Annex 1

2022-2026 Financial Planning and Budget Process:

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

North Tyneside Council

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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 2022/23 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 Council 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 sections 7 and 8, 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. Our North Tyneside Plan

2.1.1 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. Since 2015 the Authority 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.

2.1.2 On 23 September 2021, 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 incoming administration and to consider feedback during the internal and external engagement carried out between 2 July 2021 and 15 August 2021.

2.1.3 The Our North Tyneside Plan is structured in five key themes and each theme has a clear set of policy priorities as set out below:

- A thriving North Tyneside
  - We will regenerate the high streets of North Shields and Wallsend, and in addition to the Master Plan for North Shields, we will bring forward Master Plans for Wallsend and Whitley Bay town centre areas. We will also bring investment and improvements to the North West area of the Borough and ensure that regeneration delivers ambition, opportunity and benefits for all our residents.
  - We will bring more good quality jobs to North Tyneside – by helping local businesses to grow and making it attractive for new businesses to set up or relocate in the Borough.
  - We will invest in adult education and to support apprenticeships to make sure people have the right skills for the job.
  - We will keep our libraries and leisure centres open as part of a vibrant range of cultural and sporting activities to support the health and wellbeing of our residents.
  - We will continue to be the destination of choice for visitors through the promotion of North Tyneside’s award-winning parks, beaches, festivals and seasonal activities.
  - We will reduce the number of derelict properties across the Borough.
  - We will review how the Authority purchases and contracts for goods and services to maximise value for money, social value and environmental sustainability.

- A family-friendly North Tyneside
  - We will support local schools, making sure all children have access to a high-quality education with opportunities to catch up where needed after the pandemic.
  - We will provide outstanding children’s services, events and facilities so North Tyneside is a great place for family life.
  - We will ensure all children are ready for school including through poverty proofing for the school day – giving our kids the best start in life.

- A caring North Tyneside
  - We will provide great care to all who need it, with extra support available all the way through to the end of the pandemic.

  - We will work with the care provision sector to improve the working conditions of care workers.
  - People will be cared for, protected and supported if they become vulnerable, including if they become homeless.
  - We will support local community groups and the essential work they do.
  - We will work to reduce inequality, eliminate discrimination and ensure the social rights of the people of North Tyneside are key to council decision making.

- A secure North Tyneside
  - Council wardens will work in partnership with Northumbria Police to prevent and tackle all forms of antisocial behaviour.
  - We will continue to invest £2m per year in fixing our road and pavements.
  - We will maintain the Council Tax support scheme that cuts bills for thousands of households across North Tyneside.
  - We will tackle health and socio-economic inequalities across the Borough including through our Poverty Intervention Fund to tackle food poverty; and
  - We will provide 5000 affordable homes.

- A green North Tyneside
  - We will keep increasing the amount of waste that can be recycled and introduce food waste collections and deposit return schemes.
  - Council environmental hit squads will crack down on littering.
  - We will secure funding to help low-income households to install low-carbon heating.
  - We will increase opportunities for safe walking and cycling, including providing a segregated cycleway at the coast.
  - We will publish an action plan of the steps we will take and the national investment we will see to make North Tyneside carbon net-zero by 2030.

Performance against the priorities in the Our North Tyneside Plan

2.1.4 Our North Tyneside Plan 2021-2025 was approved on 23 September 2021 by Council, following the Mayoral Election on 6 May 2021. A set of performance measures are being developed to monitor the progress of the new themes and priorities, which will be reported to Cabinet and Overview and Scrutiny Policy Development Committee in March 2022. An overview of current performance against the key themes for the Our North Tyneside Plan is set out below:

A thriving North Tyneside

- The 15-year Ambition for North Tyneside continues to successfully deliver a broad range of regeneration improvements across the Borough. Achievements in the last year include:-

  - Cabinet approved North Shields Masterplan on 25th January 2021 to regenerate the town centre and Fish Quay. Projects include enhancing the appearance of key areas, creating a new transport hub and interchange and town square to host events, markets and performances, improved walking and cycling routes in the town centre, a new cultural quarter based around a traffic

calmed Howard Street and riverside walkway linking the town centre to the Fish Quay.
  - The restoration of Grade 2 listed Georgian terrace on Northumberland Square completed and 28 new family homes delivered.
  - The former Swan Hunter site was sold in December 2020.
  - Northern Promenade Phase 1 improvement works completed renovating Rendezvous Café, public toilets and car park.

- Work currently underway include:-
  - Northern Promenade Phase 2 improvements works to complete the refurbishment of the promenade dealing with the original surface treatment and the remains of the former beach huts.
  - Northern Promenade Phase 3 improvement works to link the path at Briar Dene to the St Mary's Island Promenade upgrading the current informal path on the seaside of the Mini Golf Course.
  - A 15 Year Master Plan and investment programme for the Segedunum site is being developed, which will underpin future business planning and will help grow the visitor offer making it a more sustainable entity.
  - Further investment is planned in Killingworth Lake to build on the investment in Flood Defences and broaden and expand the visitor offer by further developing facilities and unlocking additional opportunities and activities. Proposed investment will include a Multi-Use Games Area, a new café opportunity and a health and fitness trail.
  - Further development of the Borough's Wagonways to improve connectivity, take a consistent approach to surfacing and treatment and promote the heritage of the network.
  - Planning in respect of Gateways across the Borough.

- The COVID-19 pandemic has had a significant impact on both North Tyneside businesses and residents from an economic point of view, mirroring the national picture. The number of employments furloughed on the government's Job Retention Scheme peaked in July 2020, at 28,000 employments, mostly in hospitality, construction, arts, entertainment and recreation sectors. The number of Universal Credit claimants living in the Borough increased by 90% following a sharp increase at the beginning of the COVID-19 pandemic. In October 2021, there were 18,435 Universal Credit claimants in North Tyneside.

- The number of registered businesses in North Tyneside has grown every year since 2011. There were 5,345 businesses registered in the Borough at the beginning of 2021. However, during 2021 the number of business start-ups have reduced by 24% between January-November 2021 compared to January-November 2020. Conversely job vacancy advertisements have increased by 75% at the end of December 2021 compared to the previous year. There has been a significant increase in the number of jobs advertised by the NHS during 2021.

- Leisure services were impacted significantly by national lockdowns and local restrictions during the COVID-19 pandemic, but services were delivered in a Covid secure way in line with government guidance. A Click and Collect was expanded across the library services.

- Three beaches in North Tyneside have been recognised by Keep Britain Tidy to retain their Blue Flag beach status, the internationally recognised gold standard for beaches. In addition, King Edwards Bay, Tynemouth Longsands and Whitley Bay have also been awarded Seaside Awards as well for excellence.

- All seven North Tyneside parks have retained their Green Flag awards from Keep Britain Tidy for meeting the highest environmental standards and offering good visitor facilities; Rising Sun Country Park, Benton Quarry, Marden Quarry, Killingworth Lakeside Parks, Wallsend Parks, Northumberland Park, and Chirton and Redburn Dene Parks.

A family-friendly North Tyneside

- In North Tyneside, 9 out of 10 children attend a school that is ranked as Good or Outstanding.

- As a result of the impact of the COVID-19 pandemic on examinations, the latest pupil achievement results was last captured in 2019. Headlines are;

  - 72% of children reached a Good Level of Development at the end of the Reception year in 2019, which has improved by 49% since 2013 and is in line with the national average (71.5%).
  - 67% of pupils achieved at least the expected level in reading, writing and mathematics (combined) at key stage 2. This is 2% above the national figure although a one percentage point decrease from 2018.
  - At key stage 4 attainment in 2019 is lower than the national average: 64.1% of students achieved 4 or above in English and Maths compared to the national average of 64.9%.

  - At the end of September 2021, 2.043.55% of 16-17-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 2.715.29%. During 2021, the number of Children in Care has increased. There were 315 in September 2021 (75 per 10k population), compared to 294 (70 per 10k) in September 2020, which is above the England average (67 per 10k), but significantly better than the North East average (108 per 10k). There has been an increase in the number of contacts, referrals and Children in Need during 2021.

  - Children's services won a national award for Workforce Transformation at the MJ Achievements Awards 2021, recognising excellence in local government services.

  - North Tyneside's Youth Justice Service was rated 'outstanding' by HM Inspectorate of Probation. North Tyneside Council is one of only two local authorities judged as 'outstanding' for both social care and youth justice.

A caring North Tyneside

  - In March 2020, the Authority set up a Local Support Hub with the Good Neighbour Project 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 15,000 residents identified as clinically extremely vulnerable and the

Local Support Hub, in partnership with VODA, has provided regular support with shopping, prescriptions and welfare calls to 2,000 clinical extremely vulnerable residents advised to “shield”. The Local Support Hub was “stood down” in July 2021 in line with the Government’s Roadmap for National Lockdown Easing.

- The number of people accepted as priority homeless during 2021/22 has increased during 2020/21, with 8472 people accepted as homeless between April-December 2021in 2020/21 compared to 456 during the same period last year2019/20, however homeless acceptances do include all rough sleepers who were placed in emergency accommodation throughout the COVID-19 pandemic. The Coronavirus Act 2020 gave social and private tenants more protection from eviction from 29 August 2020. However, the protection for renters concluded at the end of September 2021, which may be a contributing factor to the could potentially lead to an increase in residents presenting as homeless. On 24 May 2021, Cabinet approved An Inclusive Economy in North Tyneside, providing the framework for a range of projects and activities to make North Tyneside and its economy inclusive for all by focussing on seven fundamental areas; Education, Employment, Safety, Social equity, Housing, Connections and Environment. The strategy aims to remove the barriers, such as poverty and deprivation, residents with protected characteristics and the impact of the COVID-19 pandemic, which makes it difficult for people to take up employment and training opportunities and empower people with the skills and resources they need to take ownership of their future and secure good jobs with living wages.

A secure North Tyneside

- North Tyneside is one of the safest areas of the country to live, work and visit with comparatively low levels of crime. For the majority of residents Environmental Crime and ASB is not an issue, however the perception of feeling safe after dark is lower in some areas of the Borough. The Authority continues to work in partnership with key services represented on the Safer North Tyneside Partnership, which is vital to the Authority’s commitment to address community and public safety, crime and disorder and environmental crime issues. In October 2020, Cabinet agreed the new Environmental Crime and Anti-Social Behaviour Policy, which provides a consistent approach and framework to tackle ASB and environmental crime. The policy ensures that any enforcement action is clear, concise, proportionate, consistent and targeted to ensure a responsive, effective and value-added service.

- During 2021, there has been an increase in the number of claimants for the Council Tax Support Scheme, from 17,172 at the end of March 2020 to 17,543 at the end of March 2021.

- The impact of the COVID-19 pandemic on health and socio-economic inequalities in North Tyneside was analysed and provides the evidence base of the development of a multi-agency Health and Wellbeing Strategy.

- In September 2020, Cabinet agreed the approach and initiatives funded by the Poverty Intervention Fund to support key groups impacted by poverty; children, older people and families with children. Initiatives include-
    - Poverty proofing the school day
    - Benefits take-up campaign and support

  - School appropriate clothing
  - Holiday food
- The refreshed Our North Tyneside Council Plan 2021-2025 increased the ambitious target to create 4,000 affordable homes to 5,000 new homes. At the end of September 2021, 1,697 affordable homes have been completed so far since 2014/15.

A green North Tyneside

- During the COVID-19 pandemic, waste collection performance has been challenging as more residents have spent more time at home, leading to an increase in the amount of waste collected by the Authority, rather than through commercial collections from businesses and offices. A large number of residents have worked from home and some businesses have had to stop operating during periods of national lockdown and local restrictions. 61.5k tonnes of waste has been collected boroughwide between April-October 2021, which is 4k tonnes higher than during April-October 2019. and the amount of waste collected per household increased by 8%. The proportion of reuse, recycling and composting has dropped slightly by 1% to 41.15% at the end of October 2021 and amount of waste sent to landfill so far up to the end of October 2021 is 89%.

- Consultation on a scheme to create a continuous segregated cycle lane along the length of the North Tyneside Coast between St Mary's Lighthouse and North Shields Fish Quay/Town Centre is underway following a successful pilot scheme during 2020.

- Almost £9m funding secured to provide an additional 14 kilometres of cycle routes and improve active travel and public transport.

- At the end of September 2021, the Authority's carbon footprint has decreased by 52% since 2010/11, ahead of the target to reduce carbon by 50% by 2023. In July 2019 North Tyneside Council declared a Climate Emergency and set the target to become carbon neutral by 2050, however this target was brought forward in the refreshed Our North Tyneside Council Plan to make North Tyneside carbon net-zero by 2030. A Climate Emergency Board has been established to oversee a wide range of projects. Project highlights include:-
  - Council approval for over £4.3m funding to convert almost 20,000 streetlights to energy efficient LED, which will complete the street lighting LED programme.

  - The refurbishment of Killingworth Depot to deliver a fabric first approach, installation of efficient electrical and mechanical equipment, and installation of low carbon heating. Funding secured from the North East Local Enterprise Partnership Energy Accelerator programme for the development of a Heat Network feasibility study for the Killingworth depot site and surrounding commercial, industrial and housing units.

  - £4.3m funding secured from the Green Homes Grant Local Delivery Scheme to install low carbon heating, energy efficiency measures and renewable energy systems in over 500 homes with low-household incomes.

- £3.2m funding secured from the Public Sector Decarbonisation Grant to install low carbon heating and energy efficiency measures in four of the Authority's most carbon intensive buildings.

- Cabinet approved a revised North Tyneside Transport Strategy which aligned to the new Our North Tyneside Plan carbon net-zero 2030 policy ambition.

- The Authority has developed its first ever Zero Emission Vehicles (ZEV) Strategy and this is presented to Cabinet for approval on 29 November 2021.

- Increased the number of electric and ultra-low emission vehicles in the Authority's fleet. Secured funding for, and completed, an independent review of the Authority's fleet and options for decarbonisation. Trialled the use of an electric refuse collection vehicle.

- An increased number of energy efficiency and solar PV installations have been built into the draft Housing Capital Plan to be considered as part of the 2022-2026 Financial Planning and Budget Process.

- Securing funding to develop a North East Community Forest across North Tyneside, South Tyneside, Newcastle, Gateshead, Sunderland and Durham. This will provide 500 hectares of new woodland and canopy cover across the community forest area by 2025.

3. General Fund

3.1 Council Tax Support

3.1.1 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.

3.1.2 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.

3.1.3 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.

3.1.4 Council Tax Support under the 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. There is no proposed change to the cap being considered for 2022/23.

3.1.5 It is noted that COVID-19 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.

3.1.6 The financial risks the Authority is currently facing is such that there are no changes proposed to increase the cap in the current scheme. Options have been considered, however, as to how the Authority can provide further support to those residents who continue to be affected by the Pandemic. Currently working age claims can only be backdated 4 weeks where a claimant delays making a claim and has good cause for delaying; Cabinet is proposing that this is increased to 26 weeks to ensure that working age claimants do not lose out on entitlement from 2022/23; this will help some of the Authority's residents secure the support they need.

3.2 Business Rates

3.2.1 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, the Authority currently retains 49% of the business rates it collects and pays 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.

3.2.2 A number of announcements were made as part of the October Spending review that have a direct impact on Business Rates for 2022/23 and beyond and are seen as measures needed to continue to support business recovery from the impact of the COVID-19 pandemic. These include:

- The planned increase in the business rates multiplier will not be passed on to businesses in 2022/23. Freezing the multiplier in 2022/23 will cost £4.6bn over the next five years nationally (about £900m each year). The multiplier was due to be increased by 3.1%, in line with the September increase in the Consumer Prices Index (CPI) but instead the small business multiplier will remain at 49.9p in 2022/23. Local authorities will receive full compensation in the usual way, i.e. via a Section 31 Grant.

- There will be a 50% discount for retail, hospitality and leisure sectors (up to a maximum of £110,000) in 2022/23. Again, local authorities will be fully funded for the additional costs of the discount.

- Other reforms to business rates were announced by the Chancellor, including more frequent revaluations (from 2023), as expected, and investment reliefs to encourage green investment and premises improvements (any increase in rates payable delayed for 12 months) (worth an estimated £750m nationally).

These announcements should have no direct effect on the financial planning assumptions for the Authority as any loss of income will be fully compensated for.

3.2.3 The Authority continues to carry the risk that business rates could be impacted in the event of business closures or 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, on a positive note, the Authority has not seen a material reduction in the Rateable value, nor a surge in appeals against rateable values to date.

3.3 <u>Provisional Local Government Finance Settlement</u>

3.3.1 The Provisional Local Government Finance Settlement (the Settlement) is a key part of annual Budget setting. It provides the annual determination of funding to local government. The Settlement was published on 16 December 2021 and confirmed the additional £1.5 billion funding to local government and the allocation methodologies. In line with expectations, the Settlement was again only for one year, with confirmation that consultation on the Fair Funding Review (FFR) will begin in the spring of 2022 with the expected aim of implementing changes to funding allocations for the whole of local government in 2023/24. No detail on what the FFR formula would be or whether this would be linked to a Business Rate Reset, further Business Rate Retention or include consideration of the Public Health Grant was published with the draft settlement, so there remains significant uncertainty beyond 2022/23. Details of the Settlement are as follows:

(a) Confirmation that the Core Spending Power (CSP) will increase by 6.9% (£3.463bn). 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 2017/18;

(b) Band D Council Tax; 2% Council Tax referendum limit, 1% 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;

(c) **Services Grant £822 million** – a new one-off grant apportioned based upon the 2013/14 local authority Settlement Funding Assessment (SFA). Utilising this methodology ensures all local authorities including district councils receive additional funding. The Authority will receive £3.330m of this allocation, equating to 0.4% of the national allocation;

(d) **Social Care Grant additional £636 million** – an increase in this funding stream from £1.1 billion to £1.7 billion. This sum is apportioned to local authorities based upon the Adults Relative Needs Formula (RNF) alongside an element of equalisation to consider that local authorities can raise differing amounts from Council Tax increases due to varying size of each authorities council taxbases. This funding is only payable to upper tier authorities who provide social care services. The Authority will receive £2.799m of this allocation, equating to 0.44% of the national allocation, increasing North Tyneside's social care grant to £10.480m in 2022/23;

(e) **Revenue Support Grant (RSG) £72 million** – local authorities will receive an inflation uplift of 3.1% in line with the September 2021 Consumer Price Index (CPI) on their 2021/22 RSG allocations. The Settlement also announced that for 2022/23 2 existing grants would be rolled into RSG, Electoral Services Grant and Financial Transparency of Local Authority Maintained Schools. The Authority will receive an additional £0.354m of RSG funding next year, increasing RSG received to £11.797m;

(f) **Improved Better Care Fund (IBCF) £63 million** - local authorities will receive an inflation uplift of 3.1% in line with the September 2021 Consumer Price Index (CPI) on their 2021/22 IBCF allocations. The Authority will receive an additional £0.281m of funding next year, increasing the IBCF received to £9.578m; and

(g) **Reduction in New Homes Bonus (NHB) funding of £68 million** – it was previously forecast that the NHB may be abolished or substantially reduced from 2022/23. The Government have however agreed to continue the NHB funding for one more year. The allocation for 2022/23 nationally is £68 million lower than in 2021/22 due to two years payments falling out (2018/19 and 2021/22) and only being replaced by the 2022/23 allocation. Under normal circumstances this would be paid back to local authorities as 'Returned NHB'. This is not the case on this occasion with the NHB instead is being utilised to finance inflationary uplifts in the RSG and IBCF allocations. The Authority is forecasting it will receive £1.700m million in NHB funding in 2022/23, a £0.566m reduction from the current year.

3.3.2 Within the Settlement, the Government have confirmed that there would be consultation with the local government sector on the implementation of the Fair Funding Review (FFR). The FFR has been delayed for a number of years and it was thought the

Government may postpone the implementation until 2025/26. It is apparent however that the intention is to consult on the FFR in the Spring of 2022 with an expectation that this could lead to implementation in 2023/24.

No detail on what the FFR formula would be or whether this would be linked to a Business Rate Reset, further Business Rate Retention or still include consideration of the Public Health Grant allocation, there remains significant uncertainty beyond 2022/23.

The implementation of the FFR was originally expected to be introduced at the same time as the move to 75% Business Rate Retention (BRR). It is expected however that the move to 75% BRR will not occur in the current parliament. One significant element of the move to 75% was to be the integration of the Public Health grant into BRR and the implementation of the ACRA formula for the redistribution of this grant leading to a potential reduction in the grant allocation for the Authority.

Although the additional funding announced in the Settlement is welcome there remain risks for the Authority in the following areas:

(a) **Services Grant - £822 million** (55%) of the additional £1.5 billion of new funding for local government announced in the Comprehensive Spending Review (CSR) should be considered as one-off funding. The Government have stated that the 1.25% increase in employer's national insurance is to be financed from this funding stream, indicating some of the funding should be forthcoming to the Authority in 2023/24 although there can be no guarantee for the remainder of the funding. It is believed that the Government are treating this funding as one-off to provide flexibility to implement the findings of the FFR where there is expected to be significant winners and losers across the sector. The funding available could be utilised to provide transition funding for losing authorities over a number of years or to provide recurrent funding to ensure no authority loses funding. Under either of these scenarios the Authority could not guarantee receiving the funding it will receive through new Service Grant next year into 2023/24;

(b) **Social Care Grant** – although the additional funding is welcome it is disappointing that only 42% of the additional £1.5 billion has been allocated via this area when it is children's and adult social care where the major recurrent budget pressures are being felt by upper tier authorities; and

(c) **New Homes Bonus** – the Authority is receiving the final year of four years of recurrent funding from the 2019/20 NHB allocation in addition to a one off 2022/23 sum. In total the Authority will receive £1.700m in 2022/23. This allocation will not be received in 2023/24 and the unused £68 million of NHB nationally was used to finance inflation uplifts in RSG and IBCF in 2022/23. It is of concern that this method of utilisation could be considered in future years including being used to supplement transition funding for the FFR i.e. the Authority would have no guarantee of receiving any of the NHB funds in 2023/24.

3.3.3 In addition to the funding streams detailed above the Authority will receive an additional £0.016m from an uplift in the Lower Services Tier grant due to a small change in data driving the apportionment of the grant. The Lower Services Tier Grant will increase to £0.312 million in 2022/23.

The Settlement also announced the first tranche of funding from the health and social care levy. The £12 billion available nationally will be financed by the 1.25% in employers and employee's national insurance increase in April 2022 and of this allocation, £3.6 billion is to be paid to local government over the 2022/23 to 2024/25 period. It is expected that this allocation will be required for local authorities to cover costs and lost income associated with the following

(a) Adult care cost cap of £86,000 – this being expected over time to result in a loss of income to local government;
(b) Increase in means test asset threshold from £23,000 to £100,000 – again leading to an increase in costs to local authorities as a result of loss of income; and
(c) Self-Funders – the Government had indicated that from October 2023 self-funders could ask to be accepted on council care contracts therefore securing lower care costs. It was expected this would lead to increased costs to local authorities as care providers would seek increases in fees from the Authority to recover lost income from self-funders.

The Settlement provided further detail in relation to the funding available to local government, with an initial allocation of £162 million to local authorities in 2022/23 from a 'Market Sustainability and Fair Cost of Care' grant financed from the health and social care levy. The Government guidance in relation to this funding is that:

(a) local authorities will be required to carry out a Fair Cost of Care exercise for both adult residential and domiciliary care in 2022 the outcome of this exercise would then be implemented from 2023/24 onwards to ensure care providers are paid a fair cost for provision; and
(b) the funding would be £162 million in 2022/23 rising to £600 million in both 2023/24 and 204/25 to meet the outcome of that exercise.

The Settlement set out that the Authority will receive £0.696m in 2022/23, representing 0.43% of the £162 million national allocation. No details have been received in respect of the expected approach to the Fair Cost of Care. In addition, no allocation of this funding has been advised for 2023/24 and 2024/25 funding for both financial years despite being included in the Spending Review. As future years funding has not been announced the Authority's Medium-Term Financial Plan does not include funding allocations or associated costs of any associated increase arising from a Fair Cost of Care review at this time. An estimate of the Governments expectations in relation to the £3.6 billion funding to local government are detailed in Table 1 below:

Table 1 – Estimated national funding allocation for Market Sustainability and Fair Cost of Care 2022/23 to 2024/25

	Fair Cost £bn	Cost Cap/Means Test £bn	Total £bn
2022/23	0.162	0.000	0.162
2023/24	0.600	0.800	1.400
2024/25	0.600	1.400	2.000
Total	**1.362**	**2.200**	**3.562**

3.3.4 The major concern for the Authority will be whether the funding allocated to it will be sufficient to cover the additional costs and loss of income experienced from implementing the recommended changes.

3.3.5 At this stage there are no announcements of any additional COVID-19 support funding for local government. This position will continue to be monitored closely in the coming months. The Authority’s services which have been impacted by income losses are linked to the outcome of the pandemic and impacts upon the Budget will need to be carefully considered.

3.4 Core Spending Power (CSP)

3.4.1 The provisional CSP figures for the Authority would indicate a positive position compared to previous years. The England average is a 6.9% increase next year, whilst North Tyneside’s position is forecast to be 6.8%. A number of issues need to be considered in this regard however:

(a) the CSP calculation forecasts that the Authority will increase council tax by the full 2.99% available i.e. the 1.99% for General Council Tax plus and the new 1% adult social precept; and
(b) the CSP includes the new Market Sustainability and Fair Cost of Care grant of £0.696m which comes associated with a new burden and as such is not available to support core council service provision.

In terms of comparative CSP per dwelling Table 2 below compares the North Tyneside with the LA7 and ANEC authorities and the England average. If North Tyneside received CSP to the national average CSP of £2,155 per dwelling the Authority would receive an additional £17.142m.

Table 2 – Comparison of Core Spending Power Per Dwelling

Area (LA7, ANEC)	Core Spending Power Per Dwelling £
England	2,155
North Tyneside	1,984
Northumberland	2,096
Newcastle	2,154
South Tyneside	2,249
Gateshead	2,252
Sunderland	2,128
Durham	1,999
Hartlepool	2,214
Stockton	1,944
Middlesbrough	2,297
Redcar and Cleveland	2,096
Darlington	1,895

Overall, the provisional settlement is to be welcomed with additional funding being provided to the Authority next year, although circa 55% of the additional funding is one off and not certain for 2023/24 and beyond and there is no clarity on the future of the NHB.

4. Housing Revenue Account (HRA)

4.1 Introduction

4.1.1 Cabinet is being asked to approve the Housing Revenue Account (HRA) Business Plan and Budget for the financial year 2022/23. This includes housing rent, garage rent and service charge changes, and the HRA elements of the Investment Plan. The Housing Revenue Account is required to produce a 30-year Business Plan; however, a four-year Medium-Term Financial Plan (MTFP) for revenue has been produced which brings the HRA in line with the same MTFP period as the General Fund. The HRA elements of the General Fund and Housing Revenue Account Investment Plan spans a five-year period, in line with the Authority's overall Capital Investment Strategy.

4.1.2 Whilst the current economic situation presents significant challenges, the Authority is still able to produce a MTFP for the HRA, which enables just under £295m of revenue spend over the next four years to manage and maintain the housing stock and meet the aspirations of Cabinet and tenants.

4.1.3 As well as protecting the significant investment in the housing service delivered via revenue and the MTFP, the HRA also represents a significant element of the Authority's overall Investment Plan. In line with key Cabinet priorities over the next 5 years a total of £122.157m has been provided to enable the existing stock to be maintained at the Decent Homes Standard. In addition, in line with the Mayor and Cabinet's Affordable Homes pledges, a total of £30.580m has been identified to fund the new build schemes identified in the Affordable Homes Plan.

4.1.4 The proposals to resource the revised MTFP and 30-year HRA Business Plan have been subject to the agreed engagement process, along with consultation over the choices available to ensure the objectives can be achieved.

4.2 Background and Policy Context

4.2.1 The Authority is responsible for managing just under 14,500 houses. Rents and service charges provide most of the resources available to the HRA, which is then used to fund the management and maintenance of the housing stock. This income and expenditure are accounted for in a ring-fenced account as required by law under the Local Government and Housing Act 1989. Although accounted for separately, the HRA forms an intrinsic part of the Authority's overall vision and Council Plan, and this report sets the context within which the HRA Financial Plan and Budget proposals are set.

4.2.2 The Authority is still facing unprecedented times as it continues to transition from recovery to a "business as usual" state due to the Coronavirus pandemic. In line with virtually all areas of operation of services, housing has had to adapt and adjust to continue in providing key services to tenants. To date in 2021/22, the impact in terms of cost and service delivery has been much less severe than last year. The easing of restrictions and the gradual return of staff to the workplace. The budget proposals for 2022/23, where relevant, have sought to ensure that the impact of COVID-19 is minimised, and that resources are identified to cover increased supply chain costs where material shortages and delays are likely to arise.

4.2.3 The Authority is still facing the impact of the continued roll-out of Universal Credit and other welfare reforms, which brings greater pressure on the Authority's tenants in terms of managing their finances. The Authority's income collection teams, who have a responsibility to try and help sustain tenancies and help tenants manage their money so that they do not end up in financial hardship or significant arrears also face greater pressure. The result of which, if not properly managed, could have a direct impact on the bottom line of the HRA, and the quality of the services that are then provided.

4.2.4 Following the removal of the HRA debt cap in 2018, it is the responsibility of the Authority to determine the level of any unsupported borrowing it wishes to undertake to fund new build or decent homes work, in line with the Prudential Code, which means applying the key tests to ensure that any debt taken on is "prudent, affordable and sustainable". The approach to debt management is reviewed annually and is discussed in more detail below.

4.2.5 April 2019 saw the Housing Property and Construction Service (HPC) established as part of Environment, Housing and Leisure (EHL). The first year of operation was highly successful and saw circa £40m of works delivered across a range of areas across all the housing stock and public buildings portfolio. The benefits identified from the benefits realisation process were built into the HRA Business Plan at the point the service was established and continue to support core services and provide added value by funding initiatives such as the new tenant priorities budget within Housing Repairs.

4.2.6 2020/21 and the COVID-19 pandemic created new challenges for the Housing Property and Construction Service, as it had been embarking on an even more ambitious programme to deliver over £55m of works during 2020/21. As the Authority started to emerge from the initial lockdown period, services re-started which involved looking at new COVID-secure ways of working in order to keep everybody safe, and certain types of works had to be deferred due to social distancing. This process continued as more and more services were stood back up, and eventually the service delivered just under £45m of works across all areas in 2020/21, a significant achievement in the circumstances. For 2021/22, the service had targets to deliver just shy of £60m of work. Despite the continued pressures faced by the service, including material shortages and delays, work programmes have been progressing well to-date and the current forecast is that the service will deliver over £57m of work by year-end. In financial terms, every scheme is looked at individually to see what safety and social-distancing measures are required. These issues have been considered in the sums provided to fund the Authority's Housing Asset Management Plan. As well as COVID-19 considerations, a full review of the Asset Management Plan has been undertaken with further work on-going to continue to improve and create a repairs and construction service that best meets the needs of the Authority's tenants and residents, whilst delivering greater efficiency and improved value for money.

4.2.7 These challenges continue to be considered as part of the updating of the 30-year plan which aims to ensure the long-term viability of the HRA in line with the policy direction of the Mayor and Cabinet and the needs of tenants. For the purposes of the current Financial Planning and Budget process, a four-year MTFP has been developed in line with the approach adopted for the General Fund. Cabinet is advised that projections beyond 2022/23 are indicative at this stage. A five-year timeframe is being proposed for the Housing Capital Investment Plan in line with the 2022-27 General Fund Investment Plan.

4.2.8 HRA tenants have been consulted on these proposals, and the process concludes with this meeting of Cabinet which is being asked to approve the HRA Business Plan and Budget for 2022/23, including the housing rent, garage rent and service charge changes along with the Housing Capital Investment Plan.

4.3 Key Objectives and headline assumptions for the Housing Service

4.3.1 The objectives for the Housing Service are in line with the agreed Housing Strategy and are to:

1. Ensure the application of the principles of economy, efficiency and effectiveness.
2. Continue to invest in the existing stock to maintain the Decent Homes Standard.
3. Maintain and develop effective engagement with tenants.
4. Continually monitor the impact of changes such as Universal Credit and other welfare reform on tenants and ensure they have the appropriate support.
5. Work with private landlords to refurbish stock where appropriate.
6. Undertake environmental improvements to estates to ensure that they are clean and safe.
7. Support the delivery of Affordable Homes across the Borough.
8. Specifically increase the delivery of new-build homes where practicable.
9. Create sustainable tenancies and maximise rental income collection.
10. Undertake sustainability measures across the housing stock, as appropriate and affordable, to help address the Climate Change Emergency.
11. Continue to invest in the Authority’s Apprenticeship programme to ensure that it develops the workforce to sustain and improve housing services in the future.
12. Continue to support the Working Roots programme to give some disadvantaged young people the chance to learn new skills, gain meaningful qualifications, and in some cases embark on a career.

4.3.2 The key headlines for the HRA Budget for 2022/23 are as follows:

1. <u>Rent and Service Charges</u>

A) Rent Policy: April 2020 saw the re-introduction of rent increases based on the Consumer Prices Index (CPI) plus 1% for at least the next five years. The baseline for 2022/23 is the CPI rate as of September 2021 which was 3.1%. The rent increase proposed for 2022/23, in line with Government policy, is 4.1%. The CPI rate has been steadily falling since the start of the COVID-19 pandemic, and hit a low in August 2020 of 0.2%.. Since then, the inflation rate has started to rapidly increase, with experts initially predicting that the rate would hit 5% early in 2022, however the 5% mark was breached in October 2021. Current forecasts vary but the rate is estimated to remain high well into 2022, which may impact on the following year’s proposals. The impact of the 4.1% increase on the HRA Business Plan is to increase forecast rental income, however it also is accompanied by the prospect of significantly increased costs as well due to material shortages, particularly for certain items e.g. steel.

The package of measures included within these budget proposals should be sufficient to ensure that the HRA has a balanced plan over 30 years, and be able to support the Cabinet and Mayoral priorities of:

- A commitment to deliver more affordable housing by increasing the resources available for the HRA element of the Affordable Homes strategy.
- Maintaining the tenants' priorities budget within repairs to focus on key areas of need; those initial areas being pest control, empty homes standard and property health checks.
- Strengthening the resources available to support tenants in coping with the changes arising from welfare reform and the continued roll-out of Universal Credit.
- Ensuring that existing housing stock is maintained to the Decent Homes Standard.
- Identifying resources to undertake sustainability measures across the housing stock to start to tackle the Climate Change Emergency declared by the Authority.
- Continue to support the Apprenticeship and Working Roots programmes.

B) It is proposed to increase service charges for 2022/23 in line with the CPI element of the rent increase. For most service charges for 2022/23, the increase will be 3.1%.

C) A review of the garage letting process was concluded and implemented in 2019/20 which resulted in a phased approach over two years to harmonise garage rents. This exercise was completed last year, so for 2022/23 it is recommended that garage rents will increase in line with service charges being based on CPI which will see a 3.1% increase.

D) The Authority will continue to move to target rent when properties become empty.

E) An initial review of service charges attached to North Tyneside Living schemes has been undertaken, and service charges attached to those schemes will be increased in line with CPI, a 3.1% increase. However, as the schemes continue to become established and fully operational, the Authority is endeavouring to gather more accurate trend data and ensure that service charges reflect actual costs as closely as possible.

F) The Authority continues to monitor the impact of welfare reform changes. Service charges on affordable rent properties are not exempt, as the 80% of market rent calculation includes any service charges. The importance of ensuring that tenants are kept fully informed of the requirements of the new scheme is fully recognised and ensuring that they are supported in managing the impact of change. In North Tyneside, Universal Credit numbers continue to increase and at the end of November 2021 there were 3,653 tenants on Universal Credit in arrears, totalling £2.961m, up from 3,199 tenants and £2.683m of arrears the previous year. The Authority had already allocated additional resources to support those tenants affected by the changes in previous year's Budgets. The COVID-19 pandemic had delayed recruitment initially, but most posts have now been filled, and tenants are getting more of the support they need. This has been evidenced by a slow-down in the rate at which arrears have been increasing, albeit they are still rising, and the pressure continues upwards. Members will continue to be updated of any significant further welfare reform changes as they become clear.

G) The policy of tenants' weekly rent being spread over 52 weeks rather than 50 weeks will continue, although for those tenants that wish to continue paying over 50 weeks that option is available.

2. The Housing Investment Plan 2022-2027

The Housing Capital Investment Plan has been refreshed based on the revised Asset Management Strategy, along with revised sums identified to fund new build proposals. The key assumptions that have been made in developing the Housing Capital Investment Plan for 2022-2027 are as follows:

A) Acknowledging the impact of the COVID-19 pandemic, recognising that there will need to be additional consideration given to ensure all COVID-secure measures are followed in the workplace and out on site, which may require different welfare arrangements depending on the site, additional PPE, sanitisers etc.

B) Review of Housing Investment Plan spend based on maintaining Decent Homes, continuation of a fencing programme and other core items included in the refreshed Asset Management Plan, would see core spend of £122.157m over the next 5 years 2022-27, plus new build spend of £30.580m based on continuing the existing approach to HRA new build within Cabinet's overall Affordable Homes Strategy; and

C) Spend for 2022/23 of £27.814m including £4.580m for the continuation of a new build / conversion / acquisition council house programme (including re-programming from 2021/22).

These figures are based on maintaining the key principles of Cabinet's existing approach to debt management and self-financing.

3. Housing Repairs Budget 2022/23

Cabinet was presented two years ago with a proposal to create a Tenant Priorities budget from some of the savings realised from the creation of the Housing Property and Construction Service. A significant amount of work was undertaken to look at tenant priorities, and a list of options for prioritising resource allocation was put forward. For 2020/21 and 2021/22, the following were given priority:

- Improving the Empty Homes standard;
- Free pest control service for tenants; and
- Property health checks i.e., scheduled maintenance visits as opposed to reactive ones to properties identified as high maintenance.

These priorities were extended for a second year due to the delays caused by the pandemic. In light of the positive reaction of tenants to the property health-checks and the improved Empty Homes Standard, it is recommended that these areas remain the focus of the tenant priorities budget for 2022/23, as the objectives remain key to meeting tenants' aspirations.

4. ICT Systems Review

2021/22 saw the start of a major exercise to fundamentally review all the Housing ICT systems currently in use across the Service. A key aim is to test the market and get as close as possible to a "unified" system that can meet most of the service's needs. This is a major project requiring dedicated resources along with a proper governance process to ensure success. Revenue and capital resources have been identified and built into the HRA Business Plan over a 4-year period which started in 2021/22 to enable this work to be carried out. The figures will be revised and confirmed as appropriate as project plans and the tender and evaluation process develops.

5. HRA Unallocated Working Balances

Sustain unallocated working HRA balances at a minimum of £2.5m at this stage.

6. Right to Buy (RTB) Sales

RTB sales have increased significantly since the start of self-financing at the end of 2011/12.

Table 3: Right to Buy Sales 2011/12 to date

2011/12	30
2012/13	85
2013/14	122
2014/15	100
2015/16	135
2016/17	136
2017/18	158
2018/19	135
2019/20	120
2020/21	115
2021/22 to-date (Nov)	107

As part of changes the Government introduced in 2012/13, the Authority signed an agreement that allows RTB receipts above the levels assumed as part of self-financing to be retained if they are used to fund new build homes at a 30% contribution rate within three years. In the last 12 months these rules have been relaxed slightly to allow us up to 5 years to spend the money, and to use the funding at an intervention rate of up to 40%. This agreement has seen an additional £6.933m of capital receipts retained to the end of 2020/21, which has helped deliver £21.015m of new build schemes. The trend in RTB sales is reflected in the 2022/23 Business Plan profile for stock numbers.

7. Treasury Management Strategy (TMS) and the HRA Borrowing “Cap”

The HRA is an integral part of the Authority’s TMS. When self-financing was introduced in 2012/13, all stock-retaining authorities had to decide on their approach to debt. Each had to either take on additional debt or have debt paid off, based on the assessed ability of the level of debt that their business plans could be expected to manage. For North Tyneside this meant borrowing £128m of loans from the Public Works Loan Board to pay the Authority’s allocated share of debt to the Treasury. Each Authority was allocated a “cap” representing the maximum amount of debt that could be held by the HRA. This Authority was one of only a handful nationally where the debt held was above the “cap”. Actual debt was £290.825m compared to the calculated cap of £270.585m but the Government “flexed” the cap to match the actual position.

All authorities were in different positions regarding actual debt held and the cap; most were below but many were at or near the cap which restricted their options. Each authority had to decide what debt and risk approach they would take to both fund investment in existing stock and potentially any new build opportunities. Cabinet agreed at this point to set aside money where possible to repay debt each year, to bring the overall debt holdings down below the cap. The recommended strategy was not to seek to repay all debt held over the initial 30 years. This approach enabled revenue surpluses to be created, which have been utilised to fund a programme of HRA new build spend totalling £21.015m to the end of 2020/21. By the end of March 2021, the Authority's actual HRA debt stood at £249.673m compared to the original £290.825m "cap", and by March 2022 it is anticipated that the debt will drop further to £244.673m. The Authority has therefore already created some headroom due to the prudent approach agreed by Cabinet to its Treasury Management Strategy.

These 2022/23 final Budget proposals are based on the existing Cabinet agreed policy approach to debt. Last year there was a slight adjustment to the approach, as the rate at which debt is repaid was slowed down, in order to help fund a package of savings to counter the loss of an estimated £45m of rental income due to the low rate of CPI in September 2020. Based on the current approach to debt management it is estimated that up to a further £102m of debt could be repaid over the next 30 years, compared to £105m in the base model on an assumed target 3% rent increase per annum.

The Table 4 below shows the reduction in HRA debt included in the current proposals:

Table 4 – Impact on HRA Debt 2022-2052 of Revised Business Plan

Description	**Debt Movement £m**
Opening Self-Financing Debt	290.825
Opening HRA Debt 01/04/2021	244.673
Closing HRA Debt after 30 Years	142.226
Debt Repaid over 30 years	102.447
Debt Repaid from start of SF	148.599

8. Self-Financing and Depreciation

From 2017/18 the Government has required that all local authorities calculate a true depreciation charge as a true bottom-line cost to the HRA. The approach developed by this Authority calculates a simple depreciation charge based on splitting investment works across several component elements of a building and linking that to the way the Authority's properties are valued using several "beacon properties" i.e., a sample of properties which represent the different standard types of properties held by the Authority. The level of depreciation calculated using this method will be able to be contained within the amounts currently budgeted in the 30-year HRA Business Plan, and these sums are allocated directly to fund the Housing Capital Investment Plan.

4.4 HRA Summary Financial Plans

4.4.1 In summary, the HRA Business Plan modelled to create these final Budget proposals for 2022/23 has the following key assumptions, most of which are based upon continuing with current Mayoral and Cabinet policy priorities:

- Additional rental income of CPI plus 1%, with a proposed rent increase for 2022/23 of 4.1%, with a longer-term assumption based on CPI target that equates to 3% per annum;
- Garage rent and service charges will increase in line with CPI increases of 3.1% for 2022/23;
- The Tenant Priorities budget created last year will be maintained, particularly as much of the agreed work was halted during 2020/21 by the pandemic, and there has been a positive reaction by tenants to the approach being taken in the priority areas identified;
- Continue supporting the Authority's Apprenticeship programme and the Working Roots scheme;
- Resources identified over the next three years to complete the full review of current ICT systems and produce an options appraisal of future needs for the service, and then procure and implement the agreed best solution;
- The base Housing Capital Investment Plan has been refreshed based on an update of the Asset Management Plan and includes continuation of a new build programme in line with Mayoral priorities and the Affordable Homes Plan; and,
- Resources have also been identified to tackle the Climate Change Emergency declared by the Authority, to undertake a range of sustainable measures across the housing stock to reduce the carbon footprint.

4.4.2 The updated HRA Capital Investment Plan for 2022-2027 contains over £30m to support the HRA new build programme over the next five years, whilst continuing to repay some debt. The potential impact of the COVID-19 Pandemic and Brexit on interest rates and borrowing rates continues to be monitored to assess any possible impact on the HRA Business Plan. It is prudent that Cabinet maintains its current borrowing policy at this stage, until more surety can be gained over future economic trends.

4.4.3 Appendix C (ii) shows the revised four-year HRA Business Plan 2022-2026, and Appendix C (i) splits the changes included in the HRA Business Plan between Pressures and Growth, Efficiencies and Reserves and Contingencies. The HRA Business Plan for 2022-2052 (available as a background paper) starts with an assessment of the budget monitoring position as of 30 November 2021, and the impact on HRA balances for this year. At that point, as was reported to the 24 January 2022 meeting of Cabinet, the HRA was predicting an underspend of £0.381m against Budget for 2021/22, due to a combination of improved rental income forecasts and savings against Bad Debt Provision and Management Contingency. The impact of COVID-19 whilst still being felt is not forecast to have anywhere near as significant a budgetary impact in 2021/22 as was experienced the previous year. This means that the opening balances feeding into the Business Plan as at 31 March 2022 are forecast to be £3.440m, as shown in Appendix C (ii).

The five-year Housing Investment Plan 2022-2027 is included within Appendix D (ii).

Appendix C (i) also shows a further breakdown of the movement on reserves and contingencies which includes a contribution from reserves of £0.371m for 2022/23. It is not proposed to reduce contingency budgets in 2022/23 following a review and revision of the levels held for the 2021/22 budget, with separate provision made for inflation and pay awards of £0.663m for 2022/23 (including provision for increased material and subcontractor costs).

5. Dedicated Schools Grant (DSG)

5.1 Background

5.1.1 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. In 2022/23, 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.

5.1.2 The 2022/23 DSG allocation for North Tyneside is £184.788m, which is an increase of £5.025m (2.8%) on the funding received in 2021/22. Table 5 below shows the funding allocated to each of the funding blocks. The 2022/23 Schools block allocation includes teachers' pay award and teachers' pension grants.

Table 5: Schools Block 2021/22 Allocation compared with Prior Years

	2017/18 Baseline £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22* £m	Actual for 2022/23** £m	2021/22 to 2022/23 £m
Schools	115.395	116.594	120.926	126.794	137.231	139.273	2.042
Central School Services	2.500	2.314	2.343	2.051	1.877	1.724	(0.153)
High Needs	18.680	19.291	19.818	22.319	26.709	29.820	3.111
Early Years Block	12.064	12.553	12.514	12.771	13.946	13.971	0.025
TOTAL	**148.639**	**150.752**	**155.601**	**163.935**	**179.763**	**184.788**	**5.025**
Move from 17/18 Baseline £m	-	2.113	6.962	15.296	31.124	36.149	
Move from 17/18 Baseline %	-	1.42%	4.68%	10.29%	20.94%	24.3%	
Change per Year £m	-	2.113	4.849	8.334	15.828	5.025	
Change per Year %	-	1.42%	3.22%	5.36%	9.66%	2.8%	

* Includes pay award and pension grants previously separate to DSG
** Excludes approximately £1.100m NNDR funding now removed by the DfE

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 2022/23, with the expected move to "hard" NFF being likely in 2023/24.

5.1.3 As in previous years, the Authority will 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.

5.1.4 For the financial years 2018/19 to 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. 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 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. Following the outcome of the consultation Schools Forum recommended that the LFF factor values should be set at the full NFF. This has been maintained for 2022/23 and the local formula has been set at the NFF.

5.1.5 At its meeting on 29 November 2021 Cabinet agreed (section 1.2) to 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 that report. Resource allocations to schools have been submitted to the ESFA on 21 January 2022 as required by the deadline. Schools will be notified of their allocations no later than 28 February 2022.

5.1.6 The Schools NFF for 2022/23 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 2022/23 are:

- The minimum per pupil funding levels will be set at Primary £4,265, Key Stage 3 £5,321 and Key Stage 4 £5,831;
- 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 2022/23 allocations will be based on the individual school's NFF allocation in 2021/22;
- Schools that are attracting their core NFF allocations will benefit from an average increase of 3% to the formula's core factors; and

- Growth funding will be based on the same methodology as in 2021/22, with the same transitional protection ensuring that no authority whose growth funding is unwinding will lose more than 0.5% of its 2021/22 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 2022/23 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.

5.1.7 The Spending Review 21 confirmed another £4.7bn for core schools' budget nationally by 2024/25, which brings a suggested cash increase of £1,500 per pupil by 2024/25 compared to the 2019/20 Spending Review. In addition, a further £325m of funding for Special Education Needs and Disabilities was announced which would be allocated to the High Needs block of the DSG. Whilst the Settlement announcement was made on 16 December 2021, the Authority did not receive confirmation of its allocation for this funding until 12 January 2022. A further £1.073m will be received in 2022/23 bringing the High Needs block funding to £29.820m, this is an increase of £3.111m from 2021/22.

5.2 <u>Schools Block</u>

5.2.1 As the Authority has already transitioned its Local Funding Formula to the National Funding Formula factor values for mainstream schools no further changes are recommended. On 12 January 2022 Schools Forum received an update report outlining the DSG funding for 2022/23. Schools Forum continue to support and approved a deduction from the Schools block funding for Falling Rolls of £0.250m and Growth Funding £0.250m. The residual balance remaining has been distributed through the Local Funding Formula. To ensure affordability and providing for a Minimum Funding Guarantee of 2%, capping has been applied at 4.99%.

In November 2021 Schools Forum considered a transfer of 0.5% of the Schools block funding to the High Needs block. This was rejected therefore no transfer will be made in 2022/23.

5.3 <u>High Needs Block</u>

5.3.1 The £29.280m allocation outlined above for the 2022/23 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 additional High Needs funding allocated following SR21, £325 million nationally, includes funding in respect of the Health and Social Care Levy. However, the ESFA have estimated that the cost of that for high needs should be less than a 1% pressure on authorities' high needs budgets. The additional funding also takes into account that colleges and other post-school providers offering extra hours of study to 16- to 19-year-old students, may require extra high needs top-up funding to support such students with high needs.

5.3.2 The High Needs block outturn for 2020/21 was an overspend of £8.720m, with an in-year pressure of £3.690m occurring in 2020/21. Despite the additional funding received in 2021/22, the pressure within High Needs has continued to increase with a forecasted in-year outturn variance of £4.091m and therefore an estimated total cumulative overspend of just over £12.965m as at November 2021.

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 6 below, full details of the pressures within the High Needs budget are included in the November financial management report:

Table 6: Forecast High Needs Overspend as at November 2021

Provision	Budget £m	Forecast £m	Variance £m	Comment
Special schools and PRU	15.519	17.805	2.286	Increased numbers of places required, approximately 100 extra over budget.
Additional Resourced Provision/Top ups	4.120	5.006	0.886	Pressures in pre-16 and post-16 top-ups
Out of Borough	2.891	3.662	0.771	Increased number and costs of out of borough, plus increased complexity of cases
Commissioned services	3.888	4.036	0.148	
Sub-total	**26.418**	**30.509**	**4.091**	
2020/21 B/Fwd			8.720	
Previous year adj			0.154	
			12.965	

5.4 <u>Early Years Funding for 2022/23</u>

5.4.1 On 17 December 2021 the Department for Education released the 2022/23 early years entitlement funding rates for local authorities. The Authority has modelled proposals for North Tyneside's early years funding formula 2022/23 and discussed 3 options with the Early Years Sub-Group on 6 January 2021, details are included in table 7. The Sub-Group's preferred option was discussed and agreed by Schools Forum on 12 January 2022, and it is recommended that this formula is used for distribution of the Early Years block in 2022/23.

Table 7: Early Years Funding Formula 2022/23

		2021/22	2022/23
2 Year Old Base Rate		£5.34	£5.54
3 & 4 Year Old Hourly Base Rate		£4.48	£4.60
3 & 4 Year Old Hourly Deprivation Supplement	Quartile 1	£0.16	£0.17
	Quartile 2	£0.06	£0.06
Early Years Pupil Premium		£0.53	£0.60
Additional Payment to Maintained Nursery School		100% pass through of Maintained Nursery School rate allocated by DfE.	100% pass through of Maintained Nursery School rate allocated by DfE.
SEN Inclusion Fund		£8.26 per hour & pro rata holiday pay	£8.26 per hour & pro rata holiday pay
Disability Access Fund		£615	£800

5.5 <u>Central School Services Block Funding for 2022/23</u>

5.5.1 Funding for the Central Schools Services block has been reduced by DfE in relation to historical funding by £0.199m, which represents a 20% reduction in funding for the historic commitments. Ongoing functions have had an increase of 5.22% as shown in table 8 below.

Table 8: Allocations for North Tyneside CSSB 2022/23

	2019/20	2020/21	2021/22	2022/23	Annual Change	
	£m	£m	£m	£m	£m	%
Historical Commitments	1.555	1.244	0.995	0.796	(0.199)	(20.00%)
Ongoing Functions	0.788	0.807	0.882	0.928	0.046	5.22%
Total	**2.343**	**2.051**	**1.877**	**1.724**	**(0.153)**	**(8.15%)**
Change from 2017/18 Baseline £m	-	(0.292)	(0.466)	(0.619)		
Change from 2017/18 Baseline %	-	(12.46%)	(19.89%)	(26.42%)		
Change per Year £m	-	(0.292)	(0.174)	(0.153)		
Change per Year %	-	(12.46%)	(8.48%)	(8.15%)		

5.5.2 The list of services provided via CSSB funding is listed in table 9. The net reduction in funding of £0.153m 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 November, the Authority will set the funding for these services as identified in table 9 below. The funding reduction has been accommodated by reducing the Schools Support Service by £0.143m, the contribution to the Education Improvement Partnership has been reduced by £0.020m and there has been a £0.010m increase in respect of the National Copy Right Licences.

Table 9: Illustrative allocations for North Tyneside CSSB for 2021/22

Budgets which now form part of the CSSB	**CSSB 2021/22 £m**	**CSSB 2022/23 £m**
Budget to fund the Schools Support Service	**0.556**	**0.413**
Budget to support vulnerable schools.	**0.052**	**0.052**
Budget to maintain High Borrans Outdoor education facility	**0.000**	**0.000**
Budget for the Education Improvement Partnership (secondary schools)	**0.080**	**0.060**
Budget to support the informational requests of the Schools Forum and improved budgetary awareness across all schools	**0.030**	**0.030**
Collective contribution to ongoing pension costs incurred when allowing teachers to leave schools prematurely	**0.625**	**0.625**
Budget for costs associated with de-commissioned school buildings	**0.000**	**0.000**
Schools admission service	**0.142**	**0.142**
Former Education Services Grant (Retained)	**0.244**	**0.244**
National Copyright Licences	**0.148**	**0.158**
Total CSSB Funding	**1.877**	**1.724**

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 <u>Timetable for Agreeing 2022/23 Distributions</u>

5.6.1 The key dates which must be met in setting 2022/23 school budgets are shown in Table 10 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 10: Remaining Key dates for 2022/23 School Budget-setting

Date	Activity
21 January 2022	Deadline for submission of final local School Allocations to DfE (the Authority Proforma Tool)
28 February 2022	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 Draft Budget proposals for the 2022-2027 Investment Plan

6.1 Background

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 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, 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 the 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 2021-2026 Investment Plan totalling £245.570m was approved by Council on 8 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 £19.603m has been identified as part of the process and this spend is now included in the proposed 2022-27 Investment Plan.

The following adjustments are included in the draft plan:

- 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;
- A new year 5 (2026/27) has been added to reflect rolling programme projects such as, sustained investment in additional Highways Maintenance, Asset Planned Maintenance, and ICT refresh; and
- 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.

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 updated 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 2021-2026).

Table 11 below shows a summary of the draft 2022-2027 Capital Investment Plan.

Table 11: Summary of the draft Capital Investment Plan 2022-2027

Spend	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£000's	£000's	£000's	£000's	£000's	£000's
General Fund	36,617	23,494	19,178	15,435	17,312	112,036
Housing	27,814	28,100	30,651	32,126	34,046	152,737
Total	**64,431**	**51,594**	**49,829**	**47,561**	**51,358**	**264,773**

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 12: Summary of Financing 2022-2027

Spend	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£000's	£000's	£000's	£000's	£000's	£000's
General Fund						
Council Contribution:						
Unsupported Borrowing	13,763	13,546	11,776	8,223	10,100	57,408
Capital Receipts	254	0	0	0	0	254
Revenue contribution	93	0	0	0	0	93
	14,110	13,546	11,776	8,223	10,100	57,755
Grants & Contributions	22,507	9,948	7,402	7,212	7,212	54,281
Total General Fund Resources	**36,617**	**23,494**	**19,178**	**15,435**	**17,312**	**112,036**
Housing – HRA						
Capital Receipts	1,354	1,584	1,700	1,851	1,956	8,445
Revenue Contribution	10,281	10,185	12,632	13,160	15,992	62,250
Major Repairs Reserve	15,404	15,916	16,189	17,035	15,968	80,512
Other grants and contributions	775	415	130	80	130	1,530
Total Housing HRA Resources	**27,814**	**28,100**	**30,651**	**32,126**	**34,046**	**152,737**
TOTAL RESOURCES	**64,431**	**51,594**	**49,829**	**47,561**	**51,358**	**264,773**

6.1.3 The draft 2022-2027 Investment Plan for the General Fund includes expenditure of £36.617m in 2022/23. Of this expenditure, £22.507m (61%) is funded through grants and other external contributions.

General Fund receipts (£0.254m), already received, and Housing capital receipts of £8.445m have been assumed in the financing of housing projects within the draft Plan.

Across the life of the draft Plan, unsupported borrowing totals £57.408m, with £13.763m planned for 2022/23. Of this, £3.554m relates to invest to save projects and projects that cover the cost of borrowing through recharges namely, Streetlighting LED and Vehicle Replacement. The cost of borrowing is included within the General Fund Revenue Budget and Financial Plan.

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 Capital Allocations 2022/23

6.2.1 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 2022/23 have not yet been announced 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.

6.3 Annual Minimum Revenue Provision (MRP)

6.3.1 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). The 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 reasonably commensurate with that over which the capital expenditure provides benefits.

There are no changes proposed to the existing policy. The 2022/23 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.

No further Voluntary Revenue Provision is proposed for 2022/23 (£3.000m in 2021/22 and £3.000m in 2020/21) to reduce the overall Capital Financing Requirement.

6.4 Prudential Indicators

6.4.1 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 2022-2026 have been prepared using the 2017 Code and are attached as Appendix D (iii). A revised Prudential Code has recently been introduced for adoption in 2023/24. There is not expected to be a significant impact for the Authority.

7. 2022/23 Treasury Management

7.1 <u>Background</u>

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 balance.

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.

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 18 February 2021; 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 1 April 2021 there has been no instances of a material exposure in excess of credit limits as per the Treasury Management Strategy Statement and Annual Investment Statement Credit Criteria.

7.2 <u>Treasury Management Reporting</u>

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 will update 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 30 December 2021 is set out in table 13 below:

Table 13: Current Treasury Portfolio Position as at 30 December 2021

	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**	0.000	0.00
Total External Debt	**397.443**	
Less **Investments**		
(UK) DMO***	28.000	-0.18
Other Local Authorities	30.000	0.12
Bank Deposits	11.593	0.01
Total Investments	**69.593**	
Net Position	**327.850**	

* 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 14 below sets out Link Asset Services' professional view of interest rates:

Table 14: Link Asset Services' forecast interest rates – 20th December 2021

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

7.4.2 Interest rates have been at historical lows during the pandemic, however following the UK removing COVID related restrictions the economy has seen significant inflationary pressure. Demand-led price increases, the continued energy price inflation as well as pent-up-demand has put pressure on the Bank of England to use monetary policy tools to manage inflationary pressure.

Inflation is forecast to increase above the 2% target to 4% or even 5% temporarily over the next 3 years. There was a surprise rate increase in Dec 2021 which has been reflected in the above table. The Bank of England remain cautions and maintain a watch and see position with one eye on data as it comes available the other on ensuring economic recovery is not stifled. It is likely inflation will remain above 2% for the near

7.4.3 Investment and borrowing rates currently remain low, however it is likely for rates to pick up as base rate increases. Uncertainty remains with a watching brief on delta variants which could cause a reversal in current policy and return to lower for longer rate environment.

7.5 <u>Economic Update (Provided by Link)</u>

7.5.1 Over the last two years, the coronavirus outbreak has done significant economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

7.5.2 As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

7.5.3 It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%.

7.5.4 Since the start of 2021, the Authority has seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period

7.5.5 Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

7.5.6 Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

7.6 Prudential Code and Treasury Management Code Consultations

7.6.1 In September 2021 CIPFA released the stage 2 consultation in relation to Capital Finance in Local Authorities. Following consultation CIPFA released a revised Prudential and Treasury Management Code in December 2021

7.6.2 CIPFA make it clear that 2021 Code applies with immediate effect, except that authorities have the option to defer introducing revised reporting requirements until 2023/24 financial year (these include changes in capital strategy, prudential indicators and investment reporting). The ongoing principles including paragraph 51 that an authority must not borrow to invest primarily for financial return, apply with immediate effect.

7.6.3 The budget proposals and MTFP documents have been developed based on the 2017 Code, however the report has been reviewed alongside the 2021 version of the Code and note no conflicting applications.

7.7 Non-Treasury Investments

7.7.1 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.

7.7.2 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.

7.7.3 At 31 March 2021, the Authority held the following investments on its balance sheet:

- Equity:

  Newcastle Airport Holding Company Ltd £7.830m (£7.272m 31/3/2020)
  North Tyneside Trading Company £9.075m (£7.568m 31/3/2020)
  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 £7.075m, 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.

- <u>Loans</u>

  Aurora Properties (Sale) Ltd £5.125m (£4.000m 31/3/2020)
  Sub ordinated debt – Dudley and Shiremoor JSC £0.160m ((£0.160m 31/3/2020)
  Sub ordinated debt – Whitley Bay JSC £0.110m ((£0.110m 31/3/2020)

7.7.4 The current 2021/22 Investment Plan includes further planned investment in the Trading Company of £5.372m (which includes £3.413m 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. Any dividends from the Trading Company for 2021/22 or over the period of the Financial Plan (2022-2026) are not expected to be material. Recharge income in respect of staff time and loans is estimated to be £0.380m for 2021/22 and approximately £1.200m over the period of the Financial Plan (2022-2026).

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 2022-2026 Financial Planning and Budget process.

8.1.2 The Budget sub-group of Overview, Scrutiny and Policy Development Committee met on the 15 December where Senior Officers presented 2022-2026 Cabinets Initial Budget proposals and Business Cases. Councillor Martin Rankin – the Cabinet Member for Finance was invited and attended the meeting to offer further insight if/when required.

At its meeting on the 15 December 2021, further information on a number of areas of the budget was requested, including the updated position of the Government Settlement. It should be noted that upon receipt this information the report maybe amended before submission to Cabinet for consideration.

On agreement of the Overview, Scrutiny & Policy Development Committee the Budget Sub-group is scheduled to reconvene and consider Cabinet Final Budget Proposals for 2022/26 that will take place on Tuesday 1 February 2022. 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 2022-2027 Investment Plan and the 2022/23 Treasury Management Statement and Annual Investment Strategy at its meeting on 7 February 2022.

8.2 <u>Budget Sub-Group Considerations</u>

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 consist of funding that is not accessible as they are ring-fenced for planned projects.

8.2.3 In respect of the 2020/21 Outturn the sub-group understood the approach taken and the allocation of the £2.5m surplus to address specific risks and considered this reasonable in light of future income and service uncertainty.

8.2.4 When considering the resource assumptions in relation to the LCTS the sub-group noted and agreed that retention of the 85% cap of the scheme would continue to provide support to residents moving into Council Tax support and Universal Credit. The proposal to backdate LCTS claims up to 26 weeks was agreed and it was noted that this measure would ensure working age claimants did not lose out on entitlement from 2022/23.

8.2.5 The sub-group understood that all components of Council Tax provision should determine a prudent level of housing growth as this would avoid the collection fund dropping into deficit in future years.

8.2.6 There was concern that the CPI was increasing beyond the 3.1% and there needs to be assurance that plans were in place to allow the Authority to react to the risks this could have on the collection rates in relation to the level of Busines Rates set by Government.

8.2.7 Growth assumptions remain a concern and the sub-group noted the continuing increase in inflation and the potential impact this would have on the Authority's Budget.

8.2.8 The sub-group have requested further information to allow a greater understanding of the Comprehensive Spending Review announcement and the allocation that North Tyneside would receive. It was noted that the Government had made statements to increased funding availability for Local Authorities, with the amounts stated being extensive, however there was concern that the Council was unable to determine the level of funding that North Tyneside would receive due to the lack of clarity from Government.

The sub-group understood this impacts the ability of providing residents and businesses a transparent and understandable budget and requests that following the provisional Settlement Statement that levels of funding directly being allocated to North Tyneside be announced.

8.2.9 When considering the service risks and new burdens the sub-group understood this has been an ongoing issue and consideration was needed to find more local provision and find solutions to ensure demand can be managed.

8.2.10 Whilst the Authority has a draft high needs recovery plan in place there was concern regarding the length of time it would take to achieve a managed approach and a balanced position in the delivery of SEND services.

8.2.11 Managing risk and the impact of COVID in future years; the sub-group agreed the approach to use of the change reserve and that this would support activity that would benefit the reduction in social care expenditure. It also considers the proposal to create a COVID reserve through a re-allocation from Strategic Reserve an appropriate measure and for transparency of use should be reported through the established Council Financial Monitoring process.

8.2.12 Managing corporate risks; the sub-group considered it an appropriate measure to ensure adequate levels of reserves to ensure the Authority could manage potential risks. It considered the approach to increase the reserve Created for Schools Deficit and the contingency budget to be appropriate.

8.2.13 In considering the business cases the sub-group understood the rationale to each presented, however there were questions in relation to the narrative and reporting on financial information and the need for this to be consistent across all business cases to ensure transparency and understanding.

8.2.14 For the Investment Plan options the sub-group understood that with the appropriate project management in place would ensure all risks were be considered before starting a project or progressing a programme of work and that prudent decision making was required to reschedule works if projects encounter budgetary pressure through material/skills shortages.

8.2.15 The sub-group wishes to commend officers of the Council, its partners and volunteers for their work in the delivery of the services throughout the pandemic. It also wished to thank the financial team for providing clear coherent information throughout the budget process.

8.2.16 There were no recommendations made in relation to Cabinet’s engagement approach or the initial Budget proposals for the General Fund, HRA, the 2022-2027 Investment Plan and the 2022/23 Treasury Management Statement and Annual Investment Strategy.

8.2.17 A further meeting has been arranged for the Budget sub-group to reconvene and consider Cabinet’s draft Budget proposals for 2022-2026 that will take place on Tuesday 1 February 2022, 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 7 February 2022.

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9. Provisional Statement to Council by the Chief Finance Officer

9.1 Background

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 17 February 2022, when all outstanding information should be available.

9.1.2 The 2022/23 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 from the 2021/22 Budget and further details of how this has been achieved will be set out in the February Cabinet report as appropriate.

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;
- Future Budget pressures and growth proposals, including the impact of prudential borrowing for the 2022-2027 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 2020/21 Statement of Accounts, and
- The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Authority.

The level of contingencies has been increased to £7.849m as recognition of the risks associated with inflation, delivery of efficiencies and service demand across Children's Services. This will continue to be reviewed 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.

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 2021-2025 Our North Tyneside Plan and known key financial risks. Future pressures need to be considered and the Authority should not take 2022/23 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 2022-2027 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 level of un-ringfenced reserves remains of concern to the CFO in this ongoing period of uncertainty. It expected that over the course of 2022/23 the Change Reserve will reduce as planned investment in projects to support better management of demand are implemented. This year's Financial Management reports to Cabinet highlight areas of on-going financial pressure resulting from of the impact of COVID-19 Pandemic on service provision. The current financial pressure is at a level above the additional funding provided by Central Government, this currently stands at £3.941m. Some of this financial pressure is expected to continue into at least 2022/23 and possibly beyond. There is no indication that the Government will continue to provide direct financial support for the ongoing impact of COVID-19 pandemic in local government therefore it is proposed that £2.000m of the Strategic Reserve will be transferred to a Covid Reserve to manage this risk which will be closely monitored throughout 2022/23. These actions together with the requirement to balance the 2021/22 in-year budget may result in the level of the Strategic Reserve falling below the minimum planned level of £10.000m over the life of the Financial Plan. Based on this and included in the draft budget proposals is corrective action to restore the Strategic Reserve to the agreed level.

Table 15 below shows the reserves as at the 31 March 2021 and the projected reserve levels over the period of the Financial Plan:

Table 15: Reserves and Balances as at 31 March 20201 and from 2021/22-2025/26

Reserves and balances	Opening Bal.	Projected Closing Balances				
	2021/22 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s
General Fund Reserves						
General Fund ringfenced	22.124	22.734	19.242	18.659	18.297	13.839
General Fund unringfenced	20.810	11.948	9.748	10.748	11.748	12.248
General Fund grants	42.254	2.409	1.660	1.458	1.176	0.895
Total General Fund Reserves	**85.188**	**37.090**	**30.650**	**30.865**	**31.220**	**26.982**
General Fund Balances						
General Fund Balances	7.000	7.000	7.000	7.000	7.000	7.000
Total General Fund Balances	**7.000**	**7.000**	**7.000**	**7.000**	**7.000**	**7.000**
Total General Fund Reserves and Balances	**92.188**	**44.090**	**37.650**	**37.865**	**38.220**	**33.982**
Housing Revenue Account Reserves	14.556	14.642	14.464	14.159	14.075	13.976
Housing Revenue Account Balances	5.002	3.440	3.069	2.837	2.568	2.627
Total HRA Reserves and Balances	**19.558**	**18.082**	**17.533**	**16.996**	**16.643**	**16.603**
Dedicated Schools Grant Reserve	(7.932)	(8.326)	(13.000)	(9.500)	(7.000)	(5.500)
School Balances	3.721	2.221	0.721	(0.779)	(2.279)	(3.779)
Total DSG Reserves and Balances	**(4.211)**	**(6.105)**	**(12.279)**	**(10.279)**	**(9.279)**	**(9.279)**
Grand Total Reserves and Balances	**107.534**	**56.067**	**42.904**	**44.582**	**45.584**	**41.306**

9.5 Housing Revenue Account (HRA)

9.5.1 Table 16 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 the self-financing proposals.

Table 16: 2022–2026 Housing Revenue Account Balances

HRA Forecast Movement on Reserves	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Opening Reserve Balance	(5.002)	(3.440)	(3.069)	(2.837)	(2.568)
Contributions (to)/from balances	1.562	0.371	0.232	0.270	(0.059)
Predicted Reserve Balance Carried Forward	**(3.440)**	**(3.069)**	**(2.837)**	**(2.568)**	**(2.627)**

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 2022/23 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 2022-2026 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 17: 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 through the development of new proposals. The 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 2022/23 and into 2023/24.
There is a risk that the assumptions that have been made based on the indicative settlement up to and including 2025/26 may be wrong, resulting in changes to the current targeted savings, for the General fund and for the HRA, which will be considered by Cabinet in January 2022. This includes any assumptions with regards to the ongoing impacts of the COVID 19 Pandemic. Key areas of uncertainty remain in respect of Social Care Reform and the implantation of the actions from the White Paper.	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. The announcement of the Spending Review 2021 clearly gives more

	information regarding spending plans and financial support to Local Government for 2022/23. The Provisional settlement was announced on 16 December 2021 and the impact of the settlement have been included in Cabinet's draft Budget proposals. In terms of the risks arising from Social Care Reform an officer working group has been created to focus on the specific risks arising. Regional work with Directors of Social Care and Finance Directors will focus in the issues arising and when necessary continue to lobby for further funding where necessary.
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 Authority. This risk is seen to increase with the changes to the NHS and the move to the Integrated Care System.	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 202021/22 plus inflation. The BCF contribution from the CCG has been agreed for 2022/23 and is in line with the nationally required minimum. The BCF plan for 2022/23 has been agreed by the Health and Wellbeing Board and has been submitted. An updated s75 Agreement will be prepared once the BCF Plan has received approval from the national bodies.
There is a risk that not all growth pressures have been identified in the 2022/23 proposed Budget.	Detailed proposals have been put forward by each Head of Service and challenged by the Senior Leadership Team, Cabinet Members and the Elected Mayor.
There is a risk that demand-led pressures exceed Budget provision	Demand-led pressures continue in areas such as Adults and Children's Social Care and the impact of the Living Wage on care providers (and the price for services the Authority then has to pay) have been taken into consideration as part of these draft Budget proposals and continue to be closely monitored. This continues to be key areas of focused monitoring as significant risks remains for demand and unit costs associated with these services.
There is a risk that specific factors arising during 2021/22 have not been	The 2021/22 financial position is monitored through bi-monthly reporting to Cabinet and monthly reporting to

fully taken into account when preparing the 2022/23 Budget.	Senior Leadership Team. This process ensures that factors arising during the year are highlighted. A specific COVID Reserve has been created in recognition of the potential on-going impact of the pandemic and recovery from that.
There is a risk that the in-year pressures being reported through the 2021/22 financial management process impact on the deliverability of the 2022/23 Budget.	As at 30 November 2021, a pressure of £5.247m was reported against the 2021/22 Budget this included the impact of COVID-19 Pandemic. Core Business as usual had a pressure of £1.306m, which is expected to improve as the Authority progresses to year end. Unfunded Covid pressures currently stand at £3.941m at the end of September. As assessment of the ongoing impact and risk that those Covid cost pressures and income losses may continue into 2022/23 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 2022/23 is insufficient.	The review of the base Budget and the reflection of the 2021/22 pressures into 2022/23 have been considered as part of the Financial planning process and have been updated following the announcement of the Provisional Local Government Finance Settlement. The contingency budget has been increased in light of current financial risks.
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 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.

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. This risk is currently driven by the number of surplus places at secondary schools.	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 schools' 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. The Authority has created a reserve to begin to address this risk.