

**North Tyneside Council
Report to Cabinet
Date: 26 November 2012**

ITEM 3

**Title: 2013-2015 Financial Planning
and Budget Process: Cabinet's
Initial Budget proposals**

Portfolio(s): Elected Mayor Finance Housing	Cabinet Member(s): Mrs Linda Arkley Cllr Judith Wallace Cllr Paul Mason
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Report from Directorate: Senior Leadership Team

Report Author: Fiona Rooney, Strategic Director of Finance and Resources **Tel:** 643 5724

Wards affected: All

PART 1

1.1 Purpose:

- 1.1.1 At its meeting on 10 September 2012, Cabinet approved the process and timetable to be adopted for the preparation of the 2013/14 revenue budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2013-2023 Capital Plan, as part of the overall Financial Planning and Budget process for 2013-2015. Cabinet also approved the Budget Engagement Strategy at that meeting.
- 1.1.2 This report now presents, for consideration, the initial outcomes of that process so far with Cabinet's initial budget proposals, in accordance with the time-scales set down in the Council's Constitution and Budget & Policy Framework Procedure Rules. Cabinet should note that the proposals cover a two-year planning period from 2013-2015 to align with the remainder of the Government's Spending Review period, except the Capital Plan which is set within a 10-year planning horizon.

1.2 Recommendation(s):

1.2.1 It is recommended that Cabinet:

Part 1

The 2013-2015 Financial Planning and Budget Process

- (a) Note the progress made in relation to this year's Financial Planning and Budget process (Annex 1, Section 1.0);
- (b) Approve changes to the 2013-2015 Financial Planning and Budget Process timetable and 2013/14 Budget Engagement Strategy from that agreed by Cabinet on the 10 September 2012 as set out in Section 1.5 of this report;

Strategic Planning

- (c) Agree that the Performance Framework for 2012/13 be continued into 2013/14 (Annex 1, Section 2.0);

Local Government Finance

- (d) Note the key aspects of the recent consultations on the Business Rates Retention Scheme (Annex 1, Section 3.0);

The Financial Strategy 2013-2015

- (e) Agree the key principles being adopted in preparing the Financial Strategy for the Authority, subject to an annual review (Annex 1, Section 4.0);
- (f) Note the medium-term financial challenges and financial risks facing the Authority and agree to address these issues as part of the Change, Efficiency and Improvement Programme for the Authority, to deliver continued financial stability and prudent management of our financial resources (Annex 1, Section 4.0);
- (g) Agree the approach being taken in relation to the Change, Efficiency and Improvement Programme for the next two years, starting in 2013/14 (Annex 1, Section 5.0);

2013-2015 General Fund Revenue Budget and Dedicated Schools Budget

- (h) Consider and agree the initial budget proposals in relation to the 2013-2015 General Fund Revenue Budget and Dedicated Schools Grant, including the assessment in relation to the current year's budget monitoring information (2012/13) (Annex 1, Section 5.0);

2013-2023 Capital Plan

- (i) Consider and agree the initial proposals in relation to the 2013-2023 Capital Plan, including initial prudential indicators for 2013-2016 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 (Annex 1, Section 6.0, Appendices B (i) and B (iii));

- (j) Consider and agree the proposed Reserve List of Schemes that will be considered should additional funding become available, council or otherwise (Annex 1, Section 6.0, Appendix B (ii));
- (k) Note that all approved schemes within the 2013-2023 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 (Annex 1, Section 6.0);

Treasury Management Statement and Annual Investment Strategy 2013/14

- (l) Consider and agree the initial proposals in relation to the Treasury Management Statement and Annual Investment Strategy 2013/14 (Annex 1, Section 7.0);

Part 2

2013-2015 Housing Revenue Account Business Plan and Budget

- (m) Consider and agree the initial budget proposals in relation to the 2013-2015 housing revenue account budget, and associated business plan, including an assessment in relation to the current year's budget monitoring information (2012/13) (Annex 1, Section 8.0, Appendix D);
- (n) Note the proposed April 2013 rent increase (calculated in line with the Government's revised rent restructure formula) and the initial proposals in relation to housing service charges and garage rents for 2013/14 (Annex 1, Section 8.0);

Management Arrangements

- (o) Authorise the Elected Mayor, in conjunction with the Cabinet Member for Finance and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of these initial proposals (Annex 1, Section 1.0);
- (p) Authorise the Chief Executive, 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 notes that progress in achieving the Programme will be reported to Cabinet as part of the regular budget monitoring information provided (Annex 1, Section 4.0 and 5.0); and,
- (q) Authorise the Elected Mayor, in consultation with the Major Projects Group, to keep under review the Reserve list of Schemes within the 2013-2023 Capital Plan (Annex 1, Section 6.0).

1.3 Forward plan:

This report was included in the Forward Plan for the period from 1 November 2012 to 28 February 2013.

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 Council's Constitution. The Budget is 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 Budget drive the timetable for the Financial Planning and Budget process.
- 1.4.2 The development of the Financial Plan and Budget has followed the same timetable as in previous years. The priorities in the Sustainable Community Strategy provide the strategic framework within which budget resources are allocated.
- 1.4.3 The Financial Planning and Budget process is a fundamental part of the overall governance and assurance framework of the Authority. This in turn provides assurance that is considered as part of preparing the Annual Governance Statement each year.

1.5 Information - Executive Summary

- 1.5.1 Annex 1 to this report sets down in detail the Cabinet's 2013-2015 initial Budget proposals for the General Fund Revenue Budget, Dedicated Schools Grant, Housing Revenue Account and associated business plan, the 2013-2023 Capital Plan and the Treasury Management Statement and Annual Investment Strategy for 2013/14.
- 1.5.2 The contents of Annex 1 cover:
- The 2013-2015 Financial Planning and Budget Process;
 - Strategic Planning;
 - Local Government Finance;
 - The Financial Strategy 2013-2015;
 - Cabinet's initial budget proposals for the 2013/14 General Fund Revenue Budget and 2013-2015 Financial Plan, including the Dedicated Schools Grant;
 - Cabinet's initial budget proposals for the 2013-2023 Capital Plan and Prudential Indicators;
 - Cabinet's initial budget proposals for the Treasury Management Statement and Annual Investment Strategy 2013/14; and

- Cabinet's initial budget proposals for the 2013-2015 Housing Revenue Account and associated Business Plan.

2013-2015 Financial Planning and Budget Process, incorporating the associated Engagement Strategy

- 1.5.3 At its meeting on 10 September 2012, Cabinet approved the process and timetable to be adopted for the preparation of the 2013/14 revenue budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2013-2023 Capital Plan, as part of the overall Financial Planning and Budget process for 2013-2015. Cabinet also approved the Budget Engagement Strategy at that meeting.
- 1.5.4 As noted above, given that the 2013-2015 Provisional Local Government Finance Settlement, which will include details of the new Business Rates Retention Scheme, is not anticipated to be received until mid December 2012, these budget proposals are necessarily draft at this stage. Until further information on the financial position of the Authority are known from Central Government, it is not possible to quantify with reasonable certainty the level of further savings that are required to be achieved in 2013-2015 through the Change, Efficiency and Improvement (CEI) Programme.
- 1.5.5 On this basis, it is proposed that the timetable agreed by Cabinet on the 10 September 2012 is amended to allow further time for the details of the Provisional Local Government Finance Settlement to be fully analysed and the implications for North Tyneside Council to be assessed, during which time, further CEI savings that may be required will be more fully developed before updated proposals are brought before Cabinet in January 2013. In addition, it is proposed that the Budget Engagement Strategy is also amended in line with the proposed updated timetable.
- 1.5.6 The amended 2013/14 Financial Planning and Budget Timetable of Key Decision Milestones is set out in Section 1.6 of annex 1 to this report.
- 1.5.7 This year the Voice your Choice programme has informed our budget engagement. The first phase ran from 8 October 2012 to 28 October 2012. Information from this phase has fed into Cabinet's initial budget proposals.
- 1.5.8 There will be a further phase of engagement on Cabinet's initial proposals. We are intending to use a similar approach to last year. The focus will be on seeking views through a web based exercise and targeted service lead engagement with groups potentially impacted by the proposals. The exercise will be promoted through the media and the Council's website.
- 1.5.9 A report will be placed on the Council website in advance of the final Budget and Council Tax setting meeting for 2013/14 on the outcomes of the whole budget engagement exercise.

Equality and Diversity Considerations

- 1.5.10 There have been a number of recent legal challenges to the setting of council budgets. In order to comply with current requirements where the Authority's Financial Planning and Budget proposals affect individuals with protected characteristics under the Equality Act 2010 an Equality Impact Assessment will be included. The timescale for Equality Impact Assessments to be completed has been aligned with the Financial Planning and Budget process.
- 1.5.11 Initial assessments have been completed in order to inform Cabinet's decisions on the initial Budget proposals for 2013/14 for consideration at this Cabinet meeting.
- 1.5.12 More detailed assessments will be carried out following the engagement on the initial proposals and will be included in the Budget proposals to be considered by Cabinet in January 2013.

1.6 Decision options:

- 1.6.1 Cabinet can agree the proposals set down in this report. Alternatively, Cabinet can suggest that further / different options are considered by the Senior Leadership Team.
- 1.6.2 As explained in the Annex to the report, there is still a significant amount of externally provided information that has not yet been received by the Authority. On this basis, Cabinet is recommended to authorise the Elected Mayor, in consultation with the Cabinet Member for Finance and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of these initial proposals. Recommendation 1.2.1 (o) refers.

1.7 Reasons for recommended option:

- 1.7.1 Due to outstanding external information, Cabinet is not in a position to set its proposed council tax level for 2013/14 in relation to the general fund. Thus, whilst this report can form the basis of Budget Engagement and Scrutiny over the next two months, further work will inevitably be required before final decisions are made on the budgets for next year. Hence the authorisation recommendation referred to in paragraph 1.6.2 above.

1.8 Appendices:

Annex 1:	2013-2015 Financial Planning and Budget Process – Cabinet's Initial Budget Proposals
Appendix A:	2013-2015 CEI Programme – Current Projects
Appendix B (i):	2013-2023 Capital Plan
Appendix B (ii)	2013-2023 Reserve List of Schemes

Appendix B (iii)	Prudential Indicators
Appendix C	Treasury Management Statement and Annual Investment Strategy 2013/14
Appendix D	Housing Revenue Account Financial Forecast 2013-2015 and Associated Business Plan
Appendix E	Glossary of Terms

1.9 Contact officers:

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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) 2013-2015 Financial Planning and Budget Process, incorporating the associated Engagement Strategy, Cabinet 10 September 2012 (P).

http://www.northtyneside.gov.uk/browse-display.shtml?p_ID=537632&p_subjectCategory=41

- (b) Chartered Institute of Public Finance and Accountancy's (CIPFA's) LAAP Bulletin Number 77: Local Authority Reserves and Balances, November 2008 (P).
http://october.northtyneside.gov.uk:7778/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=540015
- (c) 2012/13 Financial Management Report to 30 September 2012, Cabinet, 12 November 2012 (P). http://www.northtyneside.gov.uk/browse-display.shtml?p_ID=539635&p_subjectCategory=41
- (d) Bank of England Quarterly Inflation Report, 14 November 2012 (P).
<http://www.bankofengland.co.uk/publications/Documents/inflationreport/ir12nov.pdf>
- (e) Business Rates Retention Scheme: Technical Consultation, 17 July 2012 (P).
http://october.northtyneside.gov.uk:7778/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=540014
- (f) North Tyneside Council's Local Prudential Code 2012-2022 (P).
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=532022
- (g) North Tyneside Council's Reserves and Balances Policy (P).
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=532013
- (h) Report to 12 November 2012 Cabinet - Senior Leadership Team Progress report Quarter 2, 2012/13 (P) [Report November 2012](#).
- (i) North Tyneside 'Where we are now' (P) [North Tyneside: where we are now October 2012](#) .
- (j) Adult Social Care Local Account (P) [Local Account May 2012](#).
- (k) 2013/14 Budget Engagement Strategy Report – Phase 1
http://october.northtyneside.gov.uk:7778/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=540016

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 Financial Plan, incorporating the 2013/14 budget setting process. Decisions on the budget in relation to the General Fund, Housing Revenue Account and associated business plan, schools' funding, Treasury Management Statement and Annual Investment

Strategy and Capital Plan need to be made within the overall context of the resources available to this Authority and within the legal framework for setting budgets. The Authority will need to 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 two-year resource planning period.

- 2.1.2 Cabinet and full 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 two-year financial plan for 2013-2015, 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 inserted a new Section 31 into the Local Government Finance Act 1992, which requires the calculation of a council tax requirement by billing authorities, rather than a budget requirement calculation, as previously. The Localism Act 2011 also abolished council tax capping in England. It instead introduced new provisions into the 1992 Act, making 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.
- 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 2013-2015 Financial Planning and Budget process has been prepared to comply with the time-scales required within the Budget & Policy Framework Procedure Rules contained in the Authority'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 business plan, there is a legal requirement to give all tenants four weeks notice of any rent changes. In order to allow time for the production and delivery of the appropriate notifications, the rent and service charge increase will be presented to the 16 January 2013 Cabinet meeting for approval.

2.3 Community engagement

Internal consultation

- 2.3.1 Each Cabinet Member has been consulted on the proposals put forward in this report, with regular discussions held between the Chief Executive, Strategic Directors, the Elected Mayor and the Cabinet Member for Finance. The Senior Leadership Team and their Directorate Leadership Teams have been fully engaged in the process and in the proposals set down in this report.

Community engagement

- 2.3.2 The 2013/14 Budget Engagement Strategy was agreed at Cabinet on 10 September 2012. This committed the Authority to engaging with a wide range of individuals and groups, in addition to Elected Members, to capture a diverse range of views. Groups to be consulted include:

- Children's and Young People;
- Adults and Families;
- Older People;
- North Tyneside Strategic Partnership (NTSP);
- Business Community;
- Schools Forum / Schools Governors / Headteachers Convenors;
- Voluntary and Community Sector, including Faith Groups;
- Staff; and,
- Trade Unions.

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 Law. 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 process of the Budget setting the Authority's aim will at all times 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 we have taken a phased approach:

- An Equalities Impact Assessment has been carried out on the Budget Engagement process. The aim is to remove or minimize any disadvantage for people wishing to take part in the engagement programme.
- Initial Equality Impact Assessments have been completed as part of the business cases on all relevant budget proposals ensuring the Cabinet make recommendations after considering all known equality implications. The impact assessments and business cases will be refined as additional information becomes available.
- The outcome of any decisions made following the community engagement on the Budget Process will be subject to further Equality Impact Assessments.

2.6 Risk management

- 2.6.1 Individual projects within the Financial Plan and Budget are subject to full risk reviews. For larger projects, individual project risk registers are / will be established as part of the Authority's agreed approach to project management. Risks will be entered into the appropriate directorate, corporate/strategic 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 Sustainable Community Strategy includes the aim to, "Reduce carbon emissions and ensure that the borough is prepared for the effects of climate change." A number of the proposals will contribute directly to this including those to reduce the Council's energy consumption. The environmental and sustainability aspects of individual proposals will be assessed in detail as and when agreed and implemented.

PART 3 - SIGN OFF

- Strategic Director(s) X
- Mayor/Cabinet Member(s) X

- Chief Finance Officer
- Monitoring Officer
- Strategic Manager, Policy and Partnerships