	(6.566)	25.703
HRA	0.000	1.620	0.000	1.620
Grand Total	13.274	20.615	(6.566)	27.323
Government Grants				(21.444)
2021/22 Net Impact				5.879

A line-by-line review and risk assessment has been performed against all areas that have seen a financial impact as set out above. Consideration has been given to how some of those impacts may continue into 2021/22 and a set of actions has been developed to manage these. It is prudent to expect that there will be an ongoing financial impact and Table 2 below sets out areas assessed as medium / high risk which will be closely monitored as Budget-setting activity progresses:

Table 2: Income and Expenditure Risk Assessment of the Potential Financial Impact of COVID-19 in Future Years

Income		Expenditure	
Area of Risk	Risk Assessment	Area of Risk	Risk Assessment
School Improvement	Amber	COVID secure buildings	Amber
Sport and Leisure	Red	Demand in Children's Services	Red
Cultural Facilities	Amber	Cleaning	Red
Catering Services	Amber	Home to school transport	Red
Property Lettings	Amber	Increased bad debts	Amber

1.5.10 The Our North Tyneside Plan 2020-2024 (the Council Plan) sets out the overall vision and policy context within which the Financial Plan and Budget proposals will operate. Since 2015, North Tyneside has worked to a clear set of priorities through the Plan. These priorities have formed the basis of the framework for COVID-19 recovery in North Tyneside.

The Our North Tyneside Plan is structured in three key themes: Our People, Our Places and Our Economy. Through our engagement activity over the summer in the Big Community Conversation with our Residents Panel, it is clear that the priorities in the Plan continue to reflect those of residents. Through the Big Community Conversation, residents were asked for their views on what is important for the Borough in recovering from the pandemic. These priorities are all included in the Our North Tyneside Plan as set in the Annex to this report.

2020-2024 Medium-Term Financial Plan

1.5.11 General Fund

The Elected Mayor and Cabinet have worked with the Senior Leadership Team (SLT) since the summer to prepare the draft Budget proposals. The Budget assumptions used for the 2020-2024 Medium-Term Financial Plan have been revised based on national, local and internal changes.

Resources have been revised to take account of the potential impact of COVID-19 on Council Tax and Business Rates in line with the risks described in section 1.5.4. The SLT have reviewed the anticipated growth and efficiency assumptions and where necessary these have been revised. Table 3 below shows the high level Medium-Term Financial Plan for 2021-2025; the estimated resources available do not include any assumptions for an increase in Council Tax. Taking all the factors into consideration, the draft Medium-Term Financial Plan for the General Fund indicates a "gap" of £6.370m to be addressed. Without actions over the four-year MTFP period, the cumulative impact is in the region of £56m.

Table 3: 2021-2025 Draft Medium-Term Financial Plan – Revised Gap

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Initial estimate of resources available	160.122	144.431	159.185	160.903
Spend assumptions	166.492	159.191	175.833	179.069
Gap	(6.370)	(14.760)	(16.648)	(18.166)
Cumulative Gap		(21.130)	(37.778)	(55.944)

Housing Revenue Account

Just like the General Fund, the Housing Revenue Account (HRA) continues to face financial pressures which have been impacted further by the COVID-19 pandemic. The impact of the pandemic on the economy has a significant impact for the HRA. Rent increases for next year are based on the Consumer Price Index (CPI) rate, as at September, plus 1%. The rate announced for September 2020 was 0.5% compared to the CPI target rate of 2%. This creates a reduction in assumed rental income of around £45m over the next 30 years, which will require a package of measures to mitigate the impact on the plan.

Table 4: 2021-2025 Draft Medium-Term Financial Plan – Available Resources and Estimated Spend

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Initial Estimate of Resources Available	69.093	70.589	72.292	73.943
Spend Assumptions	71.036	70.968	72.228	73.981
Net Expenditure	1.943	0.379	(0.072)	0.038

2021-2026 Draft Investment Plan

The 2020-2025 Investment Plan totalling £244.320m was approved by Council on 20 February 2020. Delivery of projects within the plan and progress to date has been reported to Cabinet as part of the bi-monthly Financial Management reports. Reprogramming of £8.784m has been identified as part of the process and this spend is now included in the 2021/22 planned spend shown below.

Table 5: Summary of the draft Investment Plan 2021-2026

Spend	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£000's	£000's	£000's	£000's	£000's	£000's
General Fund	35,842	15,852	15,958	16,488	13,935	98,075
Housing	26,362	26,043	27,400	29,949	31,424	141,178
Total	62,204	41,895	43,358	46,437	45,359	239,253

A schedule of the individual projects included in the draft Plan is attached as Appendix B(i). Where applicable, confirmation of external funding will also be required before projects are able to proceed.

Dedicated Schools Grant

Cabinet will be aware that school funding is a matter for the Department for Education; either by direct funding agreements with academy trusts or delegated by local authorities to schools where budget management is the delegated responsibility of each governing body. As in previous years, Cabinet will need to determine the local formula to distribute funding to mainstream schools and academies for the financial year 2021/22. 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 2021. The local formula must comply with statutory guidance, but within these confines the final decision on the formula rests with the Authority after consultation with schools and the Schools Forum.

Table 6: Indicative Dedicated Schools Grant funding allocation 2021/22

	Schools Block £m	CSS Block £m	Early Years Block £m	High Needs Block £m	Total Indicative DSG 2021/22 £m
Indicative DSG Settlement	135.906	1.854	13.734	26.101	177.595

1.5.12 Mayor and Cabinet Options:

General Fund

The Medium-Term Financial Plan approved by Members in February 2020 included a 1.99% general increase in Council Tax and a 2% adult social care precept for 2020/21 only. At the time of writing, the Government had not announced details of the referendum threshold for core Council Tax, or any further flexibility to raise the adult social care precept for 2021/22.

Should Cabinet consider increases in Council Tax, in line with previous years, based on current tax base estimates, this would raise approximately £4.006m of additional funding for next year (made up of £1.998m general Council Tax, 1.99% and £2.008m from the adult social care precept, 2%). The precise final level of any change in Council Tax will be confirmed in February 2021 following a decision by full Council.

The 2020-2024 Medium-Term Financial Plan agreed in February 2020 included planned savings for 2021/22 and 2022/23 as shown in Table 7 below:

Table 7: 2021-2024 Efficiency Programme as at February 2020

Efficiency Programme	2021/22 £m	2022/23 £m	2023/24 £m
2018/19 Full Year Effect of Budget Proposals	(0.762)	(0.482)	
2019/20 Full Year Effect of Budget Proposals	(0.500)	(0.500)	
2020/21 Full Year Effect Budget Proposals	(0.530)	(0.625)	(1.035)
Total Prior Year Budget Proposals	(1.792)	(1.607)	(1.035)

The 2021/22 Efficiency Programme relating to prior years covers the following:

- Contractual changes
- Expenditure reduction
- Income growth
- Service provision – commissioning
- Corporate

In addition to the planned savings, the Elected Mayor and Cabinet are developing options for consideration to balance the General Fund over the next four years of the Medium-Term Financial Plan. The aim is to do this via a range of strategic activity which includes:

- Workforce Planning: changing the workforce over the next four years where the need to change aligns to people's plans and recruitment and skills needs;
- Commissioning Planning: looking specifically at procurement, demand management and testing joint provision with the NHS;
- Digital Strategy: cash and efficiency benefits from investing in our priority projects and delivering the Digital Strategy; and
- Asset Management Planning: investing capital to reduce revenue costs and improve the Minimum Revenue Provision position.

Housing Revenue Account

The options that are being developed for consideration to balance the HRA and mitigate against the estimated impact on rental income due to the low rate of the CPI are:

- An ongoing review of bad debt provisions and the associated assumptions;
- A review of levels of in-year contingency provided within both the Management and Repairs budgets;
- Review of the approach to debt management within the Treasury Management Strategy for the HRA, to slow down the rate at which we repay debt over the life of the plan, as the strategy was always to repay debt where prudent, and if we were able to afford to do so; and
- Continue the review of the structure of the Housing Property and Construction service, which should deliver savings in both operational and management and support costs.

2021-2026 Investment Plan Options

In addition to the agreed 2020-2025 Investment Plan proposals for the 2021-2026 Investment Plan for consideration as part of Budget-setting are set out below:

- Addition of an invest to save project for Streetlighting LED - in July 2019 Council declared a Climate Emergency, setting a target to reduce the carbon footprint of the Authority and the Borough by 50% by 2023 and to become carbon neutral by 2050. A key area identified to help achieve this target is to improve energy efficiency and reduce electricity used in streetlighting by the continuation of installation of LED bulbs. It is estimated that the overall project will produce a reduction in electricity kilowatt hours of over 4.6 million, reduction in CO2 emissions of 1,281 tonnes, reduced electricity spend of over £0.600m and reduced ongoing maintenance of £0.070m;
- In view of the outcome of a number of building condition surveys an additional £0.500m has been added to the 2021/22 Asset Planned Maintenance budget to reflect identified requirements; and,

- A new year 5 (2025/26) has been added to reflect rolling programme projects such as Asset Planned Maintenance, Additional Highways Maintenance and ICT refresh.

Dedicated Schools Grant

North Tyneside, like many local authorities both regionally and nationally, is experiencing an increase in the numbers of children with Special Education Needs and Disabilities (SEND). The number of children with an Education Health and Care Plan (EHCP) continues to increase and the complexity of the needs of those children and young people continues to grow. There has been a notable increase locally in the numbers of children with Autism Spectrum Disorder (ASD) and/or Social, Emotional and Mental Health difficulties, and profound and multiple learning difficulties. Responding to this increase in needs is creating pressure on the High Needs block of the Dedicated Schools Grant. The pressure within High Needs has continued to increase in 2020/21 with a forecast in-year outturn variance of £3.457m, bringing the estimated cumulative pressure to £7.999m. The indicative funding allocation for High Needs shows that the Authority will receive an additional £2.974m in 2021/22, however, it is not sufficient to address the underlying increase in need.

Where a local authority has an overall deficit on the DSG of 1% or more, it is required to submit a recovery plan to the Department for Education setting out how it plans to bring the overall DSG account into balance. The Authority is currently preparing a DSG Recovery Plan which will outline actions that will need to be taken to bring the DSG back into financial balance over a five-year period.

- 1.5.13 At its meeting on 1 April 2019, Cabinet agreed a report which set out 'An Ambition for North Shields and the Fish Quay'. This built on the Authority's wider regeneration objectives that were agreed at the Cabinet meeting held on 26 November 2018 where it agreed a regeneration strategy for the Borough; An Ambition for North Tyneside which identified North Shields Town Centre and Fish Quay as a specific priority. Since receiving an award of funding for £0.200m from the North of Tyne Combined Authority in March 2019, officers have been working with the North Shields Project Group, comprising the Deputy Mayor, Chief Executive and Heads of Service to refine a Draft Masterplan which reflects the Authority's policy objectives and which contains a series of self-contained projects that can be further developed and delivered as and when funding allows. As agreed by Cabinet, the overall aim for North Shields Town Centre and the Fish Quay is to create a smaller, more vibrant and connected town centre which combines living, working and retail and is a destination in its own right. In turn that will be connected to an increasingly vibrant Fish Quay. Both of which will be supported by better transport flows, stronger infrastructure and a higher quality built environment.

Initial Budget Proposals

- 1.5.14 Cabinet's initial Budget proposals are based upon available information and judgements at the time of the writing of this report. There are a number of assumptions and judgements built into the figures presented that are outside the control of the Authority and need to be finalised. These initial Budget proposals are therefore subject to further review before they can be confirmed. The information to be assessed and finalised includes:

- (a) The Government's 2021/22 Budget;
- (b) The Provisional and Final Local Government Finance Settlement announcements for 2021/22, including capital announcements and specific grants, including the Dedicated Schools Grant (DSG);
- (c) Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority Precepts (due February 2021);
- (d) Levies, including the North of Tyne element of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority Transport Levy (due February 2021);
- (e) Tyne and Wear Joint Service Budgets (due January/February 2021); and
- (f) Consideration of the impact of the economic climate on the residents of the Borough and Council Tax payers.

Therefore, as some external announcements are still to be received, it is recommended that Cabinet authorises the Elected Mayor, in conjunction with the Cabinet Member for Finance and Resources, Deputy Mayor and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of these proposals.

1.6 Decision options:

1.6.1 Option 1

Cabinet can agree the proposals set out in this report.

Option 2

Cabinet can suggest that further / different options are considered by the Senior Leadership Team and be reported back to Cabinet for further consideration.

Option 1 is the recommended option.

- 1.6.2 As explained in 1.5.14, there is still a significant amount of external information that has not yet been received by the Authority. On this basis, Cabinet is recommended to authorise the Elected Mayor, in consultation with the Cabinet Member for Finance and Resources, the Deputy Mayor and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of these initial proposals. Recommendation 1.2.1 (m) refers.

1.7 Reasons for recommended option:

Due to external information still to be received, Cabinet is not in a position to finalise setting its proposed Council Tax level for 2021/22 in relation to the General Fund. These initial Budget proposals include an assumed general increase to Council Tax of 1.99% and a social care precept of 2% in 2021/22. This report will form the basis of Budget engagement and scrutiny over the next two months, but further work will inevitably be required before final decisions are made on the budgets for next year, hence the authorisation recommendation referred to in paragraph 1.6.2 above.

1.8 Appendices:

Annex 1

2021-2025 Financial Planning and Budget Process – Cabinet's Initial Budget Proposals

Appendix A	2020-2024 Our North Tyneside Plan
Appendix B(i)	2021-2026 Investment Plan Summary
Appendix B(ii)	2021-2026 Housing Investment Plan
Appendix B(iii)	Prudential Indicators 2021-2025
Appendix B(iv)	Capital Investment Strategy
Appendix C	2021/22 Treasury Management Statement, Annual Investment Strategy and Credit Criteria
Appendix D	2021/22 Financial Planning and Budget Timetable of Key Future Decision Milestones
Appendix E	Glossary of Terms
Appendix F	HRA Business Plan 2021-25
Appendix G	HRA Financial Plan, Reserves and Contingency Movement 2021-2025
Appendix H	Treasury Management Practices (TMPs) 2021/22

1.9 Contact officers:

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1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- (1) 2021-2025 Financial Planning and Budget Process, incorporating the Council Plan and associated Budget Engagement Strategy, Cabinet 3 August 2020. The report items are as follows:

<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=174&MId=426&Ver=4>

- (2) CIPFA local authority reserves and balances

<http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/local-authority-accounting-panel/laap-bulletins/laap-99>

- (3) 2020/21 Financial Management Report to 30 September 2020 – Cabinet 30 November 2020.

<https://democracy.northtyneside.gov.uk/ieListDocuments.aspx?CId=174&MId=429&Ver=4>

- (4) The report also makes reference to other documents which are available at the office of the author:

- Constitution
- Annual Governance Statement

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

- 2.1.1 The financial implications arising from this report are appraised as part of the decisions made about what will be included in the Authority's Financial Plan, incorporating the 2021/22 Budget-setting process. Decisions on the Budget in relation to the General Fund, Housing Revenue Account, Dedicated Schools Grant, Investment Plan, Treasury Management Statement and Annual Investment Strategy need to be made within the overall context of the resources available to this Authority and within the legal framework for setting budgets. The Authority will need to closely examine the links with its key funding partners and their proposed financial plans, including an assessment of the impact of any grant fall-out over the proposed four-year resource planning period.
- 2.1.2 Cabinet and Council need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances proposed as part of the four-year Medium-Term Financial Plan for 2021-2025, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in July 2014. A provisional statement to Council by the Chief Finance Officer is included in the Annex to this report.

2.2 Legal

- 2.2.1 This report, setting out the 2021-2025 Financial Planning and Budget; Initial Cabinet Proposals, has been prepared in compliance with the Authority's Budget & Policy Framework Procedure Rules contained in the Authority's Constitution. As stated in the body of the report, once approved by Cabinet the initial proposals will be submitted to

the Overview, Scrutiny and Policy Development Committee as part of the Budget-setting process. The outcome of that Committee's review will be reported to Cabinet in February 2021 so that the review can be considered by Cabinet prior to the proposals for 2021-2025 Financial Planning and the 2021/22 Budget being submitted to full Council for Approval.

- 2.2.2 In accordance with legislative requirements and the Authority's Budget and Policy Framework decisions as to the Authority's Budget is a matter for full Council.

2.3 Consultation/community engagement

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, Head of Resources, Heads of Service, the Elected Mayor and Cabinet.

2.3.2 External Consultation/Engagement

The 2021/22 budget engagement strategy and approach were agreed by Cabinet on 3 August 2020. Engagement with residents took place over the summer during the Big Community Conversation activity. Due to restrictions with the pandemic, this activity was more limited than the usual annual exercise. However, through the Residents Panel the Authority were able to ask residents for their views on what the priorities should be to enable the Borough to recover from the pandemic. These views and priorities have been considered both in the proposals for the Our North Tyneside Plan and Cabinet's initial budget proposals as set out in this report. Further engagement on the Our North Tyneside Plan and Budget proposals will take place during December in line with the engagement strategy agreed by Cabinet on 3 August 2020.

2.4 Human rights

- 2.4.1 All actions and spending plans contained within the Budget are fully compliant with national and international human rights law. For example, Article 10 of the European Convention on Human Rights 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. The aim is to remove or minimise any disadvantage for people wishing to take part in the engagement programme. 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. A cumulative impact assessment of all of these will also be undertaken prior to Cabinet in January 2021 and will be made available to both Cabinet and Full Council.

2.6 Risk management

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

2.7 Crime and disorder

- 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 Borough's carbon footprint." A number of the proposals will contribute to this including those to reduce the Authority's energy consumption. The environmental and sustainability aspects of individual proposals will be assessed in detail as and when agreed and implemented.

PART 3 - SIGN OFF

- Chief Executive X
- Head(s) of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Head of Corporate Strategy and Customer Service X