

**North Tyneside Council  
Report to Cabinet  
Date: 25 November 2013**

**ITEM 3**

**Title: 2014-2018 Financial Planning and Budget Process: Cabinet's Initial Budget proposals**

<b>Portfolio(s):</b> Elected Mayor  Finance  Housing	<b>Cabinet Member(s):</b> Mrs Norma Redfearn  Cllr Ray Glindon  Cllr John Harrison
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**Report from Directorate:** Senior Leadership Team

**Report Author:** Fiona Rooney, Head of Finance and Commercial Services  
**Tel:** 643 5724

**Wards affected:** All

**PART 1**

**1.1 Purpose:**

- 1.1.1 At its meeting on 9 September 2013, Cabinet approved the process and timetable to be adopted for the preparation of the draft Financial Plan, 2014/15 revenue budgets in respect of the general fund, dedicated schools grant (DSG) and housing revenue account (HRA), and the 2014-2018 Capital Plan, as part of the overall Financial Planning and Budget process for 2014-2018. 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 Authority's Constitution and Budget & Policy Framework Procedure Rules. Cabinet should note that the proposals this year cover a four-year planning period from 2014-2018, including the Capital Plan which is now also set within a four-year planning horizon.

## **1.2 Recommendation(s):**

1.2.1 It is recommended that Cabinet:

### **Part 1**

#### **The 2014-2018 Financial Planning and Budget Process**

- (a) Note the progress made in relation to this year's Financial Planning and Budget process (Annex 1, Section 2.0);

The 2014-2018 Council Plan - 'Our North Tyneside'

- (b) Note that the Our North Tyneside Plan forms the Policy Framework for the Financial Planning and Budget Process for 2014-2018 (Annex 1, Section 1.0);
- (c) Note that on 9 December 2013 Cabinet will consider the proposed performance management and reporting framework around the Council Plan.

#### **The Financial Strategy 2014-2018**

- (d) Agree the key principles being adopted in preparing the Financial Strategy for the Authority, subject to an annual review (Annex 1, Section 4.0);
- (e) 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);
- (f) Agree the approach being taken in relation to the Change, Efficiency and Improvement Programme for the next four years, starting in 2014/15 (Annex 1, Section 5.0);

#### **2014-2018 General Fund Revenue Budget and Dedicated Schools Grant**

- (g) Consider and agree the initial budget proposals in relation to the 2014-2018 General Fund Revenue Budget and Dedicated Schools Grant, including the assessment in relation to the current year's budget monitoring information (2013/14) (Annex 1, Section 5.0);

#### **2014-2018 Capital Plan**

- (h) Consider and agree the initial proposals in relation to the 2014-2018 Capital Plan, including initial prudential indicators for 2014-2018 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));

- (i) Consider and agree the proposed Reserve List of Schemes that will be considered should additional funding become available, (Annex 1, Section 6.0, Appendix B (ii));
- (j) Note that all approved schemes within the 2014-2018 Capital Plan will be kept under corporate review by the Capital Programme Management and Finance 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 2014/15**

- (K) Consider and agree the initial proposals in relation to the Treasury Management Statement and Annual Investment Strategy 2014/15 (Annex 1, Section 7.0);

### **Provisional Statement by the Chief Finance Officer**

- (l) Note the Provisional Statement by the Chief Finance Officer (Annex 1, Section 8.0)

## **Part 2**

### **2014-2018 Housing Revenue Account Business Plan and Budget**

- (m) Consider and agree the initial budget proposals in relation to the 2014-2018 Housing Revenue Account budget, and associated Business Plan, including an assessment in relation to the current year's budget monitoring information (2013/14) (Annex 1, Section 9.0, Appendix D);
- (n) Note the proposed April 2014 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 2014/15 (Annex 1, Section 9.0);

### **Management Arrangements**

- (o) Authorise the Elected Mayor, in conjunction with the Cabinet Member for Finance and Resources and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of these initial proposals (Annex 1, Section 2.0);
- (p) 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 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 Strategic Property Group, to keep under review the Reserve list of Schemes within the 2014-2018 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 2013 to 28 February 2014.

### **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 Authority's Constitution. The Budget is guided by paragraph 4.7.3 covering the process for the preparation, consideration and final approval of the Authority's Council Tax requirement and Council Tax level. The statutory and constitutional requirements for preparing, considering and approving these issues drive the timetable for the Financial Planning and Council Tax setting process of the Authority.

1.4.2 The development of the Financial Plan and Budget has followed the same timetable as in previous years. The priorities in the 2014-2018 Council Plan - 'Our North Tyneside' provides 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 2014-2018 initial Budget proposals for the General Fund Revenue Budget, Dedicated Schools Grant, Housing Revenue Account and associated business plan, the 2014-2018 Capital Plan and the Treasury Management Statement and Annual Investment Strategy for 2014/15.

1.5.2 The contents of Annex 1 cover:

- The 2014-2018 Council Plan - 'Our North Tyneside'
- The 2014-2018 Financial Planning and Budget Process;
- Local Government Finance;
- The Financial Strategy 2014-2018;
- Cabinet's initial budget proposals for the 2014/15 Council Tax Requirement including the General Fund Revenue Budget and 2014-2018 Financial Plan and the Dedicated Schools Grant;

- Cabinet's initial budget proposals for the 2014-2018 Capital Plan and Prudential Indicators;
- Cabinet's initial budget proposals for the Treasury Management Statement and Annual Investment Strategy 2014/15;
- Provisional Statement to Council by the Chief Finance Officer; and
- Cabinet's initial budget proposals for the 2014-2018 Housing Revenue Account and associated Business Plan.

### **2014-2018 Financial Planning and Budget Process, incorporating the associated Engagement Strategy**

- 1.5.3 At its meeting on 9 September 2013, Cabinet approved the process and timetable to be adopted for the preparation of the draft Financial Plan, 2014/15 revenue budgets in respect of the general fund, dedicated schools grant (DSG) and housing revenue account (HRA), and the 2014-2018 capital plan, as part of the overall Financial Planning and Budget process for 2014-2018. Cabinet also approved the budget engagement strategy at that meeting.
- 1.5.4 The 'Our North Tyneside' Plan has been developed to reflect the priorities of the new administration and was approved by the North Tyneside Strategic Partnership and then full Council on 26 September 2013. The 'Our North Tyneside Plan' provides the policy direction and strategic priorities for the 2014/15 Budget and the period of the current Financial Plan.
- 1.5.5 The budget proposals set out in this report have been developed in the context of the Our North Tyneside Plan and reflect the Plan priorities. The overall direction is outlined in Annex 1 Section 1 to this report. The savings to be delivered will be managed through the Change Efficiency and Improvement (CEI) programme as in previous years.
- 1.5.6 The financial year 2013/14 has seen the introduction of a number of significant changes to the system of Local Government Finance through for example the Business Rates Retention Scheme and the Localised Council Tax Support Scheme. The way in which North Tyneside Council dealt with these changes were reported on extensively as part of the 2013-2015 Financial Planning and Budget process. The implications of any changes in relation to 2014/15 for these areas will be reported through specific reports to Cabinet and Council and as part of the 2014-2018 Financial Planning and Budget reports including this report and those produced up to February 2014.
- 1.5.7 Last year we had in place a two year financial planning process, in line with the planning horizon of the current Spending Review due to end in March 2015. For the 2014/15 Financial Planning and Budget process we are proposing a four-year financial planning process covering the years 2014-2018. Provisional information on the 2014/15 Local Government Finance Settlement was issued in late December 2012, and on the 26 June 2013 the Government announced the Spending Round for 2015/16 only. A two-year Local Government Finance Settlement covering 2014-2016 will be issued in late December 2013. Detailed future funding for Local

Government beyond 2015/16 is yet to be confirmed, but it is likely to follow a similar trajectory to the current Spending Review.

- 1.5.8 As noted above, given that the 2014-2016 Provisional Local Government Finance Settlement, is not anticipated to be received until late December 2013, 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 2015-2018 through the Change, Efficiency and Improvement (CEI) Programme.
- 1.5.9 Engagement on the budget proposals will take place between 26 November 2013 and 7 February 2014. It will involve information and feedback through the Authority's website as well as focus group activity with staff, residents, businesses and strategic partners.

### **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 2014/15 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 2014. Full assessments will be completed and be available to decision-makers prior to decisions to proceed with the implementation of proposals brought forward during the budget setting process.

### **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 Resources and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of these initial proposals. Recommendation 1.2.1 (p) refers.

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

- 1.7.1 Due to outstanding external information, Cabinet is not in a position to finalise setting its proposed council tax level for 2014/15 in relation to the general fund. However, the Elected Mayor is committed to freezing the Council Tax for 2014/15. This report will form the basis of Budget Engagement and Scrutiny over the next two months, but 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:	2014-2018 Financial Planning and Budget Process – Cabinet’s Initial Budget Proposals
Appendix A:	2014-2018 CEI Programme – Current Projects
Appendix B (i):	2014-2018 Capital Plan
Appendix B (ii)	2014-2018 Reserve List of Schemes
Appendix B (iii)	Prudential Indicators
Appendix C(i)	Treasury Management Statement and Annual Investment Strategy 2014/15- Economic Outlook
Appendix C(ii)	Treasury Management Statement and Annual Investment Strategy 2014/15- Investment Instruments and Credit Criteria
Appendix D	Housing Revenue Account; Summary Financial Forecast 2014-2018
Appendix E	Glossary of Terms

## **1.9 Contact officers:**

Janice Gillespie, Finance Service  
Tel No 643 5701

Geoff Huzzard, Finance Service  
Tel No 643 5716

Cathy Davison, Finance Service  
Tel No 643 5727

Margaret Keith, Finance Service  
Tel No 643 5747

Anthony Gollings, Finance Service  
Tel No 643 8071

Darrell Campbell, Finance Service  
Tel No 643 7052

Vicki Dixon, Commercial Services  
Tel No 643 5723

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

Felicity Shoemith, Chief Executive's Office  
Tel No 643 7071

Eileen Wiltshire, Chief Executive's Office  
Tel No 643 5620

Viv Geary, Law and Governance  
Tel No 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) 2014-2018 Financial Planning and Budget Process, incorporating the associated Engagement Strategy, Cabinet 9 September 2013 (P).  
[http://www.northtyneside.gov.uk/pls/portal/NTC\\_PSCM.PSCM\\_Web.download?p\\_ID=547084](http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=547084)
- (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](http://october.northtyneside.gov.uk:7778/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=540015)
- (c) 2013/14 Financial Management Report to 30 September 2013, Cabinet, 11 November 2013 (P).  
[http://www.northtyneside.gov.uk/pls/portal/NTC\\_PSCM.PSCM\\_Web.download?p\\_ID=548912](http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=548912)
- (d) Bank of England Quarterly Inflation Report, 13 November 2013 (P).  
<http://www.bankofengland.co.uk/publications/Documents/inflationreport/2013/ir13nov.pdf>
- (g) Treasury Management Statement and Annual Investment Strategy 2014/15  
[Treasury Management Strategy Statement And Annual Investment Strategy 2014/2015](http://www.treasury.gov.uk/Assets/Documents/2014/15/TMSAIS201415.pdf)



- (h) North Tyneside Council's Reserves and Balances Policy (P).  
[www.northtyneside.gov.uk/pls/portal/NTC\\_PSCM.PSCM\\_Web.download?p\\_ID=542084](http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=542084)
- (i) North Tyneside 'where we are now' October 2013 [report](#)
- (j) Report to 26 September 2013 Council, Our North Tyneside Plan 2014-2018 [Report](#); [Our North Tyneside Plan 2014-2018](#); [Action Plan 2014-2014-2018](#)

## **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 2014/15 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 four-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 four-year financial plan for 2014-2018, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in November 2008. A provisional statement to Council by the Chief Finance Officer is included in the Annex to this report.

### **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 2014-2018 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 and legislative requirements that the Council Tax requirement is determined before the 11 March in any year.

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 15 January 2014 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, Heads of Service, the Elected Mayor and the Cabinet Member for Finance and Resources. The Senior Leadership Team and their teams have been fully engaged in the process and in the proposals set down in this report.

### **Community engagement**

2.3.2 The 2014/15 Budget Engagement Strategy was agreed at Cabinet on 9 September 2013. The budget proposals have been shaped in the context of Our North Tyneside Plan 2014 -2018. This plan was developed following engagement with a wide range of stakeholders. Engagement on the budget proposals will take place between 26 November 2013 and 7 February 2014.

## **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 proposals 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  x
- Monitoring Officer  x
- Strategic Manager, Policy, Partnerships, Performance and Communications  x