

# North Tyneside Council Report to Cabinet 24 November 2014

## ITEM 3

2015-2018 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:** Patrick Melia, Chief Executive (Chief Finance Officer) **Tel: 643**

**Wards affected:** All

### PART 1

#### 1.1 Purpose:

- 1.1.1 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 but recognise the continued reduction in core funding and increasing demand for services.
- 1.1.2 At its meeting on 8 September 2014, Cabinet approved the process and timetable to be adopted for the preparation of the draft Financial Plan, 2015/16 revenue budgets in respect of the general fund, dedicated schools grant (DSG) and housing revenue account (HRA), and the 2015-2019 Investment Plan, as part of the overall Financial Planning and Budget process for 2015-2018. Cabinet also approved the budget engagement strategy at that meeting.
- 1.1.3 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 three-year planning period from 2015-2018 for the revenue budget and a four year planning horizon for the Investment Plan due to the longer term nature of capital projects.

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

1.2.1 It is recommended that Cabinet:

### **Part 1**

#### **The 2015-2018 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 2015-2018 (Annex 1, Section 1.0);

#### **The Financial Strategy 2015-2018**

- (c) Agree the key principles being adopted in preparing the Financial Strategy for the Authority, subject to an annual review (Annex 1, Section 2.0);
- (d) Note the medium-term financial challenges and financial risks facing the Authority and agree to address these issues as part of the Creating a Brighter Future Programme for the Authority, to deliver continued financial stability and prudent management of our financial resources (Annex 1, Section 2.0);
- (e) Agree the approach being taken in relation to the Creating a Brighter Future Programme for the next three years, starting in 2015/16 (Annex 1, Section 3.0);
- (f) Note the formal Reserves and Balances Policy for the Council, subject to review at least annually (Annex 1, Section 2.0 and Appendix F);

#### **2015/16 General Fund Revenue Budget and Dedicated Schools Grant**

- (g) Consider and agree the initial budget proposals in relation to the 2015/16 General Fund Revenue Budget and Dedicated Schools Grant, including the assessment in relation to the current year's budget monitoring information (2014/15) (Annex 1, Section 3.0);

#### **2015-2019 Investment Plan**

- (h) Consider and agree the new schemes for consideration in relation to the 2015-2019 Investment Plan, including initial prudential indicators for 2015-2019 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 4.0, Appendices C(i) C(ii) and C(iii));

- (i) Note that all approved schemes within the 2015-2019 Investment Plan will be kept under corporate review by the Investment Programme Board (Annex 1, Section 4.0);

### **Treasury Management Statement and Annual Investment Strategy 2015/16**

- (j) Consider and agree the initial proposals in relation to the Treasury Management Statement and Annual Investment Strategy 2015/16 (Annex 1, Section 5.0);

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

- (k) Note the Provisional Statement by the Chief Finance Officer (Annex 1, Section 6.0)

## **Part 2**

### **2015-2018 Housing Revenue Account Business Plan and Budget**

- (l) Consider and agree the initial budget proposals in relation to the 2015-2018 Housing Revenue Account budget, and associated Business Plan, including an assessment in relation to the current year's budget monitoring information (2014/15) (Annex 1, Section 7.0, Appendix E);
- (m) Note the proposed April 2015 rent increase (calculated in line with the Government's revised social rent policy) and the proposal to move vacant properties to target rent upon re-let except for mutual exchanges, successor tenancies or where tenants have been required to move by the landlord and not by choice, and the initial proposals in relation to housing service charges and garage rents for 2015/16 (Annex 1, Section 7.0);

### **Management Arrangements**

- (n) 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); and
- (o) 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 Creating a Brighter Future Programme and note that progress in achieving the Programme will be reported to Cabinet as part of the regular budget monitoring information provided (Annex 1, Section 2.0 and 3.0).

## **1.3 Forward plan:**

This report was included in the Forward Plan for the period from 1 November 2014 to 28 February 2015.

## **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 2015-2018 initial Budget proposals for the General Fund Revenue Budget, Dedicated Schools Grant, Housing Revenue Account and associated business plan, the 2015-2019 Investment Plan and the Treasury Management Statement and Annual Investment Strategy for 2015/16.
- 1.5.2 The contents of Annex 1 cover:
- The 2014-2018 Council Plan - 'Our North Tyneside'
  - The Financial Strategy 2015-2018;
  - Cabinet's initial budget proposals for the 2015/16 Council Tax Requirement including the General Fund Revenue Budget and 2015/16 Financial Plan and the Dedicated Schools Grant;
  - Cabinet's initial budget proposals for the 2015-2019 Investment Plan and Prudential Indicators;
  - Cabinet's initial budget proposals for the Treasury Management Statement and Annual Investment Strategy 2015/16;
  - Provisional Statement to Council by the Chief Finance Officer; and
  - Cabinet's initial budget proposals for the 2015-2018 Housing Revenue Account and associated Business Plan.

## **2015-2018 Financial Planning and Budget Process, incorporating the associated Engagement Strategy**

- 1.5.3 At its meeting on 8 September 2014, Cabinet approved the process and timetable to be adopted for the preparation of the draft Financial Plan, 2015/16 revenue budgets in respect of the general fund, dedicated schools grant (DSG) and housing revenue account (HRA), and the 2015-2019 Investment Plan, as part of the overall Financial Planning and Budget process for 2015-2018. Cabinet also approved the budget engagement strategy at that meeting.
- 1.5.4 The 'Our North Tyneside' Plan was developed during 2013 to reflect the priorities of the then new administration and was approved by the North Tyneside Strategic Partnership on 11 September 2013 and then full Council on 26 September 2013.
- 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 Creating a Brighter Future programme which will redefine, reshape and redesign what North Tyneside Council is and will deliver going forward.
- 1.5.6 For the 2015/16 Financial Planning and Budget process we are proposing a three-year financial planning process covering the years 2015-2018. Provisional information on the 2015/16 Local Government Finance Settlement was issued in late December 2013. It is anticipated that a two-year Local Government Finance Settlement covering 2015-2017 will be issued on 3 December 2014. Detailed future funding for Local Government beyond 2016/17 is yet to be confirmed, but it is likely to follow a similar trajectory to the 2010 Spending Review.
- 1.5.7 As noted above, given that the 2015-2017 Local Government Finance Settlement, is not anticipated to be received until December 2014, these budget proposals are necessarily draft at this stage. Until further information on the financial position of the Authority is 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 Creating a Brighter Future Programme.
- 1.5.8 Engagement on the budget proposals will take place between 25 November 2014 and 29 January 2015. 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**

- 1.5.9 There have been a number of recent legal challenges to the setting of council budgets. In order to comply with current requirements all Financial Planning and Budget proposals must include an Equality Impact Assessment (EIA). The timescale for Equality Impact Assessments to be completed has been aligned with the Financial Planning and Budget process.
- 1.5.10 Equality Impact Assessments have been completed in order to inform the development of specific budget proposals and Cabinet's decisions on the initial Budget proposals for 2015/16 for consideration at this Cabinet meeting.

1.5.11 Updated EIAs will be written following engagement on the initial budget proposals and will be included in the proposals to be considered by Cabinet on 28 January 2015. Following Cabinet, the EIAs will again be updated and actions arising from them will be incorporated into the budget proposals. The EIAs will also 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 (n) 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 2015/16 in relation to the general fund. 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:	2015-2018 Financial Planning and Budget Process – Cabinet’s Initial Budget Proposals
Appendix A:	2015-2018 Financial Pressures
Appendix B	Creating a Brighter Future Programme
Appendix C (i):	2015-2018 Investment Plan Summary Base Plan
Appendix C (ii)	2015-2019 Investment Plan New Schemes for Consideration
Appendix C (iii)	Prudential Indicators
Appendix D	Treasury Management Statement and Annual Investment Strategy 2015/16- Investment Instruments and Credit Criteria
Appendix E	Housing Revenue Account; Summary Financial Forecast 2015-2018
Appendix F	Reserves and Balances Policy
Appendix G	2015/16 Financial Planning and Budget Timetable of Key Future Decision Milestones
Appendix H	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) [2015-2018 Financial Planning and Budget Process, incorporating the associated Engagement Strategy, Cabinet 8 September 2014 \(P\).](#)  
[Appendix A 2015-2018 Financial Planning and Budget Process - Timetable of Key Milestones](#)  
[Appendix B 2015/16 Engagement Strategy](#)
- (b) [Chartered Institute of Public Finance and Accountancy's \(CIPFA's\) LAAP Bulletin Number 77: Local Authority Reserves and Balances, November 2008 \(P\).](#)
- (c) [2014/15 Financial Management Report to 30 September 2014 - Cabinet 10 November 2014 \(P\)](#)  
[Appendix A - Business and Economy](#)  
[Appendix B - Chief Executive's Office](#)  
[Appendix C Finance and Commercial Services](#)  
[Appendix D Law and Governance](#)  
[Appendix E Public Health](#)  
[Appendix F Adult Social Care](#)  
[Appendix G Children, Young People and Learning](#)  
[Appendix H Commissioning and Investment](#)  
[Appendix I Environment and Leisure](#)  
[Appendix J Corporate Items](#)  
[Appendix K Housing Revenue Account](#)  
[Appendix L 2014 - 2018 Investment Plan Variations](#)  
[Appendix M 2014-18 Our North Tyneside Investment Plan Summary](#)  
[Appendix N Grants Received in August and September 2014](#)  
[Appendix O CEI Programme 2014/15 Progress Report](#)  
[Appendix P Glossary](#)
- (d) 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 2015/16 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 Investment 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 three-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 three-year financial plan for 2015-2018, 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 2015-2018 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 2015 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 2015/16 Budget Engagement Strategy was agreed at Cabinet on 8 September 2014. 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 25 November 2014 and 29 January 2015.

## **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 Our North Tyneside plan states that "We will reduce the carbon footprint of our operations and will work with partners to reduce the Boroughs carbon footprint." A number of the proposals will contribute 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**

- Chief Executive  X
- Mayor/Cabinet Member(s)  X
- Chief Finance Officer  X
- Monitoring Officer  X
- Head of Corporate Strategy  X