

North Tyneside Council

Report to Cabinet

Date: 29 November 2021

Title: 2022-2026 Financial Planning and Budget Process: Cabinet's Initial Budget proposals

Portfolio(s):	Elected Mayor	Cabinet Member(s):	Mrs Norma Redfearn
	Deputy Mayor		Councillor C Johnson
	Finance and Resources		Councillor M Rankin
	Housing		Councillor S Cox

Report from Service Area:

Senior Leadership Team

Responsible Officer:

Janice Gillespie, Director of Resources (Chief Finance Officer)

Tel: (0191) 643 5701

Wards affected:

All

PART 1

1.1 Executive Summary:

On 20 September 2021, Cabinet agreed its 2022-2026 Financial Planning and Budget Process incorporating the associated Engagement Strategy. This report represents a key milestone in the development of the 2022/23 Budget and 2022-2026 Medium-Term Financial Plan (MTFP), as it sets out Cabinet's initial Budget proposals for the next financial year and beyond.

The budget is driven by the Authority's key priorities that make up the Our North Tyneside plan – A thriving, secure, family friendly, caring and green North Tyneside. North Tyneside Council has a very clear and ambitious plan to maximise support to those who need it most in the community whilst investing in all areas of the Borough and building a strong foundation to recover from the pandemic.

Financial Planning continues to be challenging. There are tough times ahead, years of reductions in Central Government funding and uncertainty caused by the pandemic have left the Authority in a challenging position. The full financial impact of the pandemic is not yet known and whilst there have been some calls for optimism, like elsewhere in the country, many of the Authority's services, such as Adults and Children's Social Care, remain critically under resourced. While finance is directed

towards priorities of the Mayor and Cabinet, there are significant risks and a great deal of uncertainty at the current time.

The pandemic has affected everyone but for some residents the impact has been more significant. The refreshed Council Plan, and the Cabinet's approach to tackling the inequalities gap will bring challenges in terms of resources available to support the most vulnerable residents alongside the uncertainty of the longer-term impact on the Authority's income and expenditure.

On 27 October 2021, the Chancellor announced the Spending Review 2021 (SR21) that will cover the next 3 years (2022-23 to 2024-25). Key measures for Local Government include:

- Council Tax thresholds will remain at similar levels to recent years, with the threshold for "core" Council Tax increases remaining at 1.99% and the adult social care precept by a further 1%. Confirmation of the thresholds will be in the provisional settlement.
- Local Government in England will receive an additional £4.8bn increase in grant funding over the next 3 years (£1.6bn in each year).
- Additional funding will be made available for social care reform (£3.6bn over 3 years to implement "the cap on personal care costs and changes to the means test").
- From the £5.4bn social care reform funding, a further £1.7bn will be allocated over 3 years "to improve the wider social care system" and £500m will be made available to "improve" the social care workforce.
- There are various smaller allocations within the core funding announcement, including £200m for the "cross-government Supporting Families programme", £37.8m for cyber security, and £34.5m to "strengthen local delivery and transparency".
- There was no announcement about local government funding reforms (Fair Funding Review or business rates changes); however on 10 November 2021, the new Department for Levelling Up, Housing and Communities (DLUHC) announced that the Government had plans to abandon the approach to 75% Business Rates retention, advising that policy would conflict with the government's "levelling up agenda".
- In terms of any key announcements for the Housing Revenue Account, no indications were made that Central Government is expecting to impose any kind of cap on landlords for social housing rents.

SR21 has set out increased funding for Local Government; whether that is sufficient, when considered alongside inflationary pressures, demand pressures, and workforce shortages particularly across the care sector, remains a significant risk to the Authority. Added to that there continues to be significant uncertainty in terms of the financial settlement for Local Government and how the available funding will be distributed between local authorities through the funding formula from 2022/23.

The level of uncertainty is making financial planning extremely difficult and requires the Authority to be flexible and adaptable as it considers setting the 2022/23 budget and the Medium-Term Financial Plan 2022/23 to 2025/26. Financial planning within the Authority will ensure that it is well placed to react effectively to any outcome, however planning with this level of uncertainty is not conducive to effective long-term decision making.

1.2 Recommendation(s):

It is recommended that Cabinet:

- agree the key principles being adopted in preparing the Medium-Term Financial Strategy for the Authority, subject to an annual review;
- note performance against the Our North Tyneside Plan outcomes;
- consider and agree the initial Budget proposals in relation to the 2022/23 General Fund Revenue Budget and Dedicated Schools Grant, including the assessment in relation to the current year's Budget monitoring information;
- consider and agree the proposed 2022-2027 Investment Plan, including initial prudential indicators for 2022-2026 in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Framework and a proposed Minimum Revenue Provision (MRP) policy in line with capital finance regulations;
- note the draft Capital Investment Strategy and note that this Strategy will now be subject to consultation as part of the Budget Engagement Strategy;
- note that all approved schemes within the 2022-2027 Investment Plan will be kept under corporate review by the Investment Programme Board;
- consider and agree the initial proposals in relation to the Treasury Management Statement, Annual Investment Strategy for 2022/23 and Treasury Management Practices (TMPs);
- note the formal Reserves and Balances Policy for the Authority, subject to review at least annually;
- note the Provisional Statement by the Chief Finance Officer;
- consider and agree the 2022/23 rent policy for housing; and consider and agree the initial Budget proposals in relation to the 2022-2026 Housing Revenue Account budget, and associated Business Plan, including an assessment in relation to the current year's budget monitoring information (2021/22);
- note the proposed 4.1% rent increase from April 2022 (in line with Government policy), and the initial proposals in relation to housing service charges and garage rents for 2022/23;
- authorise the Director of Resources, in consultation with the Director 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 2022/23 in line with the school funding arrangements set out in the report;

- authorise the Elected Mayor, in conjunction with the Cabinet Member for Finance and Resources, Deputy Mayor and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of these initial Budget proposals, and
- authorise the Director of Resources to carry out consultation on changing the backdating rule for new claims to be backdated from 4 weeks to 26 weeks (where appropriate) in the Council Tax Support scheme.

1.3 Forward Plan:

Twenty-eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 29 October 2021.

1.4 Council Plan and Policy Framework

The Budget and Policy Framework Procedure Rules are set out in Part 4.7 of the Authority's Constitution. The Budget is guided by paragraph 4.7.3, covering the process for the preparation, consideration and final approval of the Authority's Council Tax requirement and Council Tax level. The statutory and constitutional requirements for preparing, considering, and approving these issues drive the timetable for the financial planning and Council Tax-setting process of the Authority.

The Financial Planning and Budget process is a fundamental part of the overall governance and assurance framework of the Authority. This in turn provides assurance that is considered as part of preparing the Annual Governance Statement each year.

The Budget proposals will also be presented to the Overview, Scrutiny and Policy Development Committee during the Budget-setting process. The priorities in the 2021-2025 Our North Tyneside Plan provide the strategic framework within which Budget resources are allocated.

1.5 Information:

1.5.1 Background

On 18 February 2021, full Council approved a Medium-Term Financial Plan for the period 2021/22 to 2025/26, providing a financial framework to support the delivery of the Authority's priorities as set out in the refreshed 2021-2024 Our North Tyneside Plan. The Budget set in February for 2021/22 was balanced, based on a robust set of assumptions in relation to the resources available, and prudent estimates of the expenditure that was necessary to deliver the Authority's Services.

The Our North Tyneside Plan 2021-2025 (the Council Plan) sets out the overall vision and policy context within which the Financial Plan and Budget proposals will operate. The Authority has worked to a clear set of priorities through the Plan and these priorities formed the basis of the framework for COVID-19 recovery in North Tyneside during 2020-21 and the early part of 2021-22.

On 23 September 2021, full Council approved the updated Our North Tyneside Plan, which was refreshed following the Mayoral Election on 6 May 2021 to reflect the policy priorities of the new administration and to consider feedback during the internal and external engagement carried out between 2 July 2021 and 15 August 2021.

The Our North Tyneside Plan 2021-2025 is structured in five key themes and each theme has a clear set of policy priorities:

- A thriving North Tyneside;
- A family-friendly North Tyneside;
- A caring North Tyneside;
- A secure North Tyneside; and
- A green North Tyneside.

The impact of the COVID-19 pandemic has continued throughout the financial year 2021/2022 and it is anticipated there will continue to be implications into future years, as the inequality gap has grown over the period of the pandemic.

As Budget-planning activity progresses, Cabinet will be aware that there is a significant amount of uncertainty remaining. The recent announcement of Central Government's Social Care Reform will have a significant impact for the provision of social care and how it is funded but the scale of new burdens for social care remains uncertain for Local Government.

Throughout the current financial year, the Authority has continued to act and respond to the COVID-19 pandemic; this has adversely impacted the financial position of the Authority. As Cabinet will be aware, in a normal year, it is challenging to deliver a balanced in-year position against the Budget. The financial impact of COVID-19 has compounded this challenge and as described in the September Financial Management report, the current estimated pressure due to COVID-19 at the end of September is £4.161m for the General Fund.

In addition to delivering business as usual, the Authority has continued to mobilise its workforce to undertake new responsibilities and lead the local response to the pandemic. The COVID-19 Support Hub was specifically set up to support and protect the clinically extremely vulnerable residents in the Borough during the first national lockdown when they were required to shield in their homes to protect themselves from the virus, this continued during 2021/22. Proactive work has continued to support the care sector to meet the additional operation costs due to COVID-19. The Authority has also had to administer grants to eligible businesses to help support the local economy, whilst also ensuring that the public and staff are protected by introducing effective control measures to public buildings and open spaces. In 2021/22, a further £39.211m of grants has been awarded to the Authority to continue to support the Borough's recovery from COVID-19.

Cabinet will be aware that some services had to be suspended during the initial escalation of the pandemic due to national lockdown measures. This led to a significant loss of sales, fees and charges income, with school improvement, leisure, cultural and catering services seeing the biggest income losses. On 2 July 2020, the Government announced that financial support would be provided to local authorities for income lost on sales, fees and charges. This income compensation scheme provided support for some of the income lost; however, the Authority was required to cover the first 5% of any budgeted losses. This scheme has been extended into 2021/22 but only to cover losses incurred during April 2021 – June 2021. This is estimated to equate to additional grant support of £1.335m. This area poses a specific risk for 2022/23 and the medium-

term as it remains uncertain. Some services are recovering well but it is likely that the Authority will continue to see reduced income levels in relation to sales, fees and charges in future years.

The impact of COVID-19 poses a significant risk to the local economy, which will influence the Authority's ability to raise resources. Initial concerns with regards to increased levels of unemployment, were realised in the early part of the pandemic where there was a surge in out of work benefit claimants, the pattern in North Tyneside being in line with the regional and national picture. Since that early peak there are been a steady decline in the level of claimants, but this is not at pre-pandemic levels yet. There have been fewer redundancies than expected and what is being seen locally, regionally and nationally are significant skills shortages, with employers reporting difficulty recruiting at the moment.

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

Over the course of the pandemic a vast range of measures were put in place to support the residents of North Tyneside and in particular the most vulnerable residents. Where residents were being supporting due to increasing financial difficulty the Authority saw the numbers of residents and families requiring support increase and a real increase in those residents and families who have never previously come forward for help where the impact of the pandemic had tipped the balance for those residents.

Demand for adult social care has surged at times as a direct result of the pandemic and it is possible that some of the increases in demand will continue into 2022/23. The care market has also experienced increases in operational costs and lost income due to under occupancy in some care homes which the Authority has supported with grants that have been received by the Government. There is a risk that a rise in the underlying costs will impact market prices which will not be covered by additional funding from the Government; this would leave the Authority with increased financial pressures in 2022/23.

In terms of children's social care services there continues to be significant financial pressure. Whilst the numbers of Looked After Children has remained fairly static the costs associated with looking after those children continues to increase due to complexity of the cases and lack of supply in the market pushing up supplier prices. The Authority has seen significant increases in the numbers of child protection and children in need cases because of the impact of COVID-19 on families. This has led to increased demand on the workforce, and the Authority continues to see the impact of competition across the region for children's social workers impacting on the ability to retain and indeed recruit staff. All this leading to additional financial risk and pressure.

In July 2019 full 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 2030. The Cabinet agenda today includes a report of the ongoing work programme and sets out the Authority's approach to meeting this policy ambition, with the expectation that an updated workplan will be brought back to Cabinet in 2022. The initial Budget proposals include investment in the capacity needed to respond to the global climate emergency, and it is expected the level of investment required locally and supported nationally will become clearer over the course of 2022.

Despite all this, Cabinet will be aware that in challenging circumstances the priorities, as set out in the Our North Tyneside Plan, continue to be met and that the Authority has a good track record of delivering those priorities within the funding resources that are available. This is evidenced by the fact that Cabinet have delivered balanced outturns, without the need to use reserves, in each of the last three financial years.

Whilst the approach to Budget-setting this year continues to feel different due to the pandemic and there is a significant amount of risk and uncertainty, Cabinet will continue to plan for the future listening and focusing on the priorities of residents and businesses. This includes producing a balanced Budget for 2022/23 and a Medium-Term Financial Plan which is based on a reasonable and prudent set of assumptions. Despite the unknowns, the residents and businesses that live and work within the Borough need certainty that the Authority is continuing to deliver services that meet their needs and that their money is being spent well.

1.5.2 Approach to Managing Uncertainty

Financial Planning has been carried out at a time of continued uncertainty as a result of increasing demand for some services due to Covid-19, the changing needs of the ageing population in North Tyneside and waiting for further details of a Fairer Funding formula. This section of the report sets out the key areas of risk and uncertainty and how the Mayor and Cabinet can approach the associated financial risks.

The Authority has continued to engage effectively with its NHS partners and has worked collaboratively with partners across the care sector. Adult Services continues to be heavily impacted by the Pandemic and other external factors. More recently the lack of capacity in the homecare market has seen care providers struggle to recruit and retain staff in a buoyant jobs market. The lack of homecare capacity has contributed to higher levels of short-term placements into residential care. As the NHS deals with addressing its backlog, Hospital discharges are higher than pre-pandemic leading to service capacity issue and the risk of more short-term placements in care homes which are difficult to change once in place. This has been addressed in the short term through additional provision of Home Care support by the Authority, and through a pilot Home Care project being delivered with NHS colleagues.

During this current financial year, the Authority has continued to work with the care sector, ensuring financial support is being promptly distributed to safeguard services for the most vulnerable residents in the Borough. The Authority has been working to strengthen its approach to commissioning and demand management across the care sector, ensuring that services will meet individuals' needs, maintaining a sustainable care market and ensuring that all services offer value for money. This will take account of the changing nature of demand for adult social care services and the challenges facing adult social care nationally, as stated previously, will be significantly impacted by the Social Care Reform proposals.

The latest estimates of the continued financial impact of the COVID-19 pandemic are set out in the September Budget Monitoring report. Many of the additional costs, lost income and savings not achieved in the current year may continue to have an extended impact on the 2022/23 Budget. As of September 2021, the total estimated financial impact of COVID-19 was £17.274m. This has been funded by £7.261m of the Local Authority Support Grant, £1.335m of Income Compensation for Sales, Fees and Charges losses and £4.517m of COVID-19 service specific grants, leaving a gap of £4.161m for the Authority to fund. Further details of this are included in Table 1 below.

Table 1: Estimated Financial Impact of COVID-19

Service	COVID-19 Impact	Costs Allocated to other Specific Grants	Net Impact of COVID-19
	£m	£m	£m
Commissioning & Asset Management	1.718	0.723	2.441
Environment Housing & Leisure	4.046	0.174	4.220
Adult Social Care	2.640	2.200	4.840
Children's Social Care and Public Health	4.141	0.782	4.923
Law and Governance	0.147	0.000	0.147
Central	0.167	0.000	0.167
Corporate Strategy	0.120	0.000	0.120
Resources	0.416	0.000	0.416
Total	13.395	3.879	17.274
Government Grants	(8.596)	(4.517)	(13.113)
2021/22 Net Impact			4.161

The approach to financial planning includes a risk assessment as to where some of the COVID-19 service impacts may continue into 2022/23. It is prudent to expect that there will be an ongoing financial impact and Table 2 below sets out areas assessed as medium / high risk which will be closely monitored as Budget-setting activity progresses.

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

Income		Expenditure	
Area of Risk	Risk Assessment	Area of Risk	Risk Assessment
School Improvement	Amber	COVID-19 secure buildings	Amber
Sport and Leisure	Amber	Demand in Children's Services	Red
Cultural Facilities	Amber	Adult Social Care	Red
Catering Services	Amber	Home to school transport	Red
Property Lettings	Amber	Increased bad debts	Amber

One of the key approaches to managing the range of financial risks is the ongoing review of the Authority's reserves and balances and any specific application/use to be considered. To that end, the Chief Finance Officer in consultation with the Cabinet Member for Resources and the Senior Leadership Team, is proposing to earmark £2.000m from the Strategic Reserve to manage the risk of the financial impact of the pandemic into 2022/23. In addition, a range of projects identified to mitigate current cost pressures across Adults and Children's Social Care services will result in the use of over £2.000m of the Change Reserve during 2022/23. It is also proposed, at this stage,

to increase the Contingency Budget to £6.368m to as a reflection of ongoing risks associated with the delivery of Children’s Services, delivery of Efficiency Savings and Inflation risks.

2020/21 saw an increase in the levels of Reserves. This was principally as a result of a significant number of one-off grants the Authority received during 2020/21. The grants were received to address pressures and specific actions to be delivered in response to supporting residents, businesses and Authority service delivery through the impacts of COVID-19. It is expected most of those grant reserves will be used during 2021/22, leading to a significant fall in the overall level of reserves at the end of 2021/22. The Reserves and Balances policy continues to be under review with the overall aim to maintain the Strategic Reserve at a level of £10.000m over the period of the Medium-Term Financial Plan.

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

2022-2026 Medium-Term Financial Plan

1.5.3 General Fund

The Elected Mayor and Cabinet have worked with the Senior Leadership Team (SLT) since the summer to prepare the draft Budget proposals. The Budget planning assumptions used for the 2022-2026 Medium-Term Financial Plan have been revised based on national, local, and internal information.

Resources available to the Authority have been revised to take account of the potential impact of COVID-19 on Council Tax and Business Rates. The SLT have reviewed the anticipated growth and efficiency assumptions and where necessary these have been revised. Table 3 below shows the high level Medium-Term Financial Plan for 2022-2026; the estimated resources available do not include any assumptions for an increase in Council Tax. Taking all the factors into consideration, the draft Medium-Term Financial Plan for the General Fund indicates a “gap” of £10.852m to be addressed for 2022/23. Without actions over the four-year MTFP period, the cumulative impact is £27.163m.

Table 3: 2022-2026 Draft Medium-Term Financial Plan

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Initial estimate of resources available	(164.542)	(170.417)	(170.950)	(172.949)
Spend assumptions	175.394	176.281	176.949	177.397
Gap/(surplus)	10.852	5.864	5.999	4.448
Cumulative Gap/(surplus)	10.852	16.716	22.715	27.163

The proposals above include the assumption that there will be no change to the Local Council Tax Support Scheme in terms of the level of contribution working age claimants are expected to make. Cabinet's intention is to change the backdating rule for new claims from 4 weeks to 26 weeks (where appropriate), recognising the need to support those new to the system and where possible provide more support.

1.5.4 Housing Revenue Account

Financial Planning for the Housing Revenue Account (HRA) like the General Fund is driven by the Council Plan vision and priorities. The HRA will set a budget and updated four-year Medium-Term Financial Plan, supported by the updated 30-year Business Plan.

Rent increases for next year are based on the Consumer Price Index (CPI) rate, as at September, plus 1%. The CPI rate announced for September 2021 was 3.1% which leads to a proposed rent increase for 2022-23 of 4.1%. This increase will be used to ensure that the 30-year HRA Business Plan can be balanced, whilst meeting all the Mayor and Cabinet's key objectives, which includes maintaining the existing stock, meeting increased Affordable Homes ambitions, and taking steps to respond to the Authority's Climate Change Emergency, by funding increased sustainability measures and starting to address the decarbonisation agenda.

Like the General Fund, the HRA continues to face financial pressures, some of which have been increased by the COVID-19 pandemic. The continued roll out of Universal Credit and other welfare reforms brings greater pressure on tenants in terms of managing their finances in a time of rising inflation. The Authority continues to focus on supporting residents to sustain tenancies, and help tenants manage their money so that they do not end up in financial hardship or significant arrears.

During the current financial year there is clear evidence of shortages of certain key materials such as steel and wood, accompanied by increasing prices as a result along with the current upwards pressure on inflation, effecting both the capital programme and the day-to-day repairs.

The 2022/23 budget and 4-year Financial Plan for the HRA are balanced with a small, planned contribution from reserves over the next 4 years as set out in Table 4 below.

Table 4: Housing Revenue Account 2022-2026 Initial Medium-Term Financial Plan – Available Resources and Estimated Spend

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Initial Estimate of Resources Available	(70.989)	(72.596)	(74.296)	(76.087)
Spend Assumptions	71.360	72.828	74.566	76.028
Net Gap/(surplus)	0.371	0.232	0.270	(0.059)

1.5.5 2022-2027 Draft Investment Plan

The 2021-2026 Investment Plan totalling £244.333m was approved by full Council on 18 February 2021. 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 £13.469m has been identified as part of the process and this spend is now included in the 2022-27 planned spend shown below.

Table 5: Summary of the Draft Investment Plan 2022-2027

Spend	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
General Fund	28.576	22.494	19.178	15.435	15.812	101.495
Housing	26.724	28.100	30.651	32.126	34.046	151.647
Total	55.300	50.594	49.829	47.561	49.858	253.142

A schedule of the individual projects included in the draft Plan is attached as Appendix B(i). All projects are subject to the Authority's Gateway process.

1.5.6 Dedicated Schools Grant

Cabinet will be aware that school funding is a matter for the Department for Education; either by direct funding agreements with academy trusts or delegated by local authorities to schools where budget management is the delegated responsibility of each governing body. As in previous years, Cabinet will need to determine the local formula to distribute funding to mainstream schools and academies for the financial year 2022/23. 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 2022. The local formula must comply with statutory guidance, but within these confines the final decision on the formula rests with the Authority after consultation with schools and the Schools Forum.

Table 6: Indicative Dedicated Schools Grant funding allocation 2022/23

	Schools Block £m	CSS Block £m	Early Years Block £m	High Needs Block £m	Total Indicative DSG 2021/22 £m
Indicative DSG Settlement	140.000	1.700	13.900	28.800	184.400

1.5.7 Options to reduce the gap

General Fund

The Medium-Term Financial Plan approved by full Council in February 2021 included a 1.99% general increase in Council Tax and a 3% adult social care precept for 2021/22. Government expectations included in the SR21 is that Local Government increases Council Tax by up to 1.99% and applies a 1% adult social care precept.

Should Cabinet consider the increases in Council Tax, based on current tax base estimates, this would raise approximately £3.100m of additional funding for next year (made up of £2.050m general Council Tax, 1.99%, and £1.081m from the adult social

care precept, 1%). The precise final level of any change in Council Tax will be confirmed in February 2022 following a decision by full Council.

The Mayor and Cabinet have already made decisions which result in options in 2022/23 and 2023/24 as shown in Table 7 below. The 2022/23 Efficiency Programme relating to prior years covers the following:

- (1) Contractual changes
- (2) Expenditure reduction
- (3) Income growth
- (4) Service provision – commissioning
- (5) Corporate

Table 7: 2022-2024 Efficiency Programme as at February 2021

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

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

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

Initial proposals developed for the 2022-2026 MTFP are summarised in Table 8 below

Table 8 Draft Efficiency Programme 2022-26

Efficiency Programme 2022/23	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Workforce Planning	(0.600)	(0.500)	0.000	0.000
Commissioning Planning	(2.050)	(0.100)	(0.100)	(0.100)
Digital Strategy	(0.588)	(0.039)	(0.108)	(0.085)
Asset Management Planning	(0.250)	0.000	0.000	0.000
Total	(3.488)	(0.639)	(0.208)	(0.185)

Housing Revenue Account

There are a number of areas where options have been developed for consideration to help balance the HRA and provide resources to move towards meeting Cabinet and tenants' ambitions. These have centred around:

- a) An ongoing review of bad debt provisions and the associated assumptions;
- b) A review of levels of in-year contingency provided within both the Management and Repairs budgets;
- c) Review of the approach to debt management within the Treasury Management Strategy for the HRA;
- d) Analysing Government rent policy to see if there is any likelihood of action to curb rent increases;
- e) Ensuring that the Authority continues to provide the funding necessary to meet the HRA elements of Cabinet's Affordable Housing ambitions;
- f) Ensure that the Authority has the resources available to continue supporting a programme of training and development through apprenticeships and the Working Roots scheme; and
- g) Identifying resources specifically to respond to the Council's declaration of a Climate Change Emergency, by undertaking sustainability measures within the housing stock that will reduce the Authority's carbon footprint and help move towards net carbon zero status.

2022-2027 Investment Plan Options

In addition to the agreed 2021-2026 Investment Plan, proposals for the 2022-2027 Investment Plan for consideration as part of Budget-setting are set out below:

- Addition of £0.250m for 2022/23 and £1.000m pa (total £4.250m 2022-27) to reflect the initial work underway in relation to Carbon reduction targets and enable progress to be made on this key priority;
- In view of the outcome of a number of building condition surveys, an additional £0.500m pa (total 2022-27 additional £2.000m) has been added to reflect identified requirements to maintain Health and Safety Standards; and,
- A new year 5 (2026/27) has been added to reflect rolling programme projects such as Asset Planned Maintenance, ICT refresh and sustained investment of £2m/annum on additional Highways Maintenance.

Dedicated Schools Budget - High Needs Block Dedicated Schools Grant

North Tyneside, like many local authorities both regionally and nationally, is experiencing an increase in the numbers of children with Special Education Needs and Disabilities (SEND). The number of children with an Education Health and Care Plan (EHCP) continues to increase and the complexity of the needs of those children and young people continues to grow. Responding to this increase in needs is creating pressure on the High Needs block of the Dedicated Schools Grant (DSG). The pressure within High Needs has continued to increase in 2021/22 with a forecast in-year outturn variance of £3.673m, bringing the estimated cumulative pressure to £12.553m. The indicative funding allocation for High Needs shows that the Authority will receive an additional £2.974m in 2021/22, however, it is not sufficient to address the underlying increase in need.

Where a local authority has an overall deficit on the DSG of 1% or more, it is required to submit a recovery plan to the Department for Education (DFE) setting out how it plans to bring the overall DSG account into balance. The Authority has a plan that is in place and

is working with the DFE to ensure delivery and to bring the DSG back into financial balance over a five-year period.

1.5.8 General Fund Initial Budget Proposals

Cabinet's initial Budget proposals are based upon available information and judgements at the time of the writing of this report. There are several assumptions and judgements built into the figures presented that are outside the control of the Authority and need to be finalised. The impact of the Council Tax increases as set out in SR21 are as set out in Table 9 below.

Table 9: Draft Medium-Term Financial Plan incorporating savings proposals and implications of 1.99% General Council Tax Increase and a 1% Adult Social Care Precept.

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Initial estimate of resources available	(164.542)	(170.417)	(170.950)	(172.949)
Spend assumptions	175.394	176.281	176.949	177.397
Gap	10.852	5.864	5.999	4.448
2022-2024 Efficiency Programme	(1.607)	(1.035)	0.000	0.000
2023-2026 Efficiency programme	(3.488)	(0.639)	(0.208)	(0.185)
Revised Gap	5.757	4.190	5.791	4.263
1.99 % Council Tax	(2.150)	(0.061)	(0.437)	(0.590)
1% ASC precept	(1.081)	0.000	0.000	0.000
Revised Gap	2.526	4.129	5.354	3.673
Cumulative Gap	2.526	6.655	12.009	15.682

These initial Budget proposals are subject to further review and consultation before they can be confirmed. The information to be assessed and finalised includes:

- The overall impact of the Spending Review 2021;
- The Provisional and Final Local Government Finance Settlement announcements for 2022/23, including capital announcements and specific grants, including the Dedicated Schools Grant (DSG);
- Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority Precepts (due February 2022);
- Levies, including the North of Tyne element of the Newcastle upon Tyne, North Tyneside, and Northumberland Combined Authority Transport Levy (due February 2022);
- Tyne and Wear Joint Service Budgets (due January/February 2022); and
- Consideration of the impact of the economic climate on the residents of the Borough and Council Taxpayers.

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

1.6 Decision options:

Option 1

Cabinet can agree the initial proposals set out in this report.

Option 2

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

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Due to external information still to be received, Cabinet is not able to finalise setting its proposed Council Tax level for 2022/23 in relation to the General Fund. This report will form the basis of Budget engagement and scrutiny over the next two months, but further work will inevitably be required before final decisions are made on the budgets for next year, hence the authorisation recommendation referred to in paragraph 1.6 above.

1.8 Appendices:

Annex 1 2022-2026 Financial Planning and Budget Process – Cabinet’s Initial Budget Proposals

Appendix A 2021-2025 Our North Tyneside Plan

Appendix B(i) 2022-2027 Investment Plan Summary

Appendix B(ii) 2022-2027 Housing Investment Plan

Appendix B(iii) Prudential Indicators 2022-2026

Appendix B(iv) Capital Investment Strategy

Appendix C 2022/23 Treasury Management Statement, Annual Investment Strategy and Credit Criteria

Appendix D 2022/23 Financial Planning and Budget Timetable of Key Future Decision Milestones

Appendix E Glossary of Terms

Appendix F HRA Business Plan 2022-2026

Appendix G HRA Financial Plan, Reserves and Contingency Movement 2022-2026

Appendix H Treasury Management Practices (TMPs) 2022/23

1.9 Contact officers:

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Amar Hassan, Finance Service
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Jacqueline Laughton, Corporate Strategy
Tel No 643 7070

Bryn Roberts, Law and Governance
Tel No 643 5339

1.10 Background information:

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

- 2022-2026 Financial Planning and Budget Process, incorporating the Council Plan and associated Budget Engagement Strategy, Cabinet 20 September 2021. The report items are as follows:

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

- CIPFA local authority reserves and balances;

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

- 2021/22 Financial Management Report to 30 September 2021 – Cabinet 29 November 2021;

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

- Autumn Budget and Spending Review 2021;

<https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents>

The report also refers to other documents which are available at the office of the author:

- 2022/23 Efficiency Business Cases;
- Constitution; and
- Annual Governance Statement.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

The financial implications arising from this report are appraised as part of the decisions made about what will be included in the Authority's Financial Plan, incorporating the 2022/23 Budget-setting process. Decisions on the Budget in relation to the General Fund, Housing Revenue Account, Dedicated Schools Grant, Investment Plan, Treasury Management Statement and Annual Investment Strategy need to be made within the overall context of the resources available to this Authority and within the legal framework for setting budgets. The Authority will need to closely examine the links with its key funding partners and their proposed financial plans, including an assessment of the impact of any grant fall-out over the proposed four-year resource planning period.

The report highlights that at this stage a further £5.757m of savings are required to balance the 2022/23 Budget, and over MTFP period savings of £15.632m are required. The assumptions leading to these forecasts are likely to change when the provisional Local Government Financial Settlement is announced. It is currently unclear if a 1-year or 3-year settlement is to be expected.

Cabinet and Council need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances proposed as part of the four-year Medium-Term Financial Plan for 2022-2026, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in July 2014. A provisional statement to Council by the Chief Finance Officer is included in the Annex to this report.

2.2 Legal

This report, setting out the 2022-2026 Financial Planning and Budget; Initial Cabinet Proposals, has been prepared in compliance with the Authority's Budget & Policy Framework Procedure Rules contained in the Authority's Constitution. As stated in the body of the report, once approved by Cabinet the initial proposals will be submitted to the Overview, Scrutiny and Policy Development Committee as part of the Budget-setting process. The outcome of that Committee's review will be reported to Cabinet in February 2022 so that the review can be considered by Cabinet prior to the proposals for 2022-2026 Financial Planning and the 2022/23 Budget being submitted to full Council for Approval.

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

2.3 Consultation/community engagement

2.3.1 Internal Consultation

Each Cabinet Member has been consulted on the individual proposals put forward in this report, with regular discussions held between the Senior Leadership Team, the Elected Mayor and Cabinet.

2.3.2 External Consultation/Engagement

The Authority 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 and through activities such as the Big Community Conversation. Due to the restrictions of the Covid Pandemic our face-to-face engagement has been limited but we have increased the amount of online engagement which included the first ever virtual State of The Area event and interactive engagement regarding the North Shields Master Plan.

In all its engagement activity, the Authority is committed to ensuring that residents with protected characteristics, as set out in the 2010 Equality Act, can participate. In line with this an Equality Impact Assessment has been undertaken on the 2022/2023 Budget Engagement Strategy and this is available on request.

2.4 Human rights

All actions and spending plans contained within the Budget are fully compliant with national and international human rights law. For example, Article 10 of the European Convention on Human Rights provides for a qualified right to freedom of expression, including the freedom to 'hold opinions and to receive and impart information and ideas without interference by public authority'. Article 8 of the Convention states that everyone has the qualified right to respect for private and family life and their home.

2.5 Equalities and diversity

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

To achieve this an Equality Impact Assessment (EIA) has been carried out on the Budget Engagement process. The aim is to remove or minimize any disadvantage for people wishing to take part in the engagement programme. Specific proposals on how services will seek to meet budgetary requirements will be subject to EIAs (Equality Impact Assessment), which will be informed by the findings of the Budget Engagement. A cumulative impact assessment of all of these will also be undertaken prior to Cabinet in January 2022 and will be made available to both Cabinet and full Council.

2.6 Risk management

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

2.7 Crime and disorder

The Authority has in place a range of services that promote the reduction of crime and disorder within the Borough and are funded through the annual Budget and are included in the Medium-Term Financial Plan. Under the 1998 Crime and Disorder Act, local authorities have a statutory duty to work with partners on the reduction of crime and disorder.

2.8 Environment and sustainability

The Our North Tyneside Plan states that "We will reduce the carbon footprint of our operations and will work with partners to reduce the Borough's carbon footprint." A number of the proposals will contribute to this including those to reduce the Authority's energy consumption. The environmental and sustainability aspects of individual proposals will be assessed in detail as and when agreed and implemented.

PART 3 - SIGN OFF

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