

Date: 14 September 2021

Subject: NECA Budget 2022/23

Report of: Chief Finance Officer

Executive Summary

This report sets out initial budget proposals for 2022/23 for the NECA Corporate Budget including fulfilment of its Accountable Body role for the North East Joint Transport Committee.

The forecast for the 2021/22 financial year is for a deficit of approximately £9,600. This is as a result of lower than forecast investment interest being received due to historically low interest rates. This deficit will be met from the NECA Corporate Reserve in year.

The report highlights that the initial budget estimates for 2022/23 and 2023/24 are in line with the forecasts set out as part of the Medium-Term Financial Strategy (MTFS) presented to the Leadership Board in February 2021.

It is anticipated that contributions to the NECA Corporate Budget and the NECA budget for fulfilment of the JTC Accountable Body role can be maintained at the current levels of £25,000 and £10,000 respectively for 2022/23, although these will be subject to review for 2023/24 onwards.

The initial budget proposals set out in this report will be subject to further discussion and consultation and a report presented to the next meeting of the Leadership Board.

Recommendations

The Leadership Board is recommended to note the report.

1. Background Information

- 1.1 A report was presented to the Leadership Board in July setting out the proposed budget setting timetable for 2022/23, which included a report to this meeting setting out updated 2021/22 forecasts and their impact on the MTFS.
- 1.2 In line with that timetable, this report provides an update on the updated 2021/22 forecasts and update on the MTFS.

2. Proposals

NECA Corporate Costs

- 2.1 The NECA budget for corporate costs is required to support operational costs including staffing employed by NECA, Service Level Agreements (SLAs), independent members allowances and expenses and supplies and services costs.
- 2.2 The report to the Leadership Board on 2 February 2021 set a net NECA Corporate budget for 2021/22 of £202,940, which provided for NECA corporate capacity and to fulfil the JTC Accountable Body role. This is funded from contributions from NECA constituent authorities totalling £100,000 (£25,000 per authority), contributions from JTC constituent authorities totalling £70,000 (£10,000 per authority) and interest income on short term investments.
- 2.3 An initial forecast outturn for 2021/22 was presented to the Leadership Board in July 2021. This set out that expenditure was forecast to be in line with the budget agreed by the Leadership Board.
- 2.4 Interest on short term investments however has been lower during the year to date than the budget forecasts, due to historically low interest rates following the Bank of England's emergency rate cut to just 0.1% in 2020 to try to reduce the economic impact of the coronavirus outbreak. This cut was intended as a temporary measure and there is anticipation that a small increase in rates will be required next year to counter rising inflation.
- 2.5 Accordingly, the forecast for investment income receivable in 2021/22 is forecast to be below budget. The small forecast deficit can be met from the NECA Corporate reserve in year, which is higher than forecast at the time of setting the budget due to slightly higher investment income received in 2020/21. As set out in the report to the Leadership Board in July 2021, at 31 March 2021 the NECA corporate reserve totalled £426k. This is a general balance and is not earmarked for specific purposes.
- 2.6 The forecast has been updated on the most recent information and is set out in the table below.

	NECA Corporate		JTC Accountable Body	
	2021/22 Original Budget	2021/22 Forecast	2021/22 Original Budget	2021/22 Forecast
Employees	49,815	50,687	11,790	11,996
Service Level Agreements	53,000	52,353	75,400	74,622
Independent Members Allowances and expenses	7,000	6,000	0	0
Supplies and Services	5,935	6,935	0	0
Total Expenditure	115,750	115,975	87,190	86,618
NECA Corporate Contributions	(100,000)	(100,000)	0	0
JTC Accountable Body Contributions	0	0	(70,000)	(70,000)
Interest Income	(15,750)	(10,000)	(17,190)	(13,000)
Total Income	(115,750)	(110,000)	(87,190)	(83,000)
Net deficit to fund from reserves	0	5,975	0	3,618

2.7 Appendix 1 sets out the indicative draft budget for 2022/23, along with Medium Term Financial Strategy estimates for 2023/24 and 2024/25. The constituent authority contributions to the NECA Corporate Budget and to the NECA budget for fulfilment of the JTC Accountable Body role are included at the current levels of £25,000 and £10,000 respectively for 2022/23 and beyond, however, these will need to be subject to review for 2023/24 onwards and is dependent upon investment income recovering to the rates achieved during 2020/21 and balances held being at a sufficient level.

3. Reasons for the Proposals

3.1 This report sets out initial high-level budget proposals for 2022/23 for the NECA Corporate budget, including fulfilment of its Accountable Body role for the North East Joint Transport Committee.

3.2 The report identifies that NECA Corporate contributions will be maintained at £25,000 per authority and contributions to the Joint Transport Committee Accountable Body role will be maintained at £10,000 per authority in 2022/23 and will be reviewed for 2023/24.

4. Alternative Options Available

4.1 The report is presented for information with no decision required at this stage – the information set out will be included in the 2022/23 NECA budget setting reports to

the Leadership Board in November 2021 and January 2022 and will be subject to consultation via the NECA Overview and Scrutiny Committee.

5. Next Steps and Timetable for Implementation

- 5.1 The NECA Constitution requires that consultation on budget proposals be undertaken at least two months prior to the budget being agreed. Proposals for consultation will be presented to the Leadership Board on 2 November 2021. The proposals will be subject to consultation with the Leadership Board, Overview and Scrutiny Committee and officer groups. In its Accountable Body role for the JTC, Transport proposals will also be subject to consultation with the JTC Overview and Scrutiny Committee, the JTC Tyne and Wear Sub Committee and constituent councils. Comments raised as part of the consultation process will be taken into account in the preparation of the final reports.

6. Potential Impact on Objectives

- 6.1 The budget and medium-term financial strategy 2022/23 to 2024/25 has been and will continue to be prepared to reflect the objectives of the Authority and feedback from constituent authorities. Future reports will set out the revenue and capital budget proposals in detail that will help deliver the objectives of the Authority.

7. Financial and Other Resources Implications

- 7.1 The financial and other resources implications are set out in the main body of the report.

8. Legal Implications

- 8.1 The budget must be approved unanimously in accordance with the requirements of the NECA Order and the NECA Constitution.

9. Key Risks

- 9.1 Appropriate risk management arrangements are put in place in each budget area by the delivery agencies responsible. Reserves are maintained to help manage financial risk to the authority.

10. Equality and Diversity

- 10.1 There are no equality and diversity implications arising from this report.

11. Crime and Disorder

- 11.1 There are no crime and disorder implications arising from this report.

12. Consultation/Engagement

12.1 The NECA Constitution requires that consultation on budget proposals be undertaken at least two months prior to the budget being agreed. The draft proposals will be subject to consultation with the Leadership Board, Overview and Scrutiny Committee and officer groups. Comments raised as part of the consultation process will be taken into account in the preparation of the final reports.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from these proposals.

14. Appendices

14.1 Appendix 1 – NECA Corporate and JTC Accountable Body Budget Forecast 2021/22 and initial proposals 2022/23-2023/24.

15. Background Papers

15.1 NECA Constitution

16. Contact Officers

16.1 Eleanor Goodman, NECA Finance Manager,
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17. Sign Off

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- Head of Paid Service:
 - Monitoring Officer:
 - Chief Finance Officer:

