

2021-2025 Financial Planning and Budget Process:

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



INDEX

Section	Page
1. Introduction	3
2. Engagement Approach	4 - 6
3. Our North Tyneside Plan	7 - 10
4. General Fund	11 – 13
5. Dedicated Schools Grant (DSG)	14 - 22
6. 2021-2026 Investment Plan	23 – 26
7. 2021/22 Treasury Management Strategy and Annual Investment Strategy	27 – 33
8. Response to Overview, Scrutiny and Policy Development Committee Recommendations	34 – 36
9. Provisional Statement to Council by the Chief Finance Officer	37 – 40
10. Overall Financial Risk Assessment	41 – 44

1. Introduction

- 1.1.1. In setting the Budget for the upcoming and future financial years it is crucial that the resource allocations align with the overall vision and strategic priorities of the Elected Mayor and Cabinet. Medium-term financial planning is fundamental in order to ensure that the Authority makes decisions by focussing on strategic priorities and has a clear financial vision and direction for the medium term.
- 1.1.2. The Authority is legally required to set a balanced Budget for the General Fund for 2021/22 to meet statutory duties and provide services such as social care and environmental services. For the HRA, the Council Taxpayer cannot subsidise those living in social housing and the rents and service charges paid by the tenants cannot be used to fund unrelated Authority services. It is also illegal for an authority to budget for a deficit in its HRA or use HRA reserves for General Fund expenditure.
- 1.1.3. The duties and responsibilities imposed on local authorities through the Local Government Act 2003 are covered in section 10, which covers the financial risks, risk assessment and actions necessary to mitigate against the risks posed within the Budget proposals. The Act requires Members and officers to consider the Chief Finance Officer's report on the robustness of the Budget and the adequacy of the Authority's financial reserves.

2. Engagement Approach

- 2.1.1 North Tyneside Council is committed to being an organisation that works better for residents and to ensure that it listens and cares. This commitment includes giving residents and other key stakeholders an opportunity to be involved in the Financial Planning and Budget process.

The Authority's overall approach to engagement ensures that the public have opportunities to have their say throughout the year, through a series of different methods, including engaging with the Elected Mayor, Cabinet and ward members through activities such as the Mayor Listens Events and Community Conversation activities. The Authority also offers a broad range of both online and face to face engagement or consultation exercises on different key issues, if permitted under Covid19 regulations as well as the annual Residents Survey.

- 2.1.2 In all its engagement activity, the Authority is committed to ensuring that residents with protected characteristics, as set out in the Equality Act 2010, can participate. In line with this an Equality Impact Assessment has been undertaken on the 2021/22 Budget Engagement Strategy and this is available on request. The engagement approach is set out below.

- 2.1.3 Engagement with residents and others took place between 2 December 2020 and 20 January 2021. This was done via:
- an online questionnaire published on the North Tyneside Council website; and
 - online sessions with the Residents panel and other key stakeholder groups.

- 2.1.4 During the online sessions, attendees were shown a short film and presentation setting out the Authority's Budget and Cabinet's initial Budget proposals as agreed by Cabinet on 30 November 2020. Attendees were able to have their questions answered and were asked to give their views on the Our North Tyneside Plan and the Budget proposals.

2.2 Target Audiences

- 2.2.1 The engagement approach aimed to reach different sectors of the population through a targeted approach. The approach delivered both universal engagement as well as engagement with particular groups.

Specific external audiences:

- Residents of North Tyneside
- People who use our services
- Children and young people
- Older people
- The North Tyneside Strategic Partnership
- Business community
- Schools
- Voluntary and community sector (including faith groups)
- Carers

- Tenants

Internal audiences:

- Elected Members
- Staff
- Strategic Partners (Engie and Capita)
- Trade unions

Approach

2.2.2 The engagement approach aimed for maximum reach by offering a range of different opportunities for people to have their say. In line with the Authority's Engagement Strategy principles agreed by Cabinet on 3 August 2020, these opportunities were:

- Inclusive - making sure that everyone could engage in the process;
- Clear - being clear on the aims of the engagement activity at the outset and the extent to which residents and others could be involved;
- Integrated - ensuring that engagement activities were joined up with the relevant decision-making processes;
- Tailored - aiming to better understand our audience and using different methods appropriately to enable and encourage people to be involved;
- Feedback - giving feedback through agreed channels when engagement activity is completed; and
- Timely - aiming to give enough notice to make opportunities available to all and taking into account those times when it is more appropriate to engage depending on the target audience

2.2.3 Information about the Budget proposals was provided on the Authority's website www.northtyneside.gov.uk. This included information to explain the context and set out the proposals. This was accompanied by a questionnaire to provide opportunities for people to give their feedback either via the website, e-mail or through social media.

2.2.4 Members of the Residents Panel were invited to attend an online session on 7 January 2021. Attendees were provided with information in advance and asked to pre-submit questions. The session provided them with further context to the Budget setting process, enabled them to listen to the proposals and provided face-to-face feedback. The sessions aimed to give residents a clearer understanding of local authority finance and Budget setting processes that enabled them to critically appraise the initial proposals and then feedback accordingly. Participants also got the opportunity to meet senior officers to have their questions answered directly.

2.2.5 Targeted events were held for key stakeholder groups including businesses, schools, young people, community and voluntary sector, trade unions and the North Tyneside Strategic Partnership. Staff were targeted through email and the staff Facebook group. Due to the COVID-19 restrictions the Authority could not hold drop-in sessions or any other face to face activities.

2.2.6 Engagement with people who use the Authority's services, or their representatives, was via existing networks. The engagement programme was advertised via the press and social media. Engagement opportunities were publicised in the Our North Tyneside magazine and on all of the Authorities social media platforms, which explained how people could get involved. Posters were also displayed in our 5 leisure centres and sent to all of the Authority's North Tyneside Living accommodation residents and the Voluntary and Community Sector contacts. This sign posted them to the online engagement and provided contact information for those who required different formats.

3. Our North Tyneside Plan

- 3.1 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 Our North Tyneside 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. The Authority's engagement activity over the summer in the Big Community Conversation with its Residents Panel and subsequent engagement on the Council Plan and Cabinet's initial Budget proposals that took place on 7 January 2021, has confirmed 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 out below:

Our People will:

- Be listened to so that their experience helps the council work better for residents;
- Be ready for school – giving our children and their families the best start in life;
- Be ready for work and life – with the right skills and abilities to achieve their full potential, economic independence and meet business needs;
- Be healthy and well – with the information, skills and opportunities to maintain and improve their health, well-being and independence, especially if they are carers;
- Be cared for, protected and supported if they become vulnerable including if they become homeless; and
- Be encouraged and enabled to, whenever possible, be more independent, to volunteer and to do more for themselves and their local communities.

Our Places will:

- Be great places to live by focusing on what is important to local people, such as by tackling the derelict properties that are blighting some of our neighbourhoods;
- Offer a good choice of quality housing appropriate to need, including affordable homes that will be available to buy or rent;
- Benefit from the council's housing stock being decent and well managed, as well as maximising the potential use of housing such as through extra care schemes;
- Recognise the climate emergency by further reducing the Borough's overall carbon footprint. This will include reducing the council's carbon footprint, along with encouraging and enabling everyone to reduce their carbon footprint;
- Provide a clean, green, healthy, attractive and safe environment;
- Have an effective transport and physical infrastructure - including our roads, pavements, street lighting, drainage and public transport;
- Continue to be regenerated as part of our 15 year 'Ambition for North Tyneside' plan. This will include the continued development of Killingworth Lake, creation of a Master Plan for North Shields, the delivery of plans for Segedunum and the Swans site in Wallsend, as well as further work to build on the success of the regeneration at the coast; and
- Be a thriving place of choice for visitors through the promotion of our award-winning parks, beaches, festivals and seasonal activities.

Our Economy will:

- Benefit from the delivery of our ambitious vision, which we created with partners in the North of Tyne Combined Authority. We will have a dynamic and more inclusive economy, which will ensure that all residents have a stake in our region's future.
- Grow by supporting new businesses and building on our strengths, including our existing world class companies, and small and growing enterprises.
- Be business friendly, ensuring the right skills and conditions are in place to support investment, and create and sustain new high-quality jobs and apprenticeships for working age people.
- Continue to support investment in our business parks, units and Town Centres.

3.2 Performance against the priorities in the Our North Tyneside Plan

Inevitably the pandemic has had an impact on service delivery, particularly during the first national lockdown period in 2020 from March to July where many services were not able to be delivered in the usual way. There has continued to be an impact since September as the area has been through a series of local tier restrictions and two further national lockdowns, the latest of which is currently ongoing. An overview of current performance against the key outcome measures for the Our North Tyneside Plan is set out below:

Our People:

- In North Tyneside, 8 in 10 young people attend a school that is ranked as Good or Outstanding.
- At the end of August 2020, 3.58% of 16 to 17-year olds are classed as NEET (Not in education, employment or training), which is in line with previous years and significantly lower than the North East rate at 5.64%;
- Schools were closed during lockdown except for children of keyworkers and vulnerable pupils and reopened at the beginning of the school year. During that period, the School Improvement Service provided extensive home learning resources and led the DFE laptops for school's project during the lockdown period. The Catering Service delivered nearly 16,500 free school meals and 700 food hampers to children.
- The number of children in care remains consistent. 300 in September 2020, compared to 309 in September 2009.
- Only 56 people were accepted as homeless in 2019/20 compared to 52 in 2018/19. The Homeless Reduction Act placed a greater focus on prevention and triage work in order to prevent an individual becoming homeless. During the pandemic all rough sleepers have been placed in emergency accommodation throughout.
- In March 2020, the Authority set up a Local Support Hub to support residents identified by the NHS and general practitioners as clinically extremely vulnerable and a higher risk of serious complications from COVID-19. There were 10,000 residents identified as clinically extremely vulnerable and the Local Support Hub provided regular support with shopping, prescriptions, welfare calls to over 1,800 residents. The Local Support Hub was reactivated in November as clinically extremely vulnerable residents were advised to stay at home.
- The Authority has continued to serve our customers through customer services in a Covid Secure way

Our Places:

- All the council housing stock continues to meet the Decent Homes Standard and 99% of homes are occupied, including the North Tyneside Living schemes;
- Delivery of the council's Affordable Homes Programme remains on track to deliver 3,000 affordable homes across the borough between 2014/15 and 2023/24. 1,570 affordable homes have been completed so far;
- At the end of March 2020, the Authority's carbon footprint has decreased by 46% since 2010/11 and it is likely that the Authority will achieve the 50% reduction target by the 2023 target date. In July 2019 North Tyneside Council declared a Climate Emergency and set the ambitious target to become carbon neutral by 2050. A Climate Emergency Board has been established to oversee a wide range of projects. Projects completed so far include the introduction of Air Source Heat Pumps and Solar PV electricity generation at the Killingworth depot site, expanding the range of recycling materials in kerbside recycling to include plastics, securing funding to retrofit 69 businesses to reduce carbon dioxide and nitrogen oxide and introducing age and emissions standards for taxis and private hire vehicles. As well as securing grant funding to upgrade taxis, so they meet Clean Air Zone compliance standards coming into operation in 2021. At the end of March 2020, the amount of waste collected boroughwide reduced by 1,200 tonnes compared to the previous year and the proportion of reuse, recycling and composting increased to 39%. The amount of waste sent to landfill in year was also at its lowest level recorded for any year. This improvement is largely due to the introduction of alternate weekly waste collections and improvements made at the Household Waste Recycling Centre. The introduction of an appointment system at the centre during the pandemic period has not had any detrimental impact and has been received very positively by customers;
- The Ambition for North Tyneside continues to successfully deliver a broad range of regeneration improvements across the borough. Achievements in the last year include public realm improvements to Forest Hall shopping centre; successful opening of the Centre for Innovation; the restoration of Grade 2 listed Georgian terrace on Northumberland Square; replacing derelict and eyesore sites along the coastline with attractive high quality family housing and significant investment in highways and schools across the borough. Plans continue with: North Shields Master Plan; improvement works on the Northern Promenade; investment in Segedunum.
- Three beaches in North Tyneside have been awarded the Blue Flag beach award, the internationally recognised gold standard for beaches. In addition, Longsands Beach, Tynemouth, has been placed in the top 10% of attractions worldwide in the 2020 Trip Advisor Travellers' Choice Awards and has attracted a Seaside Award for excellence
- Once able to restart services in line with Govt guidance, a full range of services resumed delivery including housing repairs, highways and construction schemes. Leisure Centres and swimming pools have been significantly impacted by lockdown periods. They were reopened in a Covid Secure way in line with government guidance in July but were closed again in November when the national lockdown began. Library Services have also been significantly impacted and the range of services have been reduced. A Click and Collect Service is available, as well as online services.

Our Economy:

- The COVID-19 pandemic has had a significant impact on both businesses and residents from an economic point of view. During the first national lockdown from

March this year, 29% of employments in North Tyneside were placed on the Job Retention Scheme. The number of Universal Credit claimants living in the borough sharply increased in April from 11,000 claimants in March 2020 to 19,100 in November. Almost half of Universal Claimants in North Tyneside are searching, planning or preparing for work.

- The number of registered businesses in North Tyneside has grown every year since 2011. There were 5,315 businesses registered in the Borough at the beginning of 2020.
- The Authority has supported businesses to recover and grow through access to practical and financial support, advice and information and signposting to local and national grant opportunities. Some of the initiatives include:
 - Securing match funding through the North of Tyne Capacity Fund which enabled the Voluntary and Community Sector to continue to deliver their employability project
 - Establishing a dedicated helpline for businesses
 - Administering £34m of Govt grant funding to over 3,000 eligible businesses
 - Delivering a joint communications campaign with the North Tyneside Business Forum to inform, support and signpost businesses to relevant help
 - Introducing a pavement licensing scheme to support the hospitality sector
 - Developing a Town Centre Recovery Plan
 - Successfully reopening town centres in June in a Covid Secure way
 - Supporting 8 categories of suppliers with supplier relief
 - Providing free advertising for local businesses in the Our North Tyneside magazine

4. General Fund

4.1 Council Tax Support

- 4.1.1 In 2013/14, the national Council Tax Benefit scheme came to an end, and Local Council Tax Support was introduced in its place. At the same time, funding was transferred into the Settlement Funding Assessment (SFA) (comprising Revenue Support Grant and Business Rates) after being cut by over 10%. As this funding is not separately ring-fenced within the SFA, it has effectively been cut at the same rate as the Authority's SFA has been cut for each subsequent year.

This has put significant additional strain onto the General Fund Budget and resulted in the Authority, as well as many other local authorities, seeking to collect some Council Tax from working age people who previously received 100% Council Tax Benefit.

Under national rules pensioners are protected from any capping of maximum awards to ensure they are not subject to a reduction in Local Council Tax Support and may still be awarded reductions of up to 100% of their Council Tax liability.

Council Tax Support under our current scheme for working age claimants is capped at 85% of an individual's Council Tax liability, meaning that working age people are charged 15% of their Council Tax before they receive Council Tax Support. Cabinet is not proposing any changes to Council Tax Support in 2021/22.

It is noted that COVID-19 has led to an increase in the numbers of claimants of Local Council Tax Support. This is a direct cost to the Authority as it ultimately reduces the Council Tax base as Council Tax Support is applied as a discount.

4.2 Business Rates

- 4.2.1 The level of Business Rates is set by the Government and is based on the rateable value of non-domestic properties across North Tyneside. Prior to April 2013 the Authority had no direct financial interest in the collection of Business Rates and acted purely as an agent of the Government. However, for the financial years 2013/14 through to 2018/19 the Authority has retained 49% of the business rates it collects and paid the other 51% over to the Government (50%) and the Tyne and Wear Fire and Rescue Authority (1%). This was due to the introduction of the Business Rate Retention Scheme. This resulted in a direct financial incentive to maximise the amount of business rates collected in North Tyneside.

For the financial year 2019/20 the Authority, together with Newcastle City Council and Northumberland County Council, submitted a joint bid to the Ministry of Housing, Communities and Local Government and were successful in being granted pilot status for a 75% Business Rate Retention scheme. The reason for submitting a bid is to benefit from the retention of a higher level of Business Rate income over and above the baseline level set by Government. It was agreed that any gains achieved by the 75% pilot scheme would be allocated by the North of Tyne Combined Authority in line with its vision and investment priorities.

The Authority reverted back to 49% Business Rates Retention in 2020/21 and this will continue in 2021/22.

- 4.2.2 The Authority, like all other authorities, remains exposed to the risk of Business Rate appeals, which are determined by the Valuation Office Agency. The Government introduced a new check, “challenge and appeal process” in April 2017 which appears to have improved the efficiency of the appeals process, as challenges against rateable values have significantly reduced since 2017/18. However, the impact of COVID-19 on demand and occupation of business premises may subsequently see fluctuations in market rental levels. As rateable values are directly linked to market rental levels this may lead to a reduction in rateable values and ultimately business rate income.
- 4.2.3 The Government have continued to announce packages of support for business throughout COVID-19. These include:
- Providing 100% business rate relief for businesses in the retail, hospitality and leisure sectors for the financial year 2020/21;
 - 100% business rate relief to nurseries providing childcare for the financial year 2020/21;
 - Providing business grants of £10,000 to small businesses and grants of up to £25,000 for businesses in the retail, hospitality and leisure sector dependent on their rateable values; and
 - Recent announcement of further support during local lockdown tiers in the form of monthly grants and additional lump sum payments to qualifying businesses.

This money is fully reimbursed to local government through Section 31 grants.

4.3 Provisional Local Government Finance Settlement

- 4.3.1 The Provisional Local Government Finance Settlement is a key part of annual Budget setting. It provides the annual determination of funding to local government. The Provisional Local Government Finance Settlement was announced on 17 December 2020 by the Secretary of State for Housing, Communities and Local Government. The highlights of the Provisional Settlement are detailed below and have been included in the 2021/22 Budget proposals where appropriate:
- Confirmation that the Core Spending Power (CSP) will increase by 4.5% (£2.2bn). This is a real term increase in resources and represents the third settlement in a row to increase resources in real terms. In calculating CSP, it has been assumed that authorities will increase Band D by the maximum amount, and that each authorities Council Tax base has increased in line with their average Council Tax base growth since 2016/17;
 - Band D Council Tax; 2% council tax referendum limit, 3% ASC precept. District councils can increase Band D by the higher of 2% or £5. Police element of GLA precept can increase by up to £15;

- Local Council Tax Support grant (£670m) is a new grant outside core settlement which will fund authorities for the expected increase in local council tax support in 2021/22;
- There is an additional £1bn for social care, including the 3% ASC precept and the £300m social care grant. Allocations of the £300m grant have been equalised for each authority's ability to generate income from the ASC precept (equalisation has been limited to £240m). All other social care grant funding in 2020/21 continues unchanged into 2021/22;
- Settlement Funding Assessment (SFA) increases by £13m – i.e. by the increase in Revenue Support Grant. There is a new £111m lower tier services grant. Distribution is based on the SFA but also includes an element that ensures “no council – either upper or lower tier – will have less funding available in 2021/22 than 2020/21”;
- Rural Services Delivery Grant (RSDG) will increase by £4m (from £81m to £85m, a 4.9% increase);
- New Homes Bonus (NHB) allocations of £622m will be made in 2021/22. There is no NHB Returned Surplus in 2021/22. For 2021/22 the surplus has been used to fund the social care grant (£150m), the increase in revenue support grant (£13m) and the new lower-tier services grant (£111m). The Government is inviting views on a replacement for NHB (where housing most needed, where councils most ambitious);
- Authorities will be allocated £1.55bn of additional COVID funding. All authorities now have “forward guidance” on funding for expenditure and income losses to the “middle of the next calendar year”;
- There is further funding for Rough Sleepers, £750m in total next year, a 60% increase on previous spending review. £165m is available for the troubled families programme;
- Information about applying to the £4bn “levelling up” fund (UK Shared Prosperity Fund) will be published early next year. Any local area can apply directly, with the focus on town centre regeneration and culture;
- £15m has been allocated to implement the Redmond Review; and
- The Government will seek to find a new consensus for broader reforms for local government (including BRRS and FFR) when the post-COVID future is clearer. Local Government can expect multi-year settlements from 2022/23 but the Government will need to consider the economic circumstances.

5. Dedicated Schools Grant (DSG)

Background

- 5.1.1 The Dedicated Schools Grant (DSG) can only be used for the purposes of the Schools Budget as defined in the School and Early Years Finance Regulations 2018. The DSG funds those delegated budgets allocated to individual schools, nurseries (and other early years settings) and, high needs provision including special schools and alternative provision.
- 5.1.2 In September 2017, the Department for Education (DfE) published the response to the stage 2 National Funding Formula (NFF) consultation and confirmed the details of the NFF for the Schools block. In 2021/22, the DSG will continue to be comprised of four blocks covering: Schools, High Needs, Early Years and the Central School Services. Each of the four blocks has its own funding formula.
- 5.1.3 The 2021/22 DSG allocation for North Tyneside is £179.472m, which is an increase of £13.599m (8.17%) on the funding received in 2020/21. Table 1 below shows the funding allocated to each of the funding blocks. The 2021/22 Schools block allocation includes teachers pay award and teachers pension grants which in previous years were allocated to schools outside of the DSG funding.

Table 1: Schools Block 2021/22 Allocation compared with Prior Years

Block	2017/18 Baseline £m	2018/19 £m	2019/20 £m	2020/21 £m	Actual for 2021/22* £m	Increase 2020/21 to 2021/22 £m
Schools	115.395	116.594	120.926	126.794	137.231	10.437
Central School Services	2.500	2.315	2.343	2.051	1.877	(0.174)
High Needs	18.680	19.291	19.818	23.319	26.418	3.099
Early Years Block	12.064	13.553	13.514	13.749	13.946	0.197
TOTAL	148.639	151.753	156.601	165.913	179.472	13.559
Change from 2017/18 Baseline £	-	3.114	7.962	17.274	30.833	
Change from 2017/18 Baseline %	-	2.1%	5.4%	11.6%	20.74%	
Change per Year £	-	3.114	4.848	9.312	13.559	
Change per Year %	-	2.10%	3.19%	5.95%	8.17%	

* Includes pay award and pension grants previously separate to DSG

The DfE initially proposed a two-year transition period (2018/19 and 2019/20) where local authorities would continue to set a local formula to distribute funding to individual schools. However, in July 2019, as a result of the significant movement witnessed nationally towards the NFF, the Government confirmed that these transitional arrangements would continue into at least 2020/21. In 2020, the DfE confirmed that the

transitional arrangements will continue into 2021/22, with the expected move to “hard” NFF being likely in 2022/23.

- 5.1.4 As in previous years, the Authority will determine the local formula to distribute funding to mainstream schools and academies for the financial year 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.
- 5.1.5 For the financial years 2018/19 and 2019/20, in consultation with Schools Forum and the Authority’s maintained schools, the Authority made the decision to maintain the existing local funding formula (LFF) in full. In North Tyneside, Secondary schools benefit favourably from a local ratio of total funding per pupil (1:1.42 in both financial years), compared to the national average ratio of 1:1.29 on which the NFF was based. The decision to maintain the LFF in full in 2018/19 and 2019/20 afforded secondary schools a period of financial stability whilst preparing for future changes to their funding. In addition, it allowed the Authority to consider how the move to the NFF would affect individual schools.

Following a review of the Local Funding Formula during 2019/20 the Authority took the decision to start the process of moving towards the National Funding Formula. The LFF factor values were set 50% towards the NFF in 2019/20 which moved the ratio of funding from 1:1.42 to 1:1.35 in favour of secondary schools.

During 2020/21 the Authority has continued to review the Local Funding Formula and in October 2020, Schools Forum received a report which provided the results of the review and the preferred options for consideration which would form the basis of the 2021/22 LFF consultation with all schools. The Authority has a duty to consult with all schools over proposed changes to the LFF. The consultation took place from 26 October to 20 November and the results were considered by Schools Forum at its meeting on 26 November 2020.

During the consultation, several engagement events were held to provide additional information on the modelling work performed and to support schools to give an informed response. The response rate decreased slightly from 68% in 2019 to 54% in 2020 with responses received from 38 schools and 7 governing bodies.

The majority view from the consultation responses received was to support a move from the current LFF, to the full National Funding Formula factor values for 2021/22. In addition, most respondents supported both the use of the Minimum Funding Guarantee (MFG) to minimise the losses some schools would be exposed to following the change and to let the Authority set the level of MFG, subject to affordability. On 13 January 2021 Schools Forum agreed to the Authority’s final proposals for the LFF. Therefore, resource allocations to schools for 2021/22 will be made on that basis.

- 5.1.6 At its meeting on 30 November 2019 Cabinet agreed (section 1.2.1, (f)) to 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 that report. Resource allocations to schools have been submitted to the ESFA on 21 January 2021 as required by the deadline. Schools will be notified of their allocations no later than 28 February 2020.

- 5.1.7 The Schools NFF for 2021/22 will continue to have the same factors as at present. The Government announced its intention to implement the formula to address historic underfunding and move to a system where funding is based on need. The key aspects of the formula for 2021/22 are:
- The minimum per pupil funding levels will be set at Primary £4,180, Key Stage 3 £5,215 and Key Stage 4 £5,715;
 - The funding floor will be set at 2% per pupil, in line with forecast inflation to protect per pupil allocations for all schools in real terms. This minimum increase in 2021/22 allocations will be based on the individual school's NFF allocation in 2020/21;
 - Schools that are attracting their core NFF allocations will benefit from an increase of 3% to the formula's core factors; and
 - Growth funding will be based on the same methodology as in 2020/21, with the same transitional protection ensuring that no authority whose growth funding is unwinding will lose more than 0.5% of its 2020/21 Schools block allocation.

In addition, two important restrictions will continue:

- Local authorities will continue to set a Minimum Funding Guarantee in local formulae, which in 2021/22 must be between +0.5% and +2.00%. This allows them to mirror the real terms protection in the NFF, which is the Government's expectation; and
- Local authorities can only transfer up to 0.5% of their Schools block to other blocks of the DSG, with their Schools Forum approval. To transfer more than this, or any amount without their Schools Forum approval, they will have to make a request to the DfE, even if the same amount was agreed in the past two years.

5.2 Schools Block

- 5.2.1 Since 2015/16 school balances have fallen by £6.038m to £1.599m (79%) in North Tyneside. Schools have faced difficult financial challenges and have seen continued pressure with rising costs relating to pay awards including the implications of the Nation Living Wage and North Tyneside Living Wage, pension contributions, apprenticeship levy and inflationary pressures on premises, equipment and materials costs. In addition, as has been widely publicised, school Budgets are under pressure as a consequence of national policy.

5.3 High Needs Block

- 5.3.1 The £26.418m figure outlined above for the 2021/22 High Needs block reflects the increased funding announced by the DfE and includes funding previously paid as separate grants for pay award and pension increases. The £3.1m year-on-year increase is therefore covering these costs going forward.
- 5.3.2 The High Needs block outturn for 2019/20 was an overspend of £4.542m, with an in-year pressure of £3.690m occurring in 2020/21. Despite an increase in funding of

£3.006m in 2020/21, the pressure within High Needs has continued to increase with a forecasted in-year outturn variance of £3.690m and therefore an estimated total cumulative overspend of just over £8.232m.

- 5.3.3 The factors driving the pressures shown above were outlined in the November budget monitoring report to Cabinet. The latest position on these pressures is shown in table 2:

Table 2: Forecast High Needs Overspend as at December 2020

Provision	Budget £m	Forecast £m	Variance £m	Comment
Special schools and PRU	13.000	15.054	2.054	Increased numbers of places required, approximately 100 extra over budget.
Additional Resourced Provision/Top ups	3.655	4.551	0.896	Pressures in pre-16 and post-16 top-ups
Out of Borough	2.515	3.170	0.655	Increased number and costs of out of borough, plus increased complexity of cases
Commissioned services	3.957	4.042	0.085	
Sub-total	23.127	26.817	3.690	
2019/20 B/Fwd			4.542	
			8.232	

Special Schools and the Pupil Referral Unit (PRU)

- 5.3.4 There is a pressure of £2.054m relating to this area. The Authority has seen increasing numbers of children and young people within the education system with significant needs requiring specialist provision. This is particularly relating to Autism Spectrum Disorder (ASD) and Social, Emotional and Mental Health needs (SEMH). The Authority has increased the numbers of places within in special schools to cope with this additional demand. Number of places have increased as follows:

Table 3: Increase in Special School Places in 2020/21

Special schools and Moorbridge	Planned Places	October Census 20	Movement
Beacon Hill	180.4	190	+9.6
Benton Dene	116.6	122	+5.4
Silverdale	83	102	+19
Southlands (Main Site)	123	129	+6
Southlands (Melrose Site)	0	32	+32
Woodlawn	106.2	122	+15.8
	609.2	697	+87.8

5.3.5 Special schools are funded with £10,000 per place, with this increase in numbers representing an increased spend of £0.878m, plus a top-up based on a banding which is reflective of the needs of each individual child. Funding values for each banding is shown in Table 4 below. The majority of pupils attending special schools attract band 4 and band 5 top-up levels. The forecast cost of special school top-ups has risen from a planned £4.928m to £6.152m.

Table 4: Special School Top Up Values by Banding

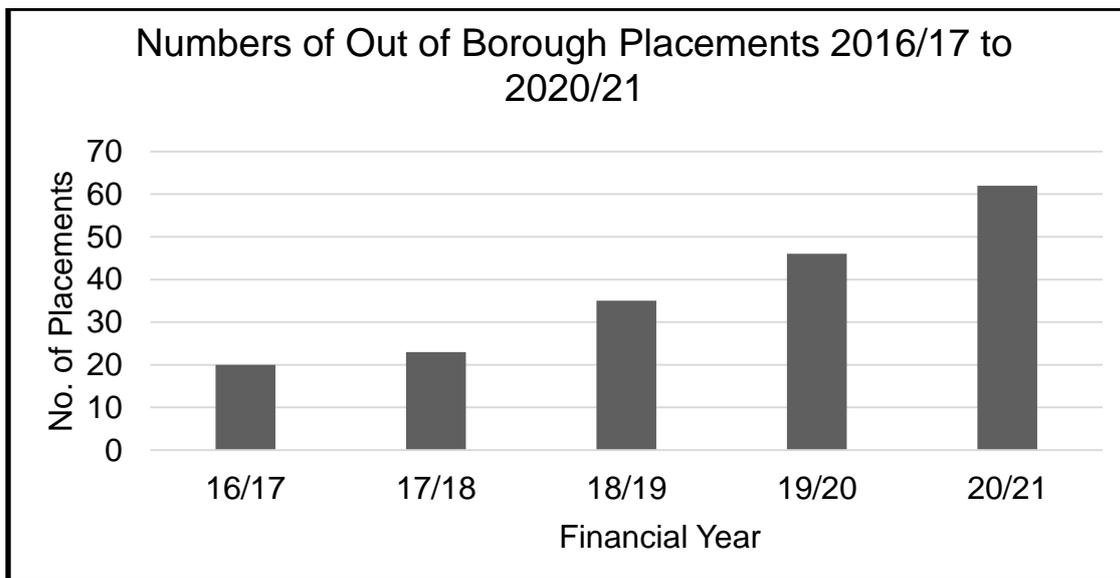
Band	Top up value £
Band 1	0
Band 2	3,341
Band 3	6,682
Band 4	9,507
Band 4	19,221

ARPs and Mainstream Top Ups (Pre-16)

5.3.6 There are pressures of £0.896m within Additional Resourced Provision (ARP) and top-up costs within mainstream schools due to increasing numbers of children and young people with additional needs and the rising average complexity of those needs. Top-up funding is paid to support children with additional needs in mainstream school. This is paid on the basis of an hourly rate reflecting the costs of additional staffing support outlined within the individual child's Education, Health and Care Plan (EHCP). Levels of top-up payments to mainstream schools have risen in the last four years with an overall increase in the numbers of children and a rise in larger packages of support reflecting the increasing complexity of needs.

Out of Borough Placements

5.3.7 In some instances, the Authority is unable to meet the needs of an individual child or young person and an Out of Borough placement is made. This can be made with a local private provider. This area of expenditure is showing a pressure of £0.655m due to increasing numbers of placements made with 62 children attending out of borough providers at November 2020 compared to 35 in 2018/19 and only 20 in 2016/17. The increasing use of these placements is illustrated in Chart 1 below:

Chart 1: Numbers of Out of Borough Placements 2016/17 to 2020/21

High Needs Recovery Plan

- 5.3.8 A team of officers from Health, Education, Care and Safeguarding and Commissioning and Asset Management are working on a High Needs recovery plan in line with Department for Education requirements, with support from Finance officers. The plans to mitigate the pressures on High Needs include measures described in the following paragraphs.

Refusals to Assess

- 5.3.9 There is an increase in children and young people who, on receiving a request for an Education Health and Care Needs Assessment, are now determined that their needs can be met within the Local Offer. The same is true for those where, at the conclusion of the Assessment, the Authority determine that they do not require an Education Health and Care Plan and that their needs can be met within the Local Offer. This has been an upward shift of 1% in 2019 to 20% in 2020.

Developing the North Tyneside Inclusion Strategy

- 5.3.10 A new North Tyneside Inclusion Strategy is currently being developed to strengthen the Authority's capacity to meet the needs of children with SEND in line with our North Tyneside Children's Services pledges to:
- Intervene early with evidence based, family focussed services;
 - Work in partnership to keep children in school; and
 - Keep children safe at home and connected to their local communities.
- 5.3.11 The Authority, schools and partner agencies will ensure a whole system approach to inclusion across education, health and social care. The new strategy will:
- seek to clarify the Authority's vision for inclusion and build consensus around our shared expectations and consistency of approach across the Borough;

- describe our shared purpose, principles and priorities across education, social care and health;
- provide the framework and direction to ensure that the right provision is in place to meet the changing needs of children with SEND;
- enable us to identify the actions we will take to improve the lived experience of our children and young people with SEND.

Strengthening the ‘Graduated Response’ in Mainstream Schools

- 5.3.12 Children with SEND in mainstream schools should be supported through a four-stage cycle of: assess, plan, do and review, known as the graduated approach. Schools are expected to make reasonable adjustments and use their best endeavours to meet the needs of children and young people, before seeking statutory assessment or requesting High Needs top-up funding. The graduated response work will be a key component of the new Inclusion Strategy.
- 5.3.13 The development of the graduated response work also seeks to strengthen the gatekeeping around access to High Needs top-up funding, to ensure greater equity and value for money in the way funding is allocated and used.

Managing demand for out of borough placements

- 5.3.14 There has been an increase in requests from parents for placements in independent, non-maintained special schools and colleges. Our priority is to support as many children as possible to be educated in Borough and, for that reason, we continue to fund additional places in North Tyneside special schools. Alongside that, further resources have been agreed to strengthen the therapy offer into our local special schools. This includes a SEND project lead employed by Northumbria NHS Foundation Trust who will co-ordinate this joint working, plus additional capacity for the NHS therapy teams working directly with school staff and with children.

5.4 Early Years Funding for 2021/22

- 5.4.1 The Authority is currently awaiting guidance from the Department for Education regarding the funding arrangements for the Spring Term 2021 and the Spring Term census, following the national lockdown measures. Once clarification is received, an analysis of the implications for the Early Years block will be carried out and any additional spending pressures identified. Should any early years budget surplus exist following the Spring Term payments, a prudent contingency will be carried forward. This will protect the early years funding block in light of the continuing uncertainty and volatility facing the sector during the forthcoming financial year. Any additional surplus will be returned to providers of the early years entitlements.
- 5.4.2 On 19 December 2020 the Department for Education released the 2021/22 early years entitlement funding rates for local authorities. The Authority is modelling proposals for North Tyneside’s early years funding formula 2021/22 and will share proposals with the early years sector for comment before finalising the local funding formula.

5.5 Central School Services Block Funding for 2021/22

5.5.1 Funding for the Central Schools Services block (CSSB) has been reduced by DfE in relation to historical funding by £0.249m, which represents a 20% reduction in funding for the historic commitments. Ongoing functions have had an increase of 9.3% as shown in table 5 below:

Table 5: Allocations for North Tyneside CSSB 2021/22

	2019/20 £m	2020/21 £m	2021/22 £m	Change £m	Change %
Ongoing Functions	0.788	0.807	0.882	0.075	9.3
Historical Commitments	1.555	1.244	0.995	(0.249)	(20.0)
Total	2.343	2.051	1.877	(0.174)	8.5

5.5.2 The list of services provided via CSSB funding is listed in table 5. The net reduction in funding of £0.174m is identified in this table. Authorities can challenge the reasonableness of the reduction in funding by providing relevant evidence to the DfE.

5.5.3 Following consultation with School Forum in December, the Authority will set the funding for these services as identified in table 6 below. The funding reduction has been accommodated by reducing the Schools Support Service by £0.029m, removing the contribution to High Borrans of £0.095m, the contribution to the Education Improvement Partnership has been reduced by £0.020m and the £0.030m de-commissioned buildings budget contribution has also been removed.

As agreed at the Schools Forum meeting in December for 2021/22 only the schools in financial difficulty de-delegation is to be re-designated to support the reduction for the School Support Service and High Borrans, totalling £0.124m. 2021/22 will be a transitional year, with the funding gap being met from the de-delegated allocation for schools in financial difficulty, with academies and special schools paying full commercial rates for High Borrans.

Table 6: Illustrative allocations for North Tyneside CSSB for 2021/22

Budgets which now form part of the CSSB	CSSB 2020/21 £	CSSB 2021/22 £
Budget to fund the Schools Support Service	585,013	556,256
Budget to support vulnerable schools.	52,044	52,044
Budget to maintain High Borrans Outdoor education facility	95,000	0
Budget for the Education Improvement Partnership (secondary schools)	100,398	80,318
Budget to support the informational requests of the Schools Forum and improved budgetary awareness across all schools	30,125	30,125
Collective contribution to ongoing pension costs incurred when allowing teachers to leave schools prematurely	624,951	624,951
Budget for costs associated with de-commissioned school buildings	30,000	0
Schools admission service	141,570	141,570
Former Education Services Grant (Retained)	243,572	243,572
National Copyright Licences	148,426	148,169
Total CSSB Funding	2,051,099	1,877,005*

*Overall allocation of £28,757 to be funded by re-designated de-delegation

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

5.6 Timetable for Agreeing 2021/22 Distributions

5.6.1 The key dates which must be met in setting 2021/22 school budgets are shown in Table 7 below. This report is requesting authorisation for 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 to meet these deadlines.

Table 7: Remaining Key dates for 2021/22 School Budget-setting

Date	Activity
21 January 2021	Deadline for submission of final local School Allocations to DfE (the Authority Proforma Tool)
28 February 2021	Deadline for confirmation of schools' budget shares to maintained schools (in North Tyneside the intention is to issue in advance of this deadline)

6. Cabinet's initial Budget proposals for the 2021-2026 Capital Investment Plan

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

Investment of this nature plays an important role in ensuring the Authority meets its health and safety responsibilities; it also plays an important role in improving economic opportunities across all parts of the Borough. Whilst some investment directly contributes to economic development, it all has an indirect impact by providing stimulus to the economy, creating employment opportunities, supporting skills and development or contributing to confidence.

- 6.1.2 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 Our North Tyneside Plan outcomes and linking to the Our Ambition for North Tyneside. The Strategy also provides a framework to enable projects to be developed with the aim of helping to deliver revenue savings to assist the Authority in managing the financial pressure it faces. The Capital Investment Strategy is attached as Appendix D(iv).

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 £10.284m has been identified as part of the process and this spend is now included in the 2021/22 planned spend shown below (£11.343m 2021-26).

The following adjustments are included in the draft Plan:

- 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.

All proposals for capital investment follow a structured gateway process, and are challenged by Members and senior officers, from the initial ideas stage, through the delivery stage and finally to post implementation. All proposals are considered in terms of their strategic alignment with the Our North Tyneside Plan, Ambition for North Tyneside and the revised Efficiency Programme.

The Investment Programme Board (IPB) meets on a monthly basis and, as part of its monthly meetings, receives an update on all on-going projects included in the approved Investment Plan (currently 2020-2025).

Table 8 below shows a summary of the initial draft 2021-2026 Capital Investment Plan.

Table 8: Summary of the draft Capital Investment Plan 2021-2026

Spend	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m	£m
General Fund	39.012	17.262	15.458	15.988	13.435	101.155
Housing	26.362	26.043	27.400	29.949	31.424	141.178
Total	65.374	43.305	42.858	45.937	44.859	242.333

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

The estimated revenue implications of these schemes have been included in the revenue budget.

Table 9: Summary of Financing 2021-2026

Spend	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m	£m
General Fund						
Council Contribution:						
Unsupported Borrowing	17.103	8.525	7.660	8.776	6.223	48.287
Capital Receipts	0.423	0.254	0	0	0	0.677
Revenue contribution	0.577	0.746	0.500	0	0	1.823
Use of reserves	0	0	0	0	0	0
	18.103	9.525	8.160	8.776	6.223	50.787
Grants & Contributions	20.909	7.737	7.298	7.212	7.212	50.368
Total General Fund Resources	39.012	17.262	15.458	15.988	13.435	101.155
Housing – HRA						
Capital Receipts	0.750	1.886	2.871	2.689	2.984	11.180
Revenue Contribution	10.759	9.831	9.485	11.932	12.760	54.767
Major Repairs Reserve	14.853	14.326	15.044	15.328	15.680	75.231
Total Housing HRA Resources	26.362	26.043	27.400	29.949	31.424	141.178
TOTAL RESOURCES	65.374	43.305	42.858	45.937	44.859	242.333

- 6.1.3 The initial draft 2021-2026 Investment Plan for the General Fund includes expenditure of £39.012m in 2021/22. Of this expenditure, £20.909m (54%) is funded through grants and other external contributions.

General Fund receipts (£0.677m), already received, and housing capital receipts of £11.180m have been assumed in the financing of housing projects within the draft Plan.

Across the life of the draft Plan, unsupported borrowing totals £48.287m, with £15.603m planned for 2021/22. Of this, £6.701m relates to invest to save projects and projects that cover the cost of borrowing through recharges: namely, Streetlighting LED, Investment in North Tyneside Trading Company and Vehicle Replacement. The cost of borrowing is included within the General Fund Revenue Budget and Financial Plan.

Work is ongoing to finalise these draft proposals. There are currently a number of projects progressing through the investment gateway process where bids have been made for external funding. It is planned that these projects will be added to the Plan once funding is secured; no spend will be committed until funding is secured.

6.2 Flexible Use of Capital Receipts

- 6.2.1 Guidelines issued by the Secretary of State allow for the flexible use of capital receipts, subject to certain criteria being met. These guidelines cover the period up to 31 March 2022. This flexibility allows local authorities to use capital receipts to fund revenue expenditure incurred to generate on-going savings. In order to use this flexibility Authorities are required to disclose those projects they intend to fund using capital receipts. This can be done as part of the Budget-setting process.

6.3 Capital Allocations 2021/22

- 6.3.1 A number of capital allocations (grants) are announced by the Government as part of the Local Government Finance Settlement. These include education funding (Capital Maintenance and Devolved Formula Capital) (Department for Education), the Local Transport Plan (Department for the Environment) and Disabled Facilities Grants (through the Better Care Fund). Figures for 2021/22 have not yet been confirmed and therefore indicative figures, based on previous allocations, have been included in the draft Plan. As soon as actual allocations are announced, these figures will be updated and included in subsequent reports.

6.4 Annual Minimum Revenue Provision (MRP)

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

There are no changes proposed to the existing policy. The 2021/22 policy is set out in full below:

- (a) Existing assets pre 1 April 2007: MRP will be charged at 2% per annum;

- (b) Supported borrowing: MRP will be charged at 2%;
- (c) Unsupported borrowing: for all assets financed by unsupported borrowing, MRP will be charged over the estimated life of the assets. This may include assets financed through PFI schemes and finance leases;
- (d) Lease transactions treated as “on balance sheet”: an element of the annual charge to the Authority for the lease will be treated as repayment of capital (i.e. repayment of principal and interest). The principal element is effectively the MRP charge for the year. This MRP charge will be equal to the element of the rent/service charge that goes to write down the balance sheet liability; and
- (e) Loans made for capital purposes for which borrowing is taken out: MRP will be based on the actual principal repayment schedule relating to the loan provided.

In addition to repayments made under the above policy, it is proposed that a further Voluntary Revenue Provision of £3.000m is made in 2021/22 (£3.000m in 2020/21) to reduce the overall Capital Financing Requirement.

6.5 Prudential Indicators

- 6.5.1 The Local Government Act 2003 requires authorities to comply with the ‘CIPFA Prudential Code for Capital Finance in Local Authorities’. The Prudential Code requires authorities to develop a set of Prudential Indicators for capital as laid out in the Code. The proposed indicators for 2021-2025 have been prepared using this new guidance and are attached as Appendix D(iii).

7. 2021/22 Treasury Management

Background

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

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

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

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

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

- 1 This organisation defines its treasury management activities as:
The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks;
- 2 This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks; and

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

This Capital Strategy is reported separately from the Treasury Management Strategy Statement. Non-Treasury Investments are reported as part of this update. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure in an asset.

- 7.1.3 There are no policy changes to the Treasury Management Strategy Statement or Annual Investment Strategy which was last approved at Council on 20 February 2020; the latest Treasury Management Strategy Statement and Annual Investment Strategy have been included as Appendix E (i). The details in this report update the current treasury position in the light of the updated economic position and budgetary changes already approved.
- 7.1.4 Since 2 April 2020 there have been two instances of an exposure in excess of credit limits as per the Treasury Management Strategy Statement and Annual Investment Statement Credit Criteria. In Q2, Barclays' close of business balance was £0.8m over the £5m limit due to a late and unnotified receipt of cash. In Q3 2020, Barclays close of business balance £0.3m over the £5m limit, again due to a late an unnotified receipt of cash.

7.2 Treasury Management Reporting

- 7.2.1 In line with best practice, the Treasury Strategy including an Investment Strategy is considered as part of the Budget-setting process.

The Treasury Management Strategy (how investments and borrowings are to be organised), including treasury indicators; and an investment strategy.

Prudential indicators are covered earlier in this report, with detailed indicators within Appendix D(iii).

There are two other main reports each year, which incorporate a variety of policies, estimates and actuals which are approved by Cabinet. These reports are:

- **A Mid-Year Treasury Management Report**
This updates Elected Members with the progress of the capital position, amending prudential indicators as necessary, and indicate whether the Authority is meeting the strategy or whether any policies require revision; and
- **An Annual Treasury Report**
This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the Strategy.

7.3 Current Treasury Portfolio Position

7.3.1 The Authority's debt and investment position as at 31 December 2020 is set out in Table 7 below:

Table 10: Current Treasury Portfolio Position as at 31 December 2020

	Principal Outstanding	Average Rate
	£m	%
Fixed Rate Funding		
PWLB*	249.250	3.57
PWLB – (HRA Self-Financing)	128.193	3.49
Market Loans	20.000	4.35
Temp Loans**	32.500	0.92
Total External Debt	429.943	
Less Investments		
(UK) DMO***	14.000	-0.08
Other Local Authorities	40.500	0.40
Bank Deposits	6.455	0.01
Total Investments	60.955	
Net Position	368.988	

* Public Works Loan Board

** Loans from other local authorities

*** Debt Management Office

7.4 Prospects for Interest Rates

7.4.1 The Authority has appointed Link Asset Services as its external treasury advisor, part of their service is to assist the Authority to formulate a view on interest rates. Table 8 below sets out Link Asset Services' professional view of interest rates:

Table 11: Link Asset Services' forecast interest rates as at December 2020

	Bank Rate	5-year PWLB	10-year PWLB	25-year PWLB	50-year PWLB
	%	%	%	%	%
Mar-21	0.10	0.80	1.10	1.50	1.30
Jun-21	0.10	0.80	1.10	1.60	1.40
Sep-21	0.10	0.80	1.10	1.60	1.40
Dec-21	0.10	0.80	1.10	1.60	1.40
Mar-22	0.10	0.90	1.20	1.60	1.40
Jun-22	0.10	0.90	1.20	1.70	1.50
Sep-22	0.10	0.90	1.30	1.70	1.50
Dec-22	0.10	0.90	1.30	1.70	1.50

7.4.2 Link Asset Services currently forecast that the Bank of England base rate (the Bank Rate) will remain unchanged for the foreseeable future. The coronavirus outbreak has had a huge economic impact to the UK and economies around the world. After the Bank of England took emergency action in March to cut the Bank Rate to 0.25%, and then to 0.10%, it left the Bank Rate unchanged at its meeting on 6 August 2020 and the subsequent September meeting, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in the Bank Rate is expected within the forecast horizon ending on 31 March 2023, as economic recovery is expected to be only gradual and prolonged.

7.5 Economic Update (Provided by Link)

7.5.1 Economic performance has been driven by COVID-19 and the continued fallout for this worldwide pandemic. The Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10% and has remained at this level since. The Bank of England has committed to quantitative easing (QE) of £745bn. The fall in GDP in the first half of 2020 was revised from 28% to 23% and then subsequently to -21.8%, one of the largest falls in output in any developed nation. Peak unemployment has been revised down from 9% in Q2 to 7.5% by Q4 2020. It is currently forecast that there would be excess demand in the economy by Q3 2022 causing CPI inflation to rise above the 2% target in Q3 2022.

7.5.2 Any possibility of negative rates has been reduced in at the least the next six months or so; negative interest rates will be less effective when other methods are available. Whilst QE is the main method of economic stimulus, the £300bn announced between March and June meetings will continue into next year, suggesting a slow of purchases are to be expected to about £4bn a week. This allows the Bank of England to allow the economy to progress and be ready to dip in as necessary.

7.5.3 Overall, the pace of recovery is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.

Some longer-term adjustments to account for such as office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.

7.6 COVID-19 Impact on Cash

- 7.6.1 The impact of COVID-19 on cashflow for the Authority has resulted in several large grants being front-loaded to the Authority. In March 2020, the Authority drew down £25.000m of PWLB to bolster the Authority's cash position, de-risk our borrowing requirement and take advantage of historically low levels in PWLB, and by doing so has contributed to the surplus cash balance. Whilst a proportion of this is currently invested out for a fixed term, the Authority is currently carrying a cash surplus balance. However, it is anticipated this surplus will unwind as COVID-19 restrictions are reduced. Projected reduced revenue streams, increased costs and repayment of outstanding debt is forecast to utilise cash balances within the year. It is therefore prudent to assume that the Authority will be in a deficit cash position to the amount of the projected budget pressure.
- 7.6.2 The Authority is under-borrowed to the value of £57.655m as at 31 March 2020 and, whilst the Authority cannot borrow to fund this revenue pressure, it can look to utilise reserves, unwind its under-borrowed position and externalise borrowing.

7.7 Municipal Bonds Agency (MBA)

- 7.7.1 The MBA has, since the last mid-year update, undertaken two bond issuances with Lancashire County Council (LCC). The first bond issuance was undertaken in February 2020. A £350m inaugural five-year floating rate bond which is linked to SONIA was successfully issued. The second issuance was a £250m ultralong maturity (40-year) fixed rate bond. As noted by the bond denominations, bond issuances are particularly useful for raising large amounts of capital, and whilst the return of bond issuances is a favourable development for local authorities, the application to North Tyneside Council is limited. Nonetheless, the development of UK local authority bond market will be watched closely.

7.8 Development of Derivatives in the Local Authority Space

- 7.8.1 A recent development in the local authority treasury space has been Plymouth City Council which has undertaken the first interest swap deal since a High Court ruling in 1991 banned local authorities from undertaking such transactions. That ruling declared that local authorities had no power to engage in interest rate swap agreements because they were beyond their borrowing powers.
- 7.8.2 Plymouth Council undertook a £75m swap stating that the Localism Act 2011 gave local authorities in England a "general power of competence". Section 1 of the Act says: "A local authority has power to do anything that individuals generally may do." The legislation has enabled Plymouth to go through with the swap transaction. CIPFA and Link Asset Services, advisors to North Tyneside Council, are of the view that the derivative is ultra vires i.e. outside its legal powers.

7.9 Negative investment rates

- 7.9.1 While the Bank of England has said that it is unlikely to introduce a negative Bank Rate, at least in the next six to twelve months, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grant funding to local authorities to help deal with the COVID-19 crisis; this has caused some local authorities to have sudden large increases in cash balances to be invested, some of which was only very short term until those sums were able to be invested.
- 7.9.2 As for money market funds (MMFs), yields have continued to reduce. Some fund managers have suggested that they might resort to reducing fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a glut of money swilling around at the very short end of the market. This has seen a number of market operators, now including the Debt Management Account Deposit Facility, offer nil or negative rates for very short-term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions.
- 7.9.3 Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

7.10 Non-Treasury Investments

- 7.10.1 The definition of an investment covers all the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations. The definition of an investment also covers loans made by a local authority to one of its wholly owned companies or associates, to a joint venture, or to a third party.
- 7.10.2 The Authority recognises that investments in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios. It is recognised that the risk appetite for these activities may differ from that for treasury management. The Authority maintains records of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.

7.10.3 At 31 March 2020, the Authority held the following investments on its balance sheet:

- Equity:

Newcastle Airport Holding Company Ltd	£7.272m (£10.886m at 31/3/19)
North Tyneside Trading Company	£7.568m (£5.159m at 31/3/19)
LIFT Co	£0m

The shares in Newcastle Airport are held primarily for economic regeneration. The cost of the original investment was £0.235m and the shares in North Tyneside Trading Company relate to two subsidiaries. The first, amounting to £5.568m, relates to investment in affordable homes in line with the Cabinet's priorities using section 106 funding. The second, amounting to £2.000m, relates to investment in Aurora Properties (Sale) Ltd for the provision of housing for sale on the open market.

- Loans

High Point View	£1.329m (£2.650m 31/3/19)
Aurora Properties (Sale) Ltd	£4.000m (£2.059m 31/3/19)
Subordinated debt – Dudley and Shiremoor JSC	£0.160m (£0.160m 31/3/19)
Subordinated debt – Whitley Bay JSC	£0.110m (£0.110m 31/3/19)

High Point View: It is anticipated that this amount will be repaid over the next few months as the properties are sold.

Aurora Properties (Sale) Ltd. The loans are expected to be repaid over the next 3 years upon completion of the property developments.

7.10.4 The current 2020/21 and proposed 2021-2025 Capital Investment Plan includes further planned investment in the Trading Company of £8.005m (which includes £3.997m in section 106 funding). There are currently no losses expected on any of the Authority's non-treasury investments or any indications that a loss may arise. However, this position is kept under constant review as market conditions are expected to remain very volatile. Over the period of the Financial Plan (2020-2025), income from these investments is expected to be over £2.000m from staff recharges, interest and dividends.

8. Response to the Overview, Scrutiny and Policy Development Committee Recommendations

8.1 Summary

- 8.1.1 This section of the Annex considers the response required by Cabinet to any recommendations made by the Overview, Scrutiny and Policy Development Committee following its scrutiny and challenge of the 2021-2025 Financial Planning and Budget process.
- 8.1.2 The Budget sub-group of Overview, Scrutiny and Policy Development Committee has received two presentations and updates to allow consideration of Cabinet's initial Budget proposals. This is in line with the statutory and constitutional requirements for preparing the annual Budget.
- 8.1.3 Cabinet must formally respond to any recommendations made by the Overview, Scrutiny and Policy Development Committee in considering its final Budget proposals. It is therefore proposed that Cabinet considers any recommendations in relation to the General Fund Budget, the 2021-2026 Investment Plan and the 2021/22 Treasury Management Statement and Annual Investment Strategy at its meeting on 1 February 2021.
- 8.1.4 The sub-group met on 17 December 2020 and 12 January 2021 where senior officers presented Cabinet's Initial 2021-2025 Budget proposals. The following Cabinet members were in also in attendance to provide further insight if/when required.
- Councillor Bruce Pickard
 - Councillor Ray Glindon

8.2 Budget Sub-Group Considerations

- 8.2.1 The sub-group acknowledged that the Authority has delivered a balanced budget in the last three years without the use of reserves. However, it is clear many challenges lie ahead to delivering the priorities of Our North Tyneside Plan.
- 8.2.2 It was also acknowledged that if the Budget is unable to be balanced there would be a requirement to use funding from the strategic reserve. The sub-group acknowledged that this option should be one of last resort and understood that the financial plan was to maintain the strategic reserve at a minimum planned level of £10m over the lifetime of the Medium-Term Financial Plan. It also understood that the strategic reserves consists of funding that is not accessible as they are ring-fenced for planned projects.
- 8.2.3 The sub-group wished to highlight the benefit of the Poverty Intervention Fund that was a one off fund of £1m from the strategic reserve and accessible for use during 2020/21 and praised the foresight of the Authority as this fund had benefited the community through the pandemic.
- 8.2.4 There is concern to the loss of use and income that had shown the risks to sport and leisure & the demand for school meals offer. It is understood that this will bring a challenge for the Authority to encourage consumer confidence and to come back and reuse services in the future.

- 8.2.5 There is concern to the costs and risks and impact of increased demand in children's service, the support for families and care homes how to support them.
- 8.2.6 There is concern to the possible reduction in rental value of commercial property and risk in reduction in office values in our business parks.
- 8.2.7 With consideration to the Budget proposals and consideration to all the work the Authority and its services have delivered to its community throughout the pandemic is admirable.
- 8.2.8 The risks and uncertainty to have final Budget proposals due to delays have again arisen this year. It is understood that the COVID-19 pandemic has affected budget planning, however the continual delays to key local government reforms such as Fair Funding Review, Business Rates Retention, reforms to adult social care and a one-year settlement only increases difficulty for local government to plan effectively.
- 8.2.9 The sub-group acknowledged that it was a difficult activity to draft a budget based on many assumptions due to elements outside the Authority's control. However, it was encouraged during the detailed explanation of all the assumptions in presentations from officers that the outcome of the proposed 2021/22 Budget was a balanced Budget.
- 8.2.10 The sub-group acknowledged to respond to emerging changes in the future the Authority has developed plans and strategies that will aid the delivery of efficiencies.
- 8.2.11 Through the Budget the Authority continues to be ambitious in delivering the priorities of residents and businesses through it's Our North Tyneside Plan and the sub-group endorses the approach taken.
- 8.2.12 The sub-group wishes to commend officers of the Authority, its partners and volunteers for their work in the delivery of the services throughout the pandemic. It also wished to thank the Finance team for providing clear coherent information throughout this budget process.
- 8.2.13 There were two themes that the Committee considered needed to be emphasised further, these being:
1. The level of strategic reserve is provided each year and the Budget Sub-group is provided with a comprehensive explanation to the levels of committed/ringfenced funds for future use. The Committee raised that there continues to be some misunderstanding with residents and the press as it is often reported that the Council has access to an extensive level of reserves.
The Committee's recommendation is that the levels and use of the strategic reserve be more widely explained to the public.
 2. The Committee discussed the reporting of funding provided by Central Government to local authorities. It was expressed that the information provided by Central Government is given with a national context view and often reports the funding in billions and hundreds of millions.

The concern was that the funding received by North Tyneside Council from Central Government is not clearly understood at the local context by residents and businesses.

The Committee's recommendation is that a simple graphical representation of what funding has been or will be received by North Tyneside Council from Central Government may provide a greater understand to the public.

- 8.2.14 There were no recommendations made in relation to Cabinet's engagement approach or the initial Budget proposals for the General Fund, HRA, the 2021-2026 Investment Plan and the 2021/22 Treasury Management Statement and Annual Investment Strategy.
- 8.2.15 A further meeting has been arranged for the Budget sub-group to reconvene and consider Cabinet's draft Budget proposals for 2021-2025 that will take place on Tuesday 2 February 2021, where implications of this report will be considered. Any recommendations made at that meeting that may have an impact on the final Budget proposals will be considered by Cabinet on 8 February 2021.

9. Provisional Statement to Council by the Chief Finance Officer

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

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

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

The intention would be to make a full Statement as part of the report to the Council meeting on 18 February 2021, when all outstanding information should be available.

- 9.1.2 The 2021/22 Budget needs to be prepared with reference to the Financial Management Code (the FM Code) published by CIPFA. The FM Code provides guidance about the principles of good and sustainable financial management and requires authorities to demonstrate that processes are in place which satisfy these principles. It identifies risks to financial sustainability and sets out details of a framework of assurance which reflects existing successful practices across the sector. In addition, the Code establishes explicit standards of financial management and highlights that compliance with these is the collective responsibility of Elected Members, the Chief Finance Officer and the wider Senior Leadership Team. Full compliance with the FM Code is required when setting the 2021/22 Budget.

9.2 Robustness of Estimates

- 9.2.1 In assessing the robustness of estimates, the Chief Finance Officer has considered the following issues:

- The general financial standing of the Authority;
- The underlying Budget assumptions from the Financial Strategy;
- Ongoing financial impact of COVID-19 in relation to income and expenditure for both the General Fund and the Housing Revenue Account (HRA) on the General Fund Medium-Term Financial Plan and the HRA 30-year Business Plan;
- Future Budget pressures and growth proposals, including the impact of prudential borrowing for the 2021-2026 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 2019/20 Statement of Accounts, presented to the Audit Committee on 18 November 2020; and

- The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Authority.

The level of contingencies currently remains at £6.877m as these are draft Budget proposals which will be finalised by Cabinet once consultation is concluded and the final Local Government Finance Settlement is known.

Reserves, whilst relatively low, are adequate for the risks the Authority faces and can support the Efficiency Plan that is being set out.

- 9.2.2 The Cabinet is aware it must keep under review its Medium-Term Financial Strategy and four-year Financial Plan, in the context of the 2020-2024 Our North Tyneside Plan and known key financial risks. Future pressures need to be considered and the Authority should not take 2021/22 in isolation to future years' needs and pressures. Each year's Budget must continue to be considered within the context of the four-year Financial Plan, the four-year Investment Plan, the Financial Strategy and the global economic position prevailing at the time.

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 recognized as set down in the Authority's Financial Regulations and in the roles and responsibilities section of the Authority's Budget Management Handbook.

9.3 Capital Investment Strategy

- 9.3.1 In line with the 2017 'Consultation on Proposed Changes to the Prudential Code's' new 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 has ensured that that all projects within the 2021-2026 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.

In terms of the overall investment position of the Authority, as set out above, a draft 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 Council Plan outcomes.

9.4 Adequacy of Financial Reserves

9.4.1 General Fund

The 2021-2025 Financial Plan currently assumes £0.350m use of reserves of the Strategic Reserve to support the Budget. My view is that the current Financial Plan should aim to maintain the Strategic Reserve at a minimum planned level of £10.000m over the life of the Financial Plan. Any unplanned use of the Strategic Reserve over the 2021-2025 Financial Plan may take the level outside of this boundary and corrective action would be needed to demonstrate how the £10.000m agreed level would be restored. Table 9 below shows the reserves as at the 31 March 2020 and the projected reserve levels over the period of the Financial Plan:

Table 12: Reserves and Balances as at 31 March 2020 and from 2021/22 to 2025/26

Reserves and Balances	Projected Opening Balances					
	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Reserves						
General Fund ringfenced	22.492	22.981	21.805	21.191	20.626	19.300
General Fund unringfenced	19.181	17.990	16.640	16.140	16.140	16.140
General Fund Grants	9.435	2.781	2.255	1.956	1.687	1.582
Dedicated Schools Grant	(3.262)	(8.232)	(8.232)	(8.232)	(8.232)	(8.232)
HRA	19.102	18.752	19.048	19.522	19.934	20.282
Reserves Sub Total	66.948	54.272	51.516	50.577	50.155	49.072
Balances						
General Fund Balances	7.000	7.000	7.000	7.000	7.000	7.000
School Balances	0.165	(2.201)	(4.201)	(6.201)	(8.201)	(10.201)
HRA Balances	7.803	4.955	3.012	2.633	2.705	2.667
Balances Sub Total	14.968	9.754	5.811	3.432	1.504	(0.534)
Grant Total Reserves and Balances	81.916	64.026	57.327	54.009	51.659	48.538

9.5 Housing Revenue Account (HRA)

9.5.1 Table 10 below sets out the movement in reserves of the HRA. The Budget proposals ensure that a minimum of £2.500m is retained in HRA revenue balances each financial year covering the two years of the Financial Plan to ensure some measure of contingency and financial stability. The proposals, as they currently stand, also balance the Plan over the longer 30-year period, which is what the Government requires authorities to demonstrate as part of self-financing.

Table 13: 2021–2025 Housing Revenue Account Balances

HRA Forecast Movement on Reserves	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Opening Reserve Balance	(4.955)	(3.012)	(2.633)	(2.705)
Contributions (to)/from balances	1.943	0.379	(0.072)	0.038
Predicted Reserve Balance Carried Forward	(3.012)	(2.633)	(2.705)	(2.667)

9.5.2 Guidance on local authority reserves and balances is given in CIPFA's Local Authority Accounting Panel (LAAP) Bulletin 99. This states that "*Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option*", and so the proposed 2020/21 Budget does not contradict the issued guidance. The Bulletin does then go on to say that "*It is not normally prudent for reserves to be deployed to finance current expenditure*". The 2021-2025 Financial

Plan has been developed so that ongoing revenue expenditure is aligned to annual income with no long-term reliance on reserves.

10. Overall Financial Risk Assessment

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

10.2 Key Financial Risks

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

Table 14: Key Financial Risks and mitigating actions

Potential Risk	Initial Response
There is a risk that the levels of savings and income the Authority has included in the Budget proposals are not fully deliverable.	A robust challenge process has taken place to align proposals to the Efficiency Statement and how this enables the Authority to deliver its Efficiency Programme. This programme will then be monitored throughout the year to identify any areas which are not delivering savings as planned so corrective action can be taken.
There is a risk that if the Efficiency Programme is not successfully implemented the Authority may be unable to deliver improved services and meet the increased demand on the Authority's services within reducing resources. This could have the financial impact of the Authority not delivering on its Budget.	An overall Budget Proposal Document and Terms of Reference are in place for all existing and new Efficiency Programme projects. This spans all service redesign projects Monthly Updates to SLT are provided as part of the in-year financial management process. The Customer Service Steering Group will be sighted on the outcomes from any Service Reviews undertaken during 2020/21 and into 2021/22.

Potential Risk	Initial Response
<p>There is a risk that the assumptions that have been made based on the indicative settlement up to and including 2023/24 may be wrong, resulting in changes to the current targeted savings by 2023/24, for the General Fund and for the HRA, which will be considered by Cabinet in January 2020. This includes any assumptions with regards to the ongoing impacts of the COVID-19 Pandemic.</p>	<p>The Authority has demonstrated robust response to financial management actions if the assumptions that have been made prove to be incorrect. The Authority continues to work closely with national, regional and sub-regional financial networks to help ensure that it is informed and aware of any national developments. Being involved in the consultation process enables any issues or concerns specific to NTC to be highlighted before final decisions are made.</p> <p>The announcement of the Spending Review 2020 clearly gives more information regarding spending plans and financial support to Local Government for 2021/22. More detail has been set out in the Provisional Settlement which was announced on 17 December 2020.</p>
<p>There is a risk that, because of financial pressures within the Clinical Commissioning Group (CCG), the Authority does not receive a full transfer of funding from health to social care and the continuation of funding for existing services funded through the Better Care Fund (BCF) and S256 agreements. This would have a significant financial impact to the Council.</p>	<p>The Policy and Framework and Guidance for the BCF specifically requires that funding transferred for social care should, as a minimum, be at the equivalent level as that of 2016/17 plus inflation. Following escalation to a national panel, the BCF contribution from the CCG has been agreed and a Section 75 legal agreement is being drawn up on this basis.</p>
<p>There is a risk that not all growth pressures have been identified in the 2020/21 proposed Budget.</p>	<p>Detailed proposals have been put forward by each Head of Service and challenged by the Senior Leadership Team, Cabinet Members and the Elected Mayor.</p>
<p>There is a risk that demand-led pressures exceed Budget provision.</p>	<p>Demand-led pressures continue in areas such as Adults and Children's Social Care and the impact of the Living Wage on our care providers (and the price for services the Authority then has to pay) have been taken into consideration as part of these initial Budget proposals and continue to be closely monitored.</p>

Potential Risk	Initial Response
There is a risk that specific factors arising during 2020/21 have not been fully taken into account when preparing the 2021/22 Budget.	The 2020/21 financial position is monitored through bi-monthly reporting to Cabinet and monthly reporting to Senior Leadership Team. This process ensures that factors arising during the year are highlighted.
There is a risk that the in-year pressures being reported through the 2020/21 financial management process impact on the deliverability of the 2021/22 Budget.	As at 30 November 2020, a pressure of £1.510mm was reported against the 2020/21 Budget this included the impact of COVID 19. Core Business as usual had a pressure of £0.127m, which is expected to improve as we progress to year end. Unfunded Covid pressures currently stand at £1.383m at the end of November. An assessment of the ongoing impact and risk of those COVID cost pressures and income losses may continue into 2021/22 has been undertaken and considered in light of the levels of reserves.
There is a risk that the contingency provision included in the Financial Plan for 2021/22 is insufficient.	The review of the base Budget and the reflection of the 2020/21 pressures into 2021/22 have been considered as part of the financial planning process
There is a risk that there are insufficient levels of reserves and balances.	A full review of reserves and balances is undertaken on a regular basis as part of both the in-year monitoring process and planning process.
There is a risk that the Authority will be unable to protect its housing assets and services to tenants as a consequence of reduced income to the Housing Revenue Account. Government policy on welfare reform is resulting in a number of direct challenges to rent collection; the Spare Room Subsidy and the Benefit Cap have already had an impact. Further welfare reform changes, including the implementation of Universal Credit and its revised payment period, and changes proposed in the new Welfare Reform and Work Act 2016.	The Budget-setting process incorporates a review of the HRA business plan to reflect the changes. The cost and quantity of work within the 30-year Capital Investment Plan is revised annually to help mitigate the impact of changes. In addition, the Financial Inclusion Strategy sets out how the Authority and its partners will support its residents to better manage their finances and maximise their income. The Authority has representation on the MHCLG and CIPFA HRA working groups. This enables specific NTC issues to be raised and allows the Authority to comment and influence change on HRA regulation.

Potential Risk	Initial Response
<p>There is a risk that there may be a significant financial impact on school resources if the number of schools requesting deficit continues to rise at its current rate.</p> <p>This risk is currently driven by the number of surplus places at secondary schools.</p>	<p>The school deficit has been identified as a priority for the Authority and headteachers and governing bodies. A programme of work has been identified, working with schools to improve the school's deficit position. This will highlight the work that is required and through working with the schools a number of initiatives will be identified and progressed.</p>
<p>There is a risk that North Tyneside may be placed at a disadvantage following the decision to leave the European Union in both financial and economic growth terms. The full extent of the impact will not be clear until the Authority know the precise trade terms which will apply once Britain formally leaves the EU. This has a potentially significant financial impact due to loss of revenue grant and a potential loss of opportunities, i.e. capital grant and other revenue sources.</p>	<p>The potential impact from leaving the EU has been included in the Authority's Financial Strategy. This is helping to ensure that potential areas of impact following the EU exit are highlighted and included (where relevant) in budget planning. The Authority is a member of various regional groups which will help it keep up to speed on progress and have the opportunity to exert any influence that it can. It is inevitable that there will be some impact from the decision to leave the EU, the challenge is to manage the impact where possible.</p>