

# North Tyneside Council Report to Cabinet 15 January 2014

## ITEM 3

2014-2018 Financial Planning and  
Budget Process: Cabinet's Draft  
Budget and Council Tax  
Requirement Proposals

<b>Portfolios:</b> Elected Mayor Finance Housing	<b>Cabinet Members:</b> Mrs Norma Redfearn Cllr Ray Glindon Cllr John Harrison
<b>Report from:</b> Senior Leadership Team	
<b>Report Author:</b> Fiona Rooney, Head of Finance and Commercial Services	<b>Tel:</b> 643 5724
<b>Wards affected:</b> All	

### 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), housing revenue account (HRA), and the 2014-2018 Investment 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 On 25 November 2013, Cabinet considered its initial budget proposals, based on information available at that point in time. Cabinet now needs to receive this report and consider its estimates of amounts for the 2014/15 Council Tax requirement including the general fund budget, the 2014-2018 Investment Plan, and the treasury management statement and annual investment strategy for 2014/15 (Annex 1, refers).
- 1.1.3 Due to the nature of the information which is still outstanding as set out in Annex 1 Section 2, a further update report on the 2014-2018 Financial Plan and Budget may need to be provided to the meeting of Cabinet on 30 January 2014, prior to submission to full Council on the 6 February 2014.
- 1.1.4 In terms of the Housing Revenue Account, the purpose of this report is for Cabinet to consider and agree the proposed 2014 - 2018 Housing Revenue Account Business Plan and Budget and housing elements of the 2014-2018 Investment Plan and to present proposals to increase housing rents, housing service charges and garage rents for 2014/15 (Annex 1, Part 2 refers).

## **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);
- (b) Note that Cabinet's estimates of amounts in the setting of the Council Tax requirement will be submitted to full Council for its meeting on 6 February 2014, in accordance with the Authority's Constitution and Budget and Policy Framework Procedure Rules (Annex 1, Section 2);
- (c) Note that Cabinet's proposals for the 2014-2018 Investment Plan, including prudential indicators for 2014/15 in accordance with the Chartered Institute of Public Finance & Accountancy's (CIPFA's) Prudential Framework and the proposed Minimum Revenue Provision (MRP) Policy in line with capital finance regulations will be submitted to full Council for its meeting on 6 February 2014 (Annex 1, Section 6);
- (d) Note that Cabinet's proposals for the Treasury Management Statement and Annual Investment Strategy for 2014/15 will be submitted to full Council for its meeting on 6 February 2014 (Annex 1, Section 7);
- (e) Note that any implications that impact on this report arising from decisions of full Council on the 23 January 2014 and Cabinet on the 30 January 2014 will be provided as a supplementary report to full Council on the 6 February 2014 (Annex 1, Section 5);
- (f) Note the key messages that have emerged from the budget engagement process and how the results of this and the engagement during the development of the Our North Tyneside Plan have influenced the draft Financial Planning and budget proposals for 2014/15 and future years (Annex 1, Section 1 and Appendix B);

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

- (g) Note that the Our North Tyneside Plan forms the Policy Framework and Strategic priorities for the Financial Planning and Budget Process for 2014-2018 (Annex 1, Section 1);
- (h) Note that on 9 December 2013 Cabinet approved the performance management and reporting framework around the Our North Tyneside Council Plan (Annex 1, Section 1);

#### **Local Government Finance**

- (i) Note the key aspects of the 2014/15 provisional Local Government Finance Settlement announced on 18 December 2013, and how this has been incorporated into the financial strategy and financial plan of the Authority. In addition Cabinet should note the outstanding information required to allow the Mayor and Cabinet to finalise the proposals (Annex 1, Section 3);
- (j) Authorise the Head of Finance and Commercial Services, as the Authority's Chief Finance Officer to approve the final National Non-Domestic Rates 1 form for North Tyneside Council for 2014/15, by the deadline of 31 January 2014;

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

- (k) Agree the key principles being adopted in preparing the Financial Strategy for the Authority, subject to an annual review (Annex 1, Section 4);
- (l) Agree the formal Reserves and Balances Policy for the Authority, which is reviewed at least annually (Annex 1, Section 4, Appendix F);
- (m) 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);
- (n) 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);

### **Cabinet's Estimates of Amounts for the setting of the Council Tax Requirement including the 2014-2018 General Fund Revenue Budget and Dedicated Schools Budget**

- (o) Consider and agree the estimates of amounts for the 2014/15 setting of the Council Tax requirement including the general fund revenue budget and dedicated schools grant, thereby calculating the proposed level of Council Tax, to be recommended to full Council for approval, including the assessment in relation to the current year's budget monitoring information (2013/14) and indications of the financial plan for 2015/16 and the following 2 years (Annex 1, Section 5);
- (p) Request the Chief Finance Officer to prepare the appropriate Council Tax Requirement and budget resolution document for full Council's consideration at its meeting on 20 February 2014, based upon the outcomes of recommendation 1.2.1 (n) above (Annex 1, Section 5);

### **2014-2018 Investment Plan**

- (q) Consider and agree the estimates of amounts in relation to the 2014-2018 Investment Plan, including prudential indicators (including the Housing Revenue Account) for 2014/15 in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Framework and the proposed Minimum Revenue Provision (MRP) policy in respect of General Fund investment, in line with capital finance regulations (Annex 1, Section 6 and Appendices C (i) and C (iii));
- (r) Consider and agree the proposed Reserve List of Schemes that will be considered should additional funding become available, being funding by the Authority or otherwise (Annex 1, Section 6 and Appendix C (ii));
- (s) Note that all approved schemes within the 2014-2018 Investment 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);

### **Treasury Management Statement and Annual Investment Strategy for 2014/15**

- (t) Approve the Treasury Management Statement incorporating the Annual Investment Strategy for 2014/15 (Annex 1, Section 7 and Appendix D);
- (u) Note the revised Counterparty List amended under delegation to the Head of Finance and Commercial Services (Annex 1, Section 7 and Appendix D);

## **Part 2**

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

- (v) Consider any recommendations of Overview and Scrutiny Committee's review of Cabinet's initial Budget Proposals for the 2014/15 Housing Revenue Account (HRA) Business Plan and Budget agreed by Cabinet on the 25 November 2013 and any impact such recommendations may have on these proposals (Annex 1, Sections 10 and 11);
- (w) Consider and agree the final proposals in relation to the 2014/15 Housing Revenue Account Business Plan and Budget, including an assessment in relation to the current year's budget monitoring information (2013/14) (Annex 1, section 10 & Appendix E ) and note the Chief Finance Officer's statement (Annex 1, Sections 10 and 12);
- (x) Agree to increase individual council rents in accordance with proposals in section 10 of Annex 1 to this report and section 9 of the 25 November 2013 Cabinet report to enable the Government's rent restructuring formulae to be achieved (Annex 1, Section 10);
- (y) Agree to increase housing service charges and garage rents by 3.2% (Annex 1, Section 10);
- (z) Note the assessment in relation to the current year's budget monitoring information (2013/14) and indications of financial plans for 2014/15 to 2017/18 for the Housing Revenue Account;

## **Delegations and Authorisations**

- (aa) 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 2014/15 (Annex 1, Section 2);
- (bb) 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 note that decisions made under this delegated authority will be reported to Cabinet as part of the regular budget monitoring information provided (Annex 1, Sections 4 and 5);
- (cc) Grant delegated authority to the Elected Mayor, in consultation with the Strategic Property Group, to keep under review the 'reserve list' of schemes within the 2014-2018 Investment Plan and agree any changes considered appropriate subject to the Financial Regulations (Annex 1, Section 6 and Appendix C (ii));
- (dd) Grant delegated authority to the Elected Mayor, in consultation with the Deputy Mayor, Cabinet Member for Finance and Resources, the Chief Executive and the Head of Finance and Commercial Services to respond to any recommendations following Overview and Scrutiny Committee's consideration of the 2014-2018 Financial Planning and Budget process and Cabinet's draft budget proposals (Annex 1, Section 8); and,
- (ee) Grant delegated authority to the Elected Mayor, in consultation with the Deputy Mayor, Cabinet Member for Finance and Resources, the Chief Executive and the Head of Finance and Commercial Services to consider any further comments received from residents after the drafting of this Cabinet report but on or before 7 February 2014, as the Budget Engagement process will continue until 7 February 2014, and present these as an addendum to the report to full Council on 6 February 2014 and 20 February 2014 (Annex 1, Section 1).

### **1.3 Forward plan:**

This report was included in the Forward Plan for the period from 1 January 2014 to 30 April 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.
- 1.4.4 Feedback through the Annual Governance Statement and the Overview and Scrutiny Committee's report into the 2013-2015 Financial Planning and budget process has been used to inform this year's process.

## **1.5 Information - Executive Summary**

- 1.5.1 Annex 1 to this report sets down in detail the Cabinet's 2014-2018 Draft Budget proposals for the General Fund Revenue Budget, Dedicated Schools Grant, the Treasury Management Statement and Annual Investment Strategy for 2014/15, the 2014-2018 Investment Plan and the 2014-2018 Housing Revenue Account Business Plan and Budget.
- 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 Estimates of Amounts 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 Estimates of Amounts for the 2014-2018 Investment Plan and Prudential Indicators;
  - Treasury Management Statement and Annual Investment Strategy 2014/15;
  - Response to Overview and Scrutiny Committee Recommendations;
  - Provisional Statement to full Council by the Chief Finance Officer;
  - Cabinet's final budget proposals for the 2014-2018 Housing Revenue Account and associated Business Plan;

- Response to Overview and Scrutiny Committee Recommendations in relation to the Housing Revenue Account; and,
- Statement to Cabinet in relation to the Housing Revenue Account by the Chief Finance Officer.

## **Equality and Diversity Considerations**

- 1.5.3 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.
- 1.5.4 Initial assessments were completed in order to inform Cabinet's decisions on the initial Budget proposals for 2014/15 which were considered at the 25 November 2013 Cabinet meeting.
- 1.5.5 More detailed assessments have now been carried out following the engagement on the initial proposals and have been used to inform decisions on the Budget proposals for 2014/15 for consideration at this meeting.

## **1.6 Decision options:**

- a) Cabinet can agree the proposals set down in this report.
- b) Cabinet can 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 6 February 2014.
- c) Cabinet can disagree with the proposals.

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

Option (a) is the recommended option as the budget proposals have been worked through with all Cabinet Members and have taken due consideration of the budget engagement suggestions. The reasons for recommendations are mainly legal in nature, as stated in paragraphs 2.1 and 2.2 of this report.

## **1.8 Appendices:**

Annex 1:	2014-2018 Financial Planning and Budget Process – Cabinet’s Draft Council Tax Requirement and Budget Proposals
Appendix A:	2014-2018 CEI Programme – Current Projects
Appendix B	Budget Engagement Report
Appendix C (i)	2014-2018 Investment Plan
Appendix C (ii):	2014-2018 Reserve list of Schemes
Appendix C (iii)	Prudential Indicators
Appendix D (i)	Treasury Management Statement and Annual Investment Strategy 2014/15 - Economic Outlook
Appendix D (ii)	Treasury Management Statement and Annual Investment Strategy 2014/15 - Investment Instruments and Credit Criteria
Appendix E	Housing Revenue Account; Summary Financial Forecast 2014-2018
Appendix F	North Tyneside Council’s Reserves & Balances Policy
Appendix G	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) [2014-2018 Financial Planning and Budget Process: Cabinet's Initial Budget Proposals, Cabinet 25 November 2013](#)
- (b) [2014-2018 Financial Planning and Budget Process, incorporating the associated Engagement Strategy, Cabinet 9 September 2013](#)
- (c) [Chartered Institute of Public Finance and Accountancy's \(CIPFA's\) LAAP Bulletin Number 77: Local Authority Reserves and Balances, November 2008](#)
- (d) [\(2013/14 Financial Management Report to 30 November 2013, Cabinet, 13 January 2014](#)
- (e) Council General Fund Budget Summaries
  - [Chief Executive's Office \(CEO\)](#)
    - Business and Economy
    - Finance and Commercial Services
    - Law and Governance
    - Public Health
  - [Deputy Chief Executive's Office](#)
    - Adult Social Care
    - Children Young People and Learning
    - Commissioning and Fair Access
    - Deputy Chief Executive Central Costs
    - Environment and Leisure
    - Housing General Fund
  - [Corporate Items](#)
    - Corporate and Democratic Core
    - Levies
  - [Summary](#)
- (d) [Bank of England Quarterly Inflation Report, 13 November 2013](#)
- (f) [Statement of North Tyneside Report](#)
- (g) Report to 26 September 2013 Council, Our North Tyneside Plan 2014-2018 [Report](#); [Our North Tyneside Plan 2014-2018](#); [Action Plan 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 Council's Financial Plan, incorporating the 2014/15 Council Tax Requirement and budget process. Decisions on the budget in relation to the General Fund, Housing Revenue Account Business Plan and Budget, schools' funding 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 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 31A and Section 31B: Calculation of Council Tax Requirement and Calculation of Basic Amount of Tax) sets out specific obligations for the calculation of council tax requirement by authorities in England and calculation of the basic amount of tax by authorities in England.
- 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, the Authority, which in this context means all Members, 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 statutory requirement to set the Council Tax by 11 March in the year preceding the year in which it is to have effect.
- 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) final 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 this meeting of Cabinet, the 15 January 2014 for approval.

## **2.3 Consultation/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.
- 2.3.2 A specific Trades Union briefing on the Financial Plan and Budget was held on 19 November 2013 and attended by Senior Officers. In addition, consultation has taken place with staff both generally and on specific proposals.

### **Community engagement**

- 2.3.3 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 the Authority's aim has been at all times 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 Strategy process. The aim is to remove or minimize any disadvantage for people wishing to take part in the engagement programme.

- Initial Equality Impact Assessments were 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

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

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

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)
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Strategic Manager, Policy

Partnerships, Performance  
And Communications