

# North Tyneside Council

## Report to Council

### Date: 17 February 2022

**Title: 2022-2026 Financial Planning and Budget Process:  
Elected Mayor and Cabinet Budget and Council Tax  
Requirement Resolution for 2022/23**

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<b>Portfolio(s)</b>	<b>Elected Mayor</b>	<b>Cabinet</b>	<b>Norma Redfearn</b>
:	<b>Finance and Resources</b>	<b>Members:</b>	<b>Councillor Martin Rankin</b>
	<b>Deputy Mayor</b>		<b>Councillor Carl Johnson</b>

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**Report from:** Senior Leadership Team

**Report Author:** Janice Gillespie, Director of Resources (Chief Finance Officer) **Tel: 643 5701**

**Wards affected:** All

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## **PART 1**

### **1.1 Executive Summary:**

- 1.1.1 The Constitution sets out, in its Budget and Policy Framework Procedure Rules, the process that the Authority has agreed for setting the Budget and the Council Tax Requirement. The 2022–2026 Financial Planning and Budget process, incorporating the 2022/23 Budget, reflects these requirements. Further details of the decision-making process are set out in paragraphs 1.5.14 to 1.5.18 of this report.
- 1.1.2 This report, supporting General Fund Annex 1 and its Appendices sets out the 2022/23 Council Tax Requirement and the Council Tax calculation of estimates and amounts that were considered by Cabinet on 31 January 2022. The report attached at Annex 1 presented the 2022/23 Council Tax Requirement and the estimates and amounts for all aspects of the Elected Mayor and Cabinet’s proposed spending and resource plans for the General Fund Revenue Budget (including the Dedicated Schools Grant), the 2022-2027 Investment Plan and the Treasury Management Strategy and Annual Investment Strategy for 2022/23. The report also indicated the proposed Council Tax Level for 2022/23 that would be required to fund the spending plans outlined in the report.

- 1.1.3 Following Cabinet's decisions on 31 January 2022, the report is now being submitted to be received by full Council at this meeting. At its meeting on 31 January 2022, Cabinet granted delegated authority to the Elected Mayor to make any final amendments to Cabinet's proposals in relation to information still outstanding, in order that due consideration could be given to the final level of Council Tax that Cabinet wishes to put forward to full Council for approval for 2022/23 (recommendation 1.2.1 (r) in the original Cabinet report refers).

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

- Support for energy prices increase.
- Final Local Government Finance Settlement.
- Tyne & Wear Fire and Rescue Authority precept.
- Police and Crime Commissioner for Northumbria precept.
- Public Health Grant allocation.
- Environment Agency Levy.
- Local Council Tax Support (LCTS) Administration Subsidy Grant.
- Tyne and Wear Joint Service Budgets.
- Youth Justice Board Grant allocation.
- Northumberland Inshore Fisheries and Conservation Authority Levy; and
- Tyne Port Health Authority Levy.
- 2022/23 Capital Allocations.

- 1.1.4 On 3 February 2022 the Government announced measures to support households from rising energy costs. This includes a £150 Council Tax energy rebate. Detailed guidance and funding allocations are expected to be published in the week beginning 7 February. Officers are currently working through the impact of these changes.

The proposed increase to the Tyne & Wear Fire and Rescue Authority precept for 2022/23 is 1.99%. A decision on the proposed increase is not due to be taken by the Fire Authority until 14 February 2022. In addition, the proposed increase to the Police and Crime Commissioner for Northumbria precept is £10 for Band D. A decision on the proposed increase is due to be made no later than 8 February 2022.

In line with the delegation granted to the Elected Mayor, where necessary, amendments to the Budget and Council Tax Requirement Resolution arising from the outstanding information detailed above will be notified to all Members and Co-opted Members of the Council in the week commencing 14 February 2022. All amendments will be incorporated into the Cabinet's formal Budget Resolution for 2022/23. Any Notice(s) of Objection will be submitted on the same basis.

- 1.1.5 This report is now presented by the Elected Mayor and Cabinet to Council, recommending the 2022/23 General Fund Revenue Budget, Council Tax Requirement and Council Tax Level, the 2022-2027 Investment Plan and the Treasury Management Strategy, Annual Investment Statement for 2022/23.

- 1.1.6 The purpose of this report is therefore to present, for Council's consideration and approval:

- (a) The Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution to set the 2022/23 General Fund Revenue Budget and 2022/23 Council Tax Requirement and the Council Tax Level for 2022/23.
- (b) The Elected Mayor and Cabinet's proposals for the 2022-2027 Investment Plan, including the Capital Investment Strategy and proposed prudential indicators for 2022-2026; and
- (c) The Elected Mayor and Cabinet's proposals for the Treasury Management Strategy, Annual Investment Statement for 2022/23.

There is also a requirement to obtain appropriate delegations as set out in this report.

## **1.2 Recommendations:**

### **1.2.1 Council is recommended to:**

- (a) Agree the recommendations and delegations set down in paragraph 1.5.23 of this report in relation to the 2022/23 General Fund Revenue Account Budget, the 2022/23 Council Tax Requirement and Council Tax Level for 2022/23, being the Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution.
- (b) Agree the Elected Mayor and Cabinet's proposals for the 2022-2027 Investment Plan, including the Capital Investment Strategy and proposed prudential indicators for 2022-2026, previously agreed at Cabinet on 31 January 2022, attached in the General Fund Annex 1, Appendix D (i), (iii) and (iv) of Appendix A to this report; and
- (c) Agree the Elected Mayor and Cabinet's proposals for the Treasury Management Strategy, Annual Investment Statement for 2022/23, attached in the General Fund Annex 1, Appendix E (i), (ii) of Appendix A to this report.

## **1.3 Forward Plan:**

- 1.3.1 The report first appeared on the Forward Plan that was published on 20 January 2022.

## **1.4 Council plan and policy framework:**

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

assurance that is considered during the preparation of the Annual Governance Statement.

## **1.5 Information:**

### **The 2022/23 General Fund Revenue Budget and Council Tax Level**

#### **2022/23 Financial Plan and Budget**

- 1.5.1 At its meeting on 20 September 2021, Cabinet approved the process and timetable to be adopted for the preparation of the draft 2022-2026 Financial Plan, 2022/23 Revenue Budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2022-2027 Investment Plan, as part of the overall Financial Planning and Budget process for 2022-2026. Cabinet also approved the Budget Engagement Strategy.
- 1.5.2 Budget engagement in line with the Budget Engagement Strategy agreed by Cabinet on 20 September 2021, has been undertaken and is summarised in the 31 January 2022 Financial Planning and Budget Report to Cabinet.
- 1.5.3 The following delegations and authorisations were recommended and agreed at Cabinet on 31 January 2022:
- (a) Authorise the Elected Mayor to make any final amendments to the Cabinet's proposals in relation to that information which is still outstanding to enable due consideration to be given to the final level of Council Tax the Cabinet proposes to full Council for approval for 2022/23;
  - (b) Authorise the Chief Executive, in consultation with the Elected Mayor, Deputy Mayor, Cabinet Member for Finance and Resources and the Senior Leadership Team to manage the overall Efficiency Programme and note that decisions made under this delegated authority will be reported to Cabinet as part of the regular budget monitoring information provided; and
  - (c) Grant delegated authority to the Chief Executive, in consultation with the Elected Mayor and Director of Resources to authorise the purchase of homes, on the open market, using S106 monies received by the Authority for affordable housing, providing value for money is demonstrated and the cost can be contained within existing financial resources of the Authority. This is to ensure the programme of delivery of affordable homes and homes at social rent is progressed in line with the Cabinet's priorities.
- 1.5.4 The Overview, Scrutiny and Policy Development Committee Budget Scrutiny sub-group met on 15 December 2021 where the Director of Resources and Senior Officers presented the 2022-2026 Financial Planning and Budget Process: Cabinets Initial Budget proposals. The sub-group reported its views to Overview, Scrutiny & Policy Development Committee at its meeting on the 17 January 2022, which were then considered by Cabinet at its meeting on 31 January 2022.

1.5.5 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 Strategy, Annual Investment Statement.

1.5.6 Since the Cabinet meeting on 31 January 2022, some information remains outstanding as set out in paragraph 1.1.3. In line with the delegation granted to the Elected Mayor, where necessary, amendments to the Budget and Council Tax Requirement Resolution arising from the outstanding information detailed above will be notified to all Members and Co-opted Members of the Council in the week commencing 14 February 2022. All amendments will be incorporated into an amended Budget Resolution for 2022/23. Any Notice(s) of Objection will be submitted on the same basis.

Where information has been received this has been incorporated into the Budget and Council Tax Requirement Resolution they are as follows:

### **1. Final Local Government Finance Settlement announcement for 2022/23**

1.5.7 The Final Local Government Finance Settlement for 2022/23 is due to be announced in early February via written statement. It is not anticipated that there will be any changes to those announced in the Provisional Settlement.

### **2. Police and Crime Commissioner for Northumbria Precept**

1.5.8 Police and Crime Commissioner for Northumbria

Precept increase of £10 for Band D is being considered and a decision is expected no later than 8 February 2022.

### **3. The Assessment of the Final Business Rates Position of the Authority**

#### North Tyneside Council Business Rates Tax base

1.5.9 Under the Business Rates Retention Scheme, from 1 April 2013 each Local Authority retains a percentage of the rates it collects locally. It is now an obligation for the Authority to formally calculate the value of Business Rates (the Business Rates Tax base, based on the multiplier set by the Government) it anticipates collecting each year and to pass this information to the Government and precepting authorities by 31 January. The Business Rates Tax base is dependent on the information included in the final National Non-Domestic Rates (NNDR1) form for each local authority.

1.5.10 Under the Business Rates Retention Scheme, the percentage share of Business Rates for the Authority is as follows:

**Table 1: 2022/23 Percentage share of Business Rates for the Authority**

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

- 1.5.11 The 2022/23 NNDR1 form for the Authority ultimately calculates the total amounts due to be retained by the billing authority, its major precepting authorities and the Government in 2022/23. The NNDR1 form for the Authority was submitted to the Department for Levelling Up, Housing and Communities on 31 January 2022. The final NNDR1 results are the figures shown in Table 2 below for the Authority:

**Table 2: 2022/23 North Tyneside Council Business Rates Calculation**

	<b>2022/23 £m</b>
Central Government Share	26.170
Tyne and Wear Fire and Rescue Authority Share	0.523
North Tyneside Council Retained Business Rates	25.647
<b>Total</b>	<b>52.340</b>

### **Council Tax Increase for 2022/23**

- 1.5.12 The Authority's element of the Council Tax Level for 2022/23 (excluding precepts) is proposed to be as set out in the report to Cabinet on 31 January 2022 i.e., a general 1.99% increase in Council Tax and 1% increase in the Adult Social Care Precept. This is in line with the Government's assumptions.

### **Business Community Engagement**

- 1.5.13 In accordance with the Non-Domestic Ratepayers (Consultation) Regulations 1992, which requires local authorities to carry out Budget engagement with the business community by 25 February each year, the statutory Budget engagement meeting was carried out on 20 January 2022.

### **Process for Consideration and Determination of the Budget**

- 1.5.14 The process for consideration of the Budget is determined by legislation, including the Local Government (Finance) Act 1992 and the Local Authorities (Standing Orders) (England) Regulations 2001. The Authority has adopted a process to ensure compliance with the statutory requirements, which is set out in the Budget & Policy Framework Procedure Rules in the Constitution.
- 1.5.15 At this meeting, full Council will debate and consider Cabinet's Budget estimates of amounts and the Council Tax Requirement. The full Council can raise objections to the Cabinet's proposals and final Notices of Objection should be submitted to the Director of Resources on behalf of the Chief Executive by 4pm on 15 February 2022.

- 1.5.16 Although at the time of writing this report the Tyne and Wear Fire and Rescue Authority, and the Police and Crime Commissioner for Northumbria precepts have yet to be confirmed. It is anticipated that the proposed increase of 1.99% for Fire and Rescue precept will be confirmed on 14 February 2022 and the Police precept proposed increase of £10 for Band D will be confirmed no later than 8 February 2022. Therefore, it is possible for the Council Tax Requirement to be set at this meeting. The Government has yet to announce the Final Local Government Finance Settlement, it is not anticipated that there will be any changes to those announced in the Provisional Settlement.
- 1.5.17 Following this meeting, the Elected Mayor may be required to reconsider the Cabinet's proposals, considering any objections agreed by full Council. A Cabinet meeting has been scheduled for 21 February 2022, if required, for this purpose.
- 1.5.18 The Elected Mayor may then revise the proposals or disagree with full Council and give notice accordingly to the Chief Executive to enable a further meeting of full Council to be called. This is the final meeting in the process at which the Authority's Budget and Council Tax Requirement calculation will be agreed and the Council Tax Level for 2022/23 set. This meeting, if required, will take place on 3 March 2022. At this meeting, where any proposals of full Council in respect of the Budget calculations do not accord with the Cabinet's proposals, Cabinet's proposals will prevail unless at the meeting a two-thirds majority of the Members present vote to impose full Council's own proposals.

#### **Elected Mayor and Cabinet Resolution: Setting the Council Tax 2022/23**

- 1.5.19 The Localism Act 2011, introduced changes which impact on the Council Tax calculation for 2022/23 as part of the formal Budget and Council Tax Resolution.
- 1.5.20 Firstly, some aspects of Part 1 of the 1992 Local Government Finance Act (the 1992 Act) were changed and this impacted on the calculation of Council Tax. Secondly, Council Tax capping was abolished in England. Instead, provision was made for Council Tax referendums to be held in England if an authority increased its Council Tax by an amount exceeding the principles determined by the Secretary of State for Housing, Communities and Local Government and agreed by Parliament.
- 1.5.21 The Council Tax referendum principles for 2021/22 were that any authority who proposed to increase Council Tax by 5% or more, would be subject to a binding referendum of the local electorate. The 2022/23 Provisional Local Government Finance Settlement included an allowance of a 2% increase to the Authority's relevant basic amount of Council Tax to support other expenditure and 1% for expenditure on adult social care.

#### **Council Tax Requirement**

- 1.5.22 Since the Local Government Finance Act 1992 was amended by the Localism Act 2011, billing authorities have been required to calculate a Council Tax Requirement for the year. The calculation of the Council Tax Requirement for

the Authority for 2022/23, based on the 2022/23 Budget Requirement is set out in Table 4 below:

**Table 4: 2022/23 Council Tax Requirement for North Tyneside Council**

	£	£
2022/23 Budget Requirement		166,368,628
Financed by:		
Revenue Support Grant	(11,796,682)	
Retained Business Rates	(25,647,000)	
Business Rates Top Up	(20,505,024)	
Council Tax Collection Fund Deficit	1,300,384	
		<u>(56,648,322)</u>
<b>Council Tax Requirement</b>		<b>109,720,306</b>

**2022/23 Council Tax Requirement Resolution**

1.5.23 Cabinet recommends that:

1. The recommended Budgets of the Authority be approved as noted below, subject to the variations listed in paragraphs 2 and 3 below and noting the estimated allocation of £184.788m in Dedicated Schools Grant, for 2022/23:

	£
General Fund Revenue Budget	166,368,628
Total	<u>166,368,628</u>

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

	£
The Tyne and Wear element of the Durham, Gateshead, Newcastle Upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority Transport Levy	11,881,498
Environment Agency	207,371
Total	<u>12,088,869</u>

3. The contingency be set as follows:

	£
Contingency	7,848,371
Total	<u>7,848,371</u>

4. Note that at its meeting held on 24 January 2022, Cabinet agreed the Council Tax base for 2022/23 for the whole Authority area as 62,229 (Item T), in the Formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act") and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
5. Agree that the Council Tax Requirement for the Authority's own purposes for 2022/23 is £109,720,306 (as set down in paragraph 1.5.22, Table 4).

6. Agrees that the following amounts now calculated by the Authority for the year 2022/23 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992, as amended (the Act):

- (a) £359,434,767 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(2) of the Act.
- (b) £249,714,461 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(3) of the Act.
- (c) £109,720,306 Being the amount by which the aggregate at 6(a) above exceeds the aggregate at 6(b) above, calculated by the Authority in accordance with Section 31(A)(4) of the Act, as its Council Tax Requirement for the year (Item R in the formula in Section 31B of the Act).
- (d) £1,763.17 Being the amount at 6(c) above (Item R), all divided by Item T (4 above), calculated by the Authority, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

(e) North Tyneside Council Valuation Bands

<b>Council Tax Band</b>	<b>£</b>
A	1,175.44
B	1,371.36
C	1,567.26
D	1,763.17
E	2,154.98
F	2,546.80
G	2,938.61
H	3,526.34

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

(f) Police and Crime Commissioner for Northumbria Valuation Bands

Note that for the year 2022/23 the Police and Crime Commissioner for Northumbria have issued the following amounts in precepts to the Authority, in accordance with Section 40 of the Local Government

Finance Act 1992, for each of the categories of the dwellings in the Authority's area, as indicated below:

<b>Council Tax Band</b>	<b>£</b>
A	102.56
B	119.65
C	136.75
D	153.84
E	188.03
F	222.21
G	256.40
H	307.68

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

Note that for the year 2022/23 the Tyne and Wear Fire and Rescue Authority have issued the following amounts in precepts to the Authority, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings in the Authority's area, as indicated below:

<b>Council Tax Band</b>	<b>£</b>
A	58.23
B	67.93
C	77.63
D	87.34
E	106.75
F	126.16
G	145.57
H	174.68

(h) Total Valuation Bands

That, having calculated the aggregate in each case of the amounts at 6(e), 6(f) and 6(g) above, the Authority, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2022/23 for each part of its area and for each of the categories of dwellings shown below:

<b>Council Tax Band</b>	<b>£</b>
A	1,336.23
B	1,558.94
C	1,781.64
D	2,004.35
E	2,449.76
F	2,895.17
G	3,340.58
H	4,008.70

7. The Authority's relevant basic amount of Council Tax for 2022/23 is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992, as amended.
8. The Authority's Financial Regulations will apply to the financial management of this Budget.
9. The level of contingencies will be £7.849m as pressures incurred during 2021/22 have been recognised as part of the 2022/23 Financial Planning and Budget process.
10. It is proposed that virement levels and approvals for virement shall be in accordance with the rules set down in the Authority's Financial Regulations in force at the time.
11. The Reserves and Balances Policy is adopted as set out and is subject to review at least annually.
12. The Chief Executive, in consultation with the Elected Mayor, Deputy Mayor, Cabinet Member for Finance and Resources and the Senior Leadership Team to manage the overall Efficiency Programme and note that decisions made under this delegated authority will be reported to Cabinet as part of the regular budget monitoring information provided.
13. The Chief Executive, in consultation with the Elected Mayor and Director of Resources, to authorise the purchase of properties, on the open market, providing value for money is demonstrated and the cost can be contained within existing financial resources of the Authority. This is to ensure that the programme of delivery of affordable homes and homes at social rent is progressed in line with the Cabinet's priorities.
14. The Chief Finance Officer be authorised to serve notices, enter into agreements, give receipts, make adjustments, institute proceedings, and take any action available to the Authority to collect or enforce the collection of Non-Domestic Rates and Council Tax from those persons liable.

15. The Chief Finance Officer be authorised to disburse monies from funds and accounts of the Authority as required for the lawful discharge of its functions.
16. Agree that the Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority receive payment from the Collection Fund in 12 equal instalments on the last working day of each month.
17. Payments from the Collection Fund to be made to the Authority's General Fund in 12 equal instalments on the last working day of each month.

### **2022-2027 Investment Plan**

- 1.5.24 Full Council is requested to approve the proposals for the 2022-2027 Investment Plan, set out in the General Fund Annex 1, Appendix D (i), (iii) and (iv) to this report.

### **Statement to Council by the Chief Finance Officer**

#### **Background**

- 1.5.25 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, Members and officers must take into account a report from the Chief Finance Officer on the robustness of the Budget and the adequacy of the Authority's financial reserves.
- 1.5.26 The Government has a back-up power to impose a minimum level of reserves on any authority that it considers is making inadequate provisions.
- 1.5.27 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 consideration will be given to CIPFA's guidance in relation to the adequacy of reserves and balances.

#### **Statement**

#### ***Robustness of Estimates***

- 1.5.28 In assessing the robustness of estimates, the Chief Finance Officer has considered the following issues:
- The general financial standing of the Authority.
  - The underlying Budget assumptions from the Financial Strategy.
  - Ongoing financial impact of COVID-19 in relation to income and expenditure for both the General Fund and the Housing Revenue Account (HRA) on the General Fund Medium-Term Financial Plan and the HRA 30-year Business Plan.
  - Future Budget pressures and growth proposals, including the impact of prudential borrowing for the 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, presented to the Audit Committee on 6 November 2021.
- The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Authority; and
- The outcome of the 2022 Provisional Local Government Finance Settlement and the Spending Round 2021, 16 December 2021.

- 1.5.29 The level of contingencies will be £7.849m in recognition of the emerging pressures identified in during 2021/22, the on-going demand pressures in adult and children's social care, inflationary pressures and the impact of social care reform.
- 1.5.30 Reserves are relatively low and at a minimum level when considering the risks, the Authority faces, and the level of efficiencies required to be achieved in the medium-term.
- 1.5.31 The Cabinet is aware it must keep its Medium-Term Financial Strategy and four-year Medium-Term Financial Plan under review, in the context of the 2021-2025 Our North Tyneside Plan and known key financial risks. Future pressures need to be considered and the Authority cannot take 2022/23 in isolation to future years' needs and pressures. Each year's Budget must continue to be considered within the context of at least a four-year Medium-Term Financial Plan, the five-year Investment Plan, the Medium-Term Financial Strategy, the global economic position prevailing at the time, and the impact of the UK leaving the European Union.
- 1.5.32 To ensure that the Authority continues to keep within its approved Budget and the financial integrity of the Authority is maintained, it is essential that Budget holder responsibility and accountability continues to be recognised as set out in the Authority's Financial Regulations and in the roles and responsibilities section of the Authority's Budget Management Handbook.

#### Capital Investment Strategy

- 1.5.33 In line with the 2017 changes to the Prudential Code's requirement that the Chief Finance Officer of an Authority should report explicitly on the 'deliverability, affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions'. The Authority have ensured that that all projects within the 2022-2027 proposed Investment Plan follow the full gateway and governance procedure prior to inclusion on the Plan which ensures the deliverability, affordability and risk associated with each decision is fully understood prior to any decisions being made.
- 1.5.34 In terms of the overall investment position of the Authority, as set out above, a Capital Investment Strategy has been developed to help support the delivery of capital investment and ensure that the investment programme, builds on previous success, with a strong focus on delivery of the Authority's Ambition for North Tyneside.

## Adequacy of Financial Reserves

### General Fund

- 1.5.35 One of the key approaches to managing the range of financial risks in relation to the 2022-2026 Medium-Term Financial Plan is the ongoing review of the Authority's reserves and balances and any specific application/use to be considered. The Chief Finance Officer in consultation with the Cabinet Member for Finance and Resources and the Senior Leadership Team, is proposing to earmark £2.000m from the Strategic Reserve to manage the risk of the financial impact of the pandemic into 2022/23. In addition, a range of projects identified to mitigate current cost pressures across Adults and Children's Social Care services will result in the use of over £2.000m of the Change Reserve during 2022/23.

The Medium-Term Financial Plan includes an approach to replenishing the Strategic Reserve from 2023/24 to 2025/26, ensuring that the Strategic Reserve is maintained at the planned level of £10.000m over the life of the Plan in line with the Authority's agreed Reserves and Balances Policy. Any unplanned use of the Strategic Reserve over the Plan may take the level outside of this boundary and corrective action would be needed to demonstrate how the £10.000m agreed level would be restored.

- 1.5.36 Guidance on Local Authority Reserves and Balances is given in Local Authority Accounting Panel Bulletin 99. This states that "*Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option*", 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 Medium-Term Financial Plan has been developed so that ongoing revenue expenditure is aligned to annual income with no long-term reliance on reserves.

### **1.6 Decision options:**

- 1.6.1 The Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution for 2022/23 is set down in paragraph 1.5.22 of this report.
- 1.6.2 At this meeting, full Council will debate and give detailed consideration to Cabinet's Budget estimates of amounts and the Council Tax Requirement. Full Council will consider whether it has any objections to Cabinet's proposals.
- 1.6.3 Although at the time of writing this report the Tyne and Wear Fire and Rescue Authority precept has yet to be confirmed. This Authority anticipated that the proposed increase of 1.99% will be confirmed on 14 February 2022. Therefore, it is possible for the Council Tax Requirement to be set at this meeting. The outstanding information in relation to the Police precept and the Final Local Government Finance Settlement has now been received and assessed. The Local Government Finance Settlement is going through due approval process.

1.6.4 Following this meeting, the Elected Mayor may be required to reconsider Cabinet's proposals, taking into account any objections of full Council. A Cabinet meeting has been scheduled for 21 February 2022, if required, for this purpose.

1.6.5 The Elected Mayor may then revise the proposals or disagree with full Council and give notice accordingly to the Chief Executive to enable a further meeting of full Council to be called. This is the final meeting in the process at which the Authority's Budget and Council Tax Requirement calculation will be agreed and the Council Tax Level for 2022/23 set. This meeting will take place on 3 March 2022. At this meeting, where any proposals of full Council in respect of the Budget calculations do not accord with the Cabinet's proposals, Cabinet's proposals will prevail unless at the meeting a two-thirds' majority of the Members present vote to impose full Council's own proposals.

## **1.7 Reasons for recommended option:**

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

## **1.8 Appendices:**

Appendix A: 2022-2026 Financial Planning and Budget Process: Cabinet's Final Budget and Council Tax Requirement Proposals, Cabinet 31 January 2022.

Appendix B Cabinet's Formal response to the Overview, Scrutiny and Policy Development Committee Recommendations.

## **1.9 Contact officers:**

Janice Gillespie, Finance  
Tel No (0191) 643 5701

Claire Emmerson, Finance  
Tel No (0191) 643 8109

David Dunford, Finance  
Tel No (0191) 643 7027

Cathy Davison, Finance  
Tel No (0191) 643 5727

Amar Hassan, Finance  
Tel No (0191) 643 5747

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

Bryn Roberts, Law and Governance  
Tel No (0191) 643 5339

## **1.10 Background information:**

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

- (a) Local Authorities (Standing Orders) (England) Regulations, 2001
- (b) North Tyneside Council's Constitution including the Budget and Policy Framework Procedure Rules
- (c) Calculation of the 2022/23 Council Tax Base for North Tyneside Council, Cabinet 24 January 2022
- (d) 2022/23 Provisional Local Government Finance Settlement
- (e) Spending Round 2021
- (f) Council General Fund Budget Summaries
- (g) Localism Act 2011
- (h) Local Government (Finance) Act 1992
- (i) Local Audit and Accountability Act 2014
- (j) Equality Impact Assessments

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION-MAKING**

### **2.1 Finance and other resources**

2.1.1 The financial implications arising from this report are appraised as part of the decisions made about what will be included in the Authority's Budget and Council Tax Requirement for 2022/23. Decisions on the Budget in relation to the General Fund, Schools' funding, Treasury Management Strategy and Annual Investment Strategy and Investment Plan need to be made within the overall context of the resources available to the Authority and within the legal framework for setting the Budget, and the statutory Council requirement.

2.1.2 Full Council need to have due regard to the Chief Finance Officer's advice in relation to the robustness of the estimates used and to the levels of reserves and balances proposed as part of the four-year Medium-Term Financial Plan for 2022-2026, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in July 2014.

### **2.2 Legal**

2.2.1 By virtue of sections 31A and 31B of The Local Government Finance Act 1992 (the 1992 Act) the Authority is obliged each financial year to undertake a calculation of Council Tax Requirement and the basic amount of its Council Tax. Chapter 4ZA of the 1992 Act also makes provision for Council Tax referendums to

be held in England if an authority increases its Council Tax by an amount exceeding the principles determined by the Secretary of State for Housing, Communities and Local Government and agreed by Parliament.

- 2.2.2 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer of the Authority to report on the robustness of the estimates made for the purposes of the Budget and Council Tax calculations, and the adequacy of the proposed financial reserves. Section 25 of the 2003 Act requires Members and officers to have regard to the Chief Finance Officer's report when making decisions about those calculations. The Government has a back-up power to impose a minimum level of reserves on an authority that it considers to be making inadequate provisions.
- 2.2.3 The 2022/23 Financial Planning and Budget Process has been prepared to comply with the timescales required within the Budget & Policy Framework Procedure Rules contained in the Authority's Constitution.
- 2.2.4 Pursuant to section 30(7) of the 1992 Act the Authority is only able to set the Council Tax either following receipt of the precepts from major precepting authorities or 1 March in any year, whichever is earlier. The amount of Council Tax for each category of dwelling in the borough must be set before 11 March in the relevant year. As all information that has been received has been assessed, information on the Police and Fire Authority precepts have been received by the Authority and the Final Local Government Finance Settlement received, it is possible for the Council Tax Requirement to be set at this meeting.

## **2.3 Consultation / Community engagement**

### **2.3.1 Internal Consultation**

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

### **2.3.2 External Consultation/Engagement**

The 2022/23 Budget Engagement Strategy and approach were agreed by Cabinet on 20 September 2021. Engagement with residents took place over the summer during the Big Community Conversation activity. Due to restrictions with the pandemic, this activity was more limited than the usual annual exercise. These views and priorities have been considered for Cabinet's draft Budget proposals as set out in this report. Further engagement on the Budget proposals has taken place during December 2021 and January 2022 in line with the Budget Engagement Strategy agreed by Cabinet on 20 September 2021.

## **2.4 Human rights**

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

ideas. Article 8 of the Convention guarantees the right to respect for private and family life.

## **2.5 Equalities and diversity**

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

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

## **2.6 Risk management**

- 2.6.1 Individual projects within the 2022-2026 Medium-Term Financial Plan and Budget are subject to full risk reviews. For larger projects, individual project risk registers are / will be established as part of the Authority's agreed approach to project management. Risks will be entered into the appropriate operational, strategic, corporate or project risk register(s) and will be subject to ongoing management to reduce the likelihood and impact of each risk.

## **2.7 Crime and disorder**

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

## **2.8 Environment and sustainability**

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

**PART 3 - SIGN OFF**

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