

North Tyneside Council Report to Cabinet 28 January 2015

ITEM 4

2015-2018 Financial Planning and
Budget Process: Cabinet's Draft
Budget and Council Tax
Requirement Proposals

Portfolio(s): Elected Mayor Finance	Cabinet Member(s): Mrs Norma Redfearn Cllr Ray Glindon
---	--

Report from Directorate: Senior Leadership Team

Report Author: Patrick Melia, Chief Executive (Chief Finance Officer) **Tel: 643 2000**

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 On 24 November 2014, 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 2015/16 Council Tax requirement including the general fund budget, the 2015-2019 Investment Plan, and the treasury management statement and annual investment strategy for 2015/16 (Annex 1, refers).
- 1.1.4 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 2015-2018 Financial Plan and Budget may need to be provided to the meeting of Cabinet on 28 January 2015, prior to submission to full Council on the 5 February 2015.

1.2 Recommendation(s):

1.2.1 It is recommended that Cabinet:

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);
- (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 5 February 2015, in accordance with the Authority's Constitution and Budget and Policy Framework Procedure Rules (Annex 1, Section 2.0);
- (c) Note that Cabinet's proposals for the 2015-2019 Investment Plan, including prudential indicators for 2015-2018 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 5 February 2015 (Annex 1, Section 4.0);
- (d) Note that Cabinet's proposals for the Treasury Management Statement and Annual Investment Strategy for 2015/16 will be submitted to full Council for its meeting on 5 February 2015 (Annex 1, Section 5.0);
- (e) Note that any implications that impact on this report arising from decisions of full Council on the 22 January 2015 and Cabinet on the 28 January 2015 will be provided as a supplementary report to full Council on the 5 February 2015 (Annex 1, Section 3.0);
- (f) Note the key messages that have emerged from the budget engagement process and how the results of this have influenced the draft Financial Planning and budget proposals for 2015/16 and future years (Annex 1, Section 1.0 and Appendix E);
- (g) Note the key aspects of the 2015/16 Local Government Finance Settlement announced on 18 December 2014, 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 2.0);

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

- (h) 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

- (i) Agree the key principles being adopted in preparing the Financial Strategy for the Authority, subject to an annual review (Annex 1, Section 2.0);
- (j) 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);

- (k) 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);
- (l) Agree 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

- (m) Consider and agree the estimates of amounts for the 2015/16 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 (2014/15) and indications of the financial plan for 2016/17 and the following year (Annex 1, Section 3.0);
- (n) 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 19 February 2015, based upon the outcomes of recommendation 1.2.1 (j) above (Annex 1, Section 3.0);

2015-2019 Investment Plan

- (o) Consider and agree the estimates of amounts in relation to the 2015-2019 Investment Plan, including prudential indicators for 2015-2018 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 4.0, Appendices C(i) and C(ii));
- (p) 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

- (q) Approve the Treasury Management Statement and Annual Investment Strategy 2015/16 (Annex 1, Section 5.0);

Response to the Overview, Scrutiny and Policy Committee Recommendations

- (r) Note the conclusions of the Overview, Scrutiny and Policy Committee's review of the 2015/16 budget proposals (Annex 1, Section 6.0);

Provisional Statement by the Chief Finance Officer

- (s) Note the Provisional Statement by the Chief Finance Officer (Annex 1, Section 7.0)

Delegations and Authorisations

- (t) 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 2015/16 (Annex 1, Section 2.0);

- (u) 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 decisions made under this delegated authority will be reported to Cabinet as part of the regular budget monitoring information provided (Annex 1, Sections 2.0 and 3.0);
- (v) Grant delegated authority to the Elected Mayor, in consultation with the Deputy Mayor, Cabinet Member for Finance and Resources, the Chief Executive and the Strategic Manager Finance to consider any further comments received from residents after the drafting of this Cabinet report but on or before 29 January 2015, as the Budget Engagement process will continue until 29 January 2015, and present these as an addendum to the report to full Council on 5 February 2015 and 19 February 2015 (Annex 1, Section 1.0).

1.3 Forward plan:

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 8 December 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 As with previous years, reduced core funding and increasing demand for services will mean that the Council has to find between £40m - £46m of efficiencies over the next three years – and £14.158m of this must be achieved in the next 12 months.

The table below sets out the reduction in core funding since 2013/14 which has driven, in part, the level of efficiencies required to be delivered.

	2013/14	2014/15	2015/16	Total
	£'m	£'m	£'m	£m
Core funding reductions	5	10	14	29
Efficiency Savings required to be made by North Tyneside Council and / or estimated to be required	12	17	14	43
Cumulative Efficiency Saving	17	29	43	

Annex 1 to this report sets down in detail the Cabinet's 2015-2018 draft Budget proposals for the General Fund Revenue Budget, Dedicated Schools Grant, 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 draft 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 draft budget proposals for the 2015-2019 Investment Plan and 2015-2018 Prudential Indicators;
- Cabinet's draft budget proposals for the Treasury Management Statement and Annual Investment Strategy 2015/16;
- Response to Overview, Scrutiny and Policy Committee Recommendations; and
- Provisional Statement to Council by the Chief Finance Officer.

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 On 24 November 2014, Cabinet considered its initial budget proposals. Cabinet was advised at that meeting that given that the 2015/16 Provisional and Final Local Government Finance Settlement announcements were not anticipated to be received until mid December 2014, the budget proposals were necessarily draft at that stage.

1.5.5 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.

- 1.5.6 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.
- 1.5.7 For the 2015/16 Financial Planning and Budget process we are proposing a three-year financial planning process covering the years 2015-2018. The Local Government Finance Settlement for 2015/16 was issued on the 18 December 2014 and is summarised in section 2.3 of Annex 1 to this report. The Settlement outlined was for one year only. A Consultation on the Settlement was issued with a closing date of 15 January 2015.

Equality and Diversity Considerations

- 1.5.8 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.
- 1.5.9 Equality Impact Assessments were completed in order to inform the development of specific budget proposals and Cabinet's decisions on the initial Budget proposals for 2015/16 which were considered at the meeting of Cabinet on the 24 November 2014.
- 1.5.10 Updated EIAs have been written following engagement on the initial budget proposals and are included in these proposals considered by Cabinet at this meeting. 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:

- 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 5 February 2015.
- c) Cabinet can disagree with the proposals.

1.7 Reasons for recommended option:

- 1.7.1 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:	2015-2018 Financial Planning and Budget Process – Cabinet’s Draft Council Tax Requirement and Budget Proposals
Appendix A:	2015-2018 Financial Pressures
Appendix B	Creating a Brighter Future Programme
Appendix C (i):	2015-2019 Investment Plan Summary
Appendix C (ii)	2015-2018 Prudential Indicators
Appendix D	Treasury Management Statement and Annual Investment Strategy 2015/16- Investment Instruments and Credit Criteria
Appendix E	Budget Engagement Summary
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:

Janice Gillespie, Finance Service
Tel No 643 5701

Vicki Dixon, Finance Service
Tel No 643 5723

Geoff Huzzard, Finance Service
Tel No 643 5716

Cathy Davison, Finance Service
Tel No 643 5727

Margaret Keith, Finance Service
Tel No 643 5747

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

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) [Budget Report - Considered by Cabinet on 24 November 2014](#)
- (b) [2015/16 Provisional Local Government Finance Settlement](#)
- (c) [2015-2018 Financial Planning and Budget Process, incorporating the associated Engagement Strategy, Cabinet 8 September 2014](#)
[Appendix A 2015-2018 Financial Planning and Budget Process - Timetable of Key Milestones](#)
[Appendix B 2015/16 Engagement Strategy](#)
- (d) [Chartered Institute of Public Finance and Accountancy's \(CIPFA's\) LAAP Bulletin Number 77: Local Authority Reserves and Balances, November 2008](#)
- (e) [2014/15 Financial Management Report to 30 November 2014](#)
[Appendix A - Chief Executive](#)
[Appendix B - Business and Economic Development](#)
[Appendix C - Commercial and Business Redesign](#)
[Appendix D - Corporate Strategy](#)
[Appendix E - Digital Strategy](#)
[Appendix F - Human Resources and Organisational Development](#)
[Appendix G - Law and Governance](#)
[Appendix H - Public Health](#)
[Appendix I - Adult Social Care](#)
[Appendix J - Children Young People and Learning](#)
[Appendix K - Commissioning and Investment](#)
[Appendix L - Environment & Leisure, Housing General Fund and Deputy Chief Executive Central Costs](#)
[Appendix M - Corporate Items](#)
[Appendix N - Housing Revenue Account](#)
[Appendix O - 2014-18 Investment Plan Variations](#)
[Appendix P - Our North Tyneside Investment Plan Summary](#)
[Appendix Q - Grants Received](#)
[Appendix R - Change, Efficiency and Improvement Programme 2014/15 - Progress Report](#)
[Appendix S - Glossary](#)
- (f) Council General Fund Budget Summaries
[2015/16 Revenue Budget Summary](#)
[2015/16 Revenue Budget Summary - By Service Area](#)
- (g) [2014/15 Financial Management Report to 30 September 2014 - Cabinet 10 November 2014 \(P\)](#)
- (h) Report to Council – 26 September 2013, Our North Tyneside Plan 2014-2018
[Report](#);
[Our North Tyneside Plan 2014-2018](#);
[Action Plan 2014-2014-2018](#)
- (i) [Residents Survey 2014](#)
- (j) [2015-16 Budget Study Group Report - Considered by Overview, Scrutiny and Policy Development Committee on 5 January 2015](#)

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, 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.

2.3 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.
- 2.3.2 A specific Trades Union briefing on the Financial Plan and Budget was held on 14 January 2015 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 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 takes 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 were completed as part of the business cases on all relevant budget proposals ensuring the Cabinet make recommendations after considering all known equality implications. Updated EIAs have been written following engagement on the initial budget proposals and are included in these proposals considered by Cabinet at this meeting. 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.
- 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 service, 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
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Head of Corporate Strategy