

# Extraordinary Cabinet

**18 January 2012**

**Present:** Mrs L Arkley (Elected Mayor) (in the Chair),  
Councillors Mrs G Barrie, E Hodson, D Lilly, Mrs P McIntyre,  
L J Miller, Mrs JA Wallace and GC Westwater

**In Attendance:** Councillor CB Pickard

## **CAB131/01/12 Apologies**

Apologies were received from Councillor P Mason.

## **CAB132/01/12 Declarations of Interest**

There were no declarations of interest.

## **CAB133/01/12 Budget and Council Plan Sub Group**

Cabinet received a report of the Overview and Scrutiny Committee's Budget and Council Plan Sub Group, on Cabinet's draft Council Strategic Plan and initial budget proposals.

Councillor CB Pickard, Chair of the Overview and Scrutiny Committee, was in attendance to present the Sub Group's report. The various recommendations were set out in the report.

The Mayor thanked Councillor CB Pickard for his presentation and stated that a response to the recommendations of the Sub Group would be provided and if possible, as requested by the Sub Group, by 6 February 2012.

## **CAB134/01/12 2012-2015 Council Strategic Plan and Budget Setting Process: Cabinet's Draft Council Strategic Plan and Budget Proposals**

Cabinet considered a report on the 2012-2015 Council Strategic Plan and Budget Setting Process: Cabinet's Draft Council Strategic Plan and Budget Proposals.

At its meeting on 12 September 2011, Cabinet had approved the process and timetable to be adopted for the preparation of the Council Strategic Plan, 2012/13 revenue budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2012-2022 Capital Plan, as part of the overall Council Strategic Plan and Budget Setting process for 2012-2015. Cabinet had also approved the Council Strategic Plan and Budget Engagement Strategy at that meeting.

On 28 November 2011, Cabinet had considered its draft Council Strategic Plan and initial budget proposals so that these proposals could go forward as part of Council Strategic Plan and budget engagement with the Council's partners and communities. Cabinet was now required to receive that report and consider its estimates of amounts for the 2012/13 general fund budget, the 2012-2022 capital plan and the treasury management statement and annual investment strategy for 2012/13, in the context of its

proposed 2012-2015 Council Strategic Plan. Cabinet was also requested to consider the level of council tax to be set for 2012/13.

Regarding the Housing Revenue Account, Cabinet was required to consider and agree the proposed 2012/13 Housing Revenue Account budget and associated business plan and to consider proposals to increase housing rents, housing service charges and garage rents for 2012/13.

The Budget and Policy Framework Procedure Rules were set out in Part 4.7 of the Council's Constitution. The Council Strategic Plan was guided by paragraph 4.7.4 covering the process for the preparation, consideration and final approval of plans and strategies and the Budget was guided by paragraph 4.7.3 covering the process for the preparation, consideration and final approval of the Council's budget. The constitutional requirements for preparing, considering and approving the Council Strategic Plan and Budget drove the timetable for the Council Strategic Plan and Budget Setting process.

The development of the Council Strategic Plan and Budget had followed the same timetable as in previous years although, where possible, strategic planning and engagement had taken place earlier than in previous years, to allow more time for proposals to be considered and appropriate consultation to be undertaken. The priorities in the Council Strategic Plan provided the strategic framework within which budget resources were allocated. The timetable set out in Section 1, Table 1 of Annex 1 therefore assumed the same timeline for preparing, considering and approving the Council Strategic Plan with the Budget.

The Council Strategic Plan and Budget Setting process was a fundamental part of the overall governance and assurance framework of the Council. This in turn provided assurance that was considered as part of preparing the Annual Governance Statement each year.

Feedback through the Annual Governance Statement and the Overview and Scrutiny Committee's report into the 2011-2015 service and spending review process had been used to inform this year's process.

Annex 1 of the report set down in detail the Cabinet's 2012-2015 Draft Council Strategic Plan and Budget proposals for the General Fund Revenue Budget, Dedicated Schools Grant, Housing Revenue Account and associated business plan, the Treasury Management Statement and Annual Investment Strategy for 2012/13 and the 2012-2022 Capital Plan. This covered:

- The 2012-2015 Council Strategic Plan and Budget Setting Process;
- Widening Horizons – The Draft Council Strategic Plan 2012-2015;
- Local Government Finance;
- The Financial Strategy 2012-2015;
- Cabinet's Estimates of Amounts for the 2012/13 General Fund Revenue Budget and 2012-2015 Financial Plan, including the Dedicated Schools Grant;
- Cabinet's Estimates of Amounts for the 2012-2022 Capital Plan and Prudential Indicators;
- Treasury Management Statement and Annual Investment Strategy 2012/13;
- Response to Overview and Scrutiny Committee Recommendations;
- Provisional Statement to Council by the Chief Finance Officer;
- Cabinet's Estimates of Amounts for the 2012-2015 Housing Revenue Account and associated Business Plan; and
- Housing Revenue Account - Statement to Council by the Chief Finance Officer

The Executive Summary at the beginning of Annex 1 highlighted the key messages from the proposals.

A table outlining the budget changes since the 28 November 2011 Cabinet report, together with an explanation for each change, was set out in the report.

The Mayor addressed Cabinet. She referred to the financial situation facing all Public Sector organisations. The Council's Financial Plan included £47.658m of savings to be achieved between 2011 and 2015. £16.194m of savings had been achieved in the first year, but with this challenge continuing the level of savings required could not be achieved without a fundamental change to what the council provided and how this provision was delivered.

It was necessary to make a further £16.051million of savings in the coming year, which would mean making decisions focused on strategic priorities and the needs of the borough to facilitate the services that mattered most to residents, while also supporting the borough's growth through investment and business success, to protect and grow new jobs. Strong partnership working and innovation would achieve maximum benefit from available resources, drive out inefficiency and support value for money.

The Mayor stressed that changing the way the Council worked and how the organisation was shaped would not detract from it remaining democratically led and publically accountable for every penny it spent. Rather than cutting, the aim was to grow and to come through the tough times with North Tyneside in a better situation. The approach would set a new direction for the Council, empower local people, widen horizons and create opportunities. It was an approach embedded in growth with targeted plans to deliver savings in ways that would secure the long-term future for key services and better outcomes for residents.

The Council had been proactive in how it had made these choices. The Change, Efficiency and Improvement Programme had, over the last year, scrutinised in detail everything the Council did. Future service priorities had been examined and performance benchmarked against comparable authorities to see if better value could be achieved for council tax payers. The new direction was one that would empower people and create opportunities whilst accepting the need to find new solutions to current and future demands. These were all reflected in the proposals being made.

The proposals took account of future pressures such as rising energy costs, a changing population with higher demand from sectors including adult social care and looked after children, and the need to accommodate equal pay claims. Services identified as most important to the public had been protected, including the weekly refuse collections. Investment would continue but would be much more strategic and delivered to maximise their benefits.

It was aimed to deliver no increase in council tax levels for residents, supported by a national grant from government, which demonstrated the commitment to support families at this tough financial time.

Consultation feedback had been taken into account when drawing up the proposals and where possible acted upon, for example, Monkseaton Library would be retained.

There were further tough choices to be made, but the Council needed to face up to the reality of the financial situation. The Council would continue to be proactive, listening to residents and prioritising growth. The proposals protected the vulnerable in society,

maintained excellence in education skills and employment and created safe, secure communities and excellent services for residents. Jobs were being protected and the proposals would help with efforts to grow jobs in the Borough, with better services for residents.

The Cabinet Member for Finance stated that the budget came at a time when, as always, it was necessary to be careful with the Borough's money. Difficult decisions had been made, but in a way that minimised the impact on the areas prioritised by residents, businesses and visitors.

The current year's budget monitoring had identified a number of pressures and provision had been made for these in the budget proposals. These included £1.4 million to address energy pressures, £1 million to address demand-led pressures in safeguarding for children and £1.5 million for learning disability services.

Whilst opportunities for growth had been limited, focus had been given to addressing Council priorities. Following feedback from residents on the importance of being able to contact the Council, this included £0.200 million to support new Joint Service Centres in Whitley Bay and Wallsend, on top of another £0.200 million for contact centre investment.

Investment was being made in the Council's capital assets, which would improve the Council's infrastructure for the longer term, again based on the areas that service users had said were important. These included £1 million for roads and pavements, £3.7 million for the Local Transport Plan, £1 million for Youth facilities and £2.3 million for the Excellent Parks Programme.

For the Housing Revenue Account, next year would be the first full year under the new national self-financing regime. The budget and 30-year business plan had been developed so that the Borough would see sustained investment and improvement in council houses, ensuring decent homes standards were maintained.

This investment needed to be balanced with efficiencies and savings. The Change, Efficiency and Improvement programme had set out a structured approach to achieving this.

All areas of the Council would contribute to the efficiencies, but it had been ensured that savings targets took into account the views of service users.

The savings allocated to the highest priority areas, such as safeguarding vulnerable people were proportionally lower than the savings targets allocated to some back office support services. In that way, the most important services could be protected as much as possible.

The Mayor and Cabinet Members thanked the Chief Executive, Strategic Directors and all staff who had assisted throughout the budget setting process.

Cabinet considered the following decision options:

- a) Agree the proposals set down in the report.
- b) Agree a selection of the proposals and suggest that further / different options are considered by the Senior Leadership Team before submission to full Council on 2 February 2012.

c) Disagree with the proposals.

**Resolved** that the proposals be approved as follows:

### **The 2012-2015 Council Strategic Plan and Budget Setting Process**

- (1) the progress made in relation to this year's Council Strategic Plan and Budget Setting process, be noted;
- (2) it be noted that Cabinet's estimates of amounts will be referred to full Council for consideration at its meeting on 2 February 2012, in accordance with the Council's Constitution and Budget and Policy Framework Procedure Rules;

### **Widening Horizons - The 2012-2015 Draft Council Strategic Plan**

- (3) the 2012-2015 Draft Council Strategic Plan, be agreed;
- (4) the key messages that have emerged from Council Strategic Plan and budget engagement and how the results of this and other engagement activities have influenced the draft Council Strategic Plan and budget proposals for 2012/13 and future years, be noted;

### **Local Government Finance**

- (5) the key aspects of the recent consultation on the Local Government Resource Review: Proposals for Business Rates Retention and the 2012/13 provisional Local Government Finance Settlement announced on 8 December 2011, and how this has been incorporated into the financial strategy and financial plan of the Council, be noted;

### **The Financial Strategy 2012-2015**

- (6) the key principles being adopted in preparing the Financial Strategy for the Council be approved, subject to an annual review;
- (7) the formal Reserves and Balances Policy for the Council, be approved subject to review at least annually;
- (8) the medium-term financial challenges and financial risks facing the Council be noted and these issues be addressed as part of the Change, Efficiency and Improvement Programme for the Council, to deliver continued financial stability and prudent management of the Council's financial resources;
- (9) the approach being taken in relation to the Change, Efficiency and Improvement Programme for the next three years, starting in 2012/13, be agreed;

### **Cabinet's Estimates of Amounts for the 2012-2015 General Fund Revenue Budget and Dedicated Schools Budget**

- (10) approval be given to the estimates of amounts for the 2012/13 general fund revenue budget, level of council tax to be proposed and dedicated schools grant to be recommended to Council for approval, including the assessment in relation to the current year's budget monitoring information (2011/12) and indications of financial plans for 2013/14 and 2014/15;

- (11) the Chief Finance Officer prepare the appropriate budget resolution document for the Council's consideration at its meeting on 21 February 2012, based upon the outcomes of resolution (10) above;

### **2012-2022 Capital Plan**

- (12) approval be given to the estimates of amounts in relation to the 2012-2022 capital plan, including prudential indicators for 2012/13 in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Framework and a proposed Minimum Revenue Provision (MRP) policy in line with capital finance regulations;
- (13) approval be given to the proposed Reserve List of Schemes that will be considered should additional funding become available, being Council funding or otherwise;
- (14) the updated Local Prudential Code for 2012-2015 in terms of borrowing requirements for the Council's capital plan, be approved;
- (15) it be noted that all approved schemes within the 2012-2022 capital plan will be kept under corporate review by the Major Projects Group, to ensure that necessary information has been supplied prior to any expenditure taking place;

### **Treasury Management Statement and Annual Investment Strategy for 2012/13**

- (16) the Treasury Management Statement incorporating the Annual Investment Strategy for 2012/13, be approved;
- (17) the revised Counterparty List amended under delegation to the Strategic Director of Finance and Resources, be noted;

### **2012-2015 Housing Revenue Account Business Plan and Budget**

- (18) the estimates of amounts in relation to the 2012/13 housing revenue account budget, and associated business plan, including an assessment in relation to the current year's budget monitoring information (2011/12) be approved; and the ongoing issues in relation to Housing Self Financing, the proposed April 2012 rent increase (calculated in line with the Government's revised rent restructure formula) and the proposals in relation to housing service charges and garage rents for 2012/13, following notification received by the Council of the draft Housing Revenue Account Self Financing Determination, be noted;
- (19) the Housing (HRA) Capital Plan 2012-2022, be approved;
- (20) resolutions (18) to (19) inclusive be referred to Council for approval;

### **Delegations**

- (21) delegated authority be granted to the Elected Mayor to make any final amendments to the Housing Revenue Account and associated business plan following receipt of the Final Housing Revenue Account Self Financing Determination, expected on 28 January 2012, prior to referral to Council on 2 February 2012;
- (22) delegated authority be granted to the Elected Mayor to make any final amendments to the Cabinet's proposals in relation to that information which is still outstanding in order that due consideration can be given to the final level of

Council Tax the Cabinet wishes to put forward to full Council for approval for 2012/13;

- (23) delegated authority be granted to the Strategic Director of Finance and Resources, in consultation with the Elected Mayor, Cabinet Member for Finance and the Senior Leadership Team to manage the overall Change, Efficiency and Improvement Programme and note that decisions made under this delegated authority will be reported to Cabinet as part of the regular budget monitoring information provided;
- (24) delegated authority be granted to the Strategic Director of Finance and Resources, in consultation with the Elected Mayor, Cabinet Member for Finance and the Head of Legal, Governance and Commercial Services to deal with all matters arising in relation to the treatment of pensions and any associated matters relating to the potential transfers of Council employees to the Business Package, the Technical Package and the Community Based Trust projects of the Change, Efficiency and Improvement Programme;
- (25) delegated authority be granted to the Elected Mayor, in consultation with the Major Projects Group, to keep under review the 'reserve list' of schemes within the 2012-2022 capital plan;
- (26) delegated authority be granted to the Elected Mayor, in consultation with the Cabinet Member for Finance, the Chief Executive, the Interim Strategic Director and the Strategic Director of Finance and Resources to respond to any recommendations following Overview and Scrutiny Committee's consideration of the Budget and Council Plan Sub Group's report into the 2012-2015 Council Strategic Plan and Budget Setting process and Cabinet's draft Council Strategic Plan and initial budget proposals by 28 January 2012; and,
- (27) delegated authority be granted to the Elected Mayor, in consultation with the Cabinet Member for Finance, the Chief Executive, the Interim Strategic Director and the Strategic Director of Finance and Resources to consider any further comments received from residents after the drafting of this Cabinet report but before 1 February 2012, as the Council Strategic Plan and Budget Engagement process will continue until 31 January 2012, and present these as an addendum to the report to Council on 2 February 2012.

(Reason for Decision - the budget proposals have been worked through with all Cabinet Members and have taken due consideration of the Council Strategic Plan and budget engagement suggestions. The reasons for recommendations are mainly legal in nature, as stated in paragraphs 2.1 and 2.2 of this report namely:

## **'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 Council's Financial Plan, incorporating the 2012/13 budget setting process. Decisions on the budget in relation to the General Fund, Housing Revenue Account and associated business plan, schools' funding and Capital Plan need to be made within the overall context of the resources available to the Council and within the legal framework for setting budgets. The Council will need to examine closely the links with its key funding partners and their proposed financial plans, including an assessment of the impact of any grant fall-out over the proposed three-year resource planning period.

2.1.2 Cabinet and Council need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances proposed as part of the three-year financial plan for 2012-2015, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in November 2008.

## **2.2 Legal**

- 2.2.1 The Local Government Finance Act 1992 (Section 32: Calculation of Budget Requirement) requires the Council to set a balanced budget in the context of the resources available, including central government grants, business rates and council tax income. The Localism Act 2011 also sets out specific requirements for the calculation of council tax requirement by authorities in England and calculation of the basic amount of tax by authorities in England, inserted as Sections 31A and Sections 31B respectively in the Local Government Finance Act 1992.
- 2.2.2 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. 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 2012-2015 Council Strategic Plan and Budget process has been prepared to comply with the time-scales required within the Budget & Policy Framework Procedure Rules contained in the Council's Constitution.
- 2.2.4 Section 76(2) of the Housing Act 1989 requires each authority to produce a Housing Revenue Account budget in the January and February that immediately precede the financial year to which it will relate. In relation to the Housing Revenue Account (HRA) draft revenue budget and associated plan, there is a legal requirement to give all tenants 28 days notice of any rent changes. The new rent for 2012/13 will come into force on 2 April 2012, hence working backwards this means that the letters of notification have to be with tenants by 29 February 2012 at the latest. Prior to this, the changes necessary to the Northgate system to implement the new rents have to be tested and implemented, with backup dates in case of failure. In addition the printing and postage of the rent notification letters is carried out on our behalf by an external company, and we have to build in enough time to enable them to arrange the necessary resources to carry out their tasks. This takes us to seeking approval of the HRA rent early in February to enable sufficient time for all of the above processes to be carried out in enough time prior to the go live date.'

### **CAB134/01/12      Date and Time of Next Meeting**

6.00 pm on Monday 13 February 2012.

**Minutes published on Monday 23 January 2012.**