

# North Tyneside Council Report to Cabinet 14 September 2015

## ITEM 6(b)

2016-2019 Financial Planning and Budget Process incorporating the Council Plan and Associated Engagement Strategy

**Portfolio(s):** Elected Mayor  
Finance and Resources

**Cabinet Member(s):** Norma Redfearn  
Cllr Ray Glindon

**Report from:** Finance

**Responsible Officer:** Janice Gillespie, Head of Finance

**Tel:** (0191) 643 5701

**Wards affected:** All

## PART 1

### 1.1 Executive Summary:

This is the initial report to Cabinet outlining the process to be adopted for the Authority's Financial Planning and Budget process for this year as part of the proposed framework for the next three years. Further reports will follow as part of the process of setting the Authority Budget for the financial year 2016/17. The next Report to Cabinet will be on 23 November 2015, which will outline the initial Cabinet Budget proposals.

This report sets out information in relation to the proposed 2016-2019 Financial Planning and Budget Process, including information on the key decision milestones. It also includes information in relation to:

- The proposed Budget Engagement Strategy to be adopted as part of the 2016-2019 Financial Planning and Budget process and
- The process for the refreshing of the Our North Tyneside Council Plan.

### 1.2 Recommendation(s):

It is recommended that Cabinet:

- (a) Approve the proposed outline 2016-2019 Financial Planning and Budget Process, which incorporates the key decision milestones and dates as set out at Appendix A to this report;
- (b) Approve the work to be undertaken to refresh the Our North Tyneside Council Plan in accordance with Appendix B to this report; and,
- (c) Approve the Budget Engagement Strategy as part of the 2016-2019 Financial Planning and Budget Process as set out at Appendix C to this report.

### 1.3 Forward Plan:

- 1.3.1 Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 10 August 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 Constitution. The Budget is guided by paragraph 4.7.3 covering the process for the preparation, consideration and final approval of the Authority's budget. The constitutional requirements for preparing, considering and approving the Budget drive the timetable for the Financial Planning and Budget Process.
- 1.4.2 The development of the Budget will follow the same timetable as in previous years. The timetable is set out at Appendix A to this report. 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 to Council each year.
- 1.4.3 The refresh of the Our North Tyneside Plan would follow the process outlined in Appendix B. The priorities in the Our North Tyneside Plan provide the strategic framework within which budget resources are allocated.

## **1.5 Information**

- 1.5.1 Since the Coalition Government's four year Spending Review of 2010, and as a result of the one year Spending Review for 2015/16, North Tyneside Council have had to make a significant level of efficiency savings each financial year. The savings that have been required over this period are a combination of Government funding reductions and unavoidable spending pressures. Since the financial year 2013/14, we have so far had to make efficiency savings of approximately £43 million.
- 1.5.2 The Authority has consistently delivered substantial efficiency savings driven by the continued reduction in core funding and increasing demand for services. This financial climate continues into the current planning process for 2016-2019 with the continuing need for improved services to be delivered within a more challenging environment of reduced funding and the consequent requirement for further efficiency savings.
- 1.5.3 For the 2016/17 Financial Planning and Budget process we are proposing a three-year financial planning process covering the years 2016-2019. The Final Local Government Finance Settlement for 2015/16 was issued on 4 February 2015, but contained not even provisional figures beyond 2015/16. On 8 July 2015, the Government issued a Summer Budget. Information in relation to this and the impact on North Tyneside Council is contained in the 10 August 2015 Report to Cabinet "Medium Term Financial Plan Update - following Summer Budget 2015".

### **Government Spending Review Announcement**

- 1.5.4 On 21 July 2015, the Government announced that the Spending Review would take place on 25 November 2015. At the same time, it was also announced that the Chief Secretary to the Treasury would write to Government departments asking them to model two scenarios of 25% and 40% of savings within their resource budgets by 2019/20 in real terms. These are the same reductions requested ahead of the Spending Review of 2010.
- 1.5.5 The Summer Budget set out £17 billion of savings to be achieved nationally over the next 4 years, with £12 billion savings from welfare and £5 billion from addressing avoidance, evasion and imbalances in the tax system. Total savings required over the period of this Parliament are currently expected to be £37 billion.

Therefore, the reductions still to be met by Government Departments are £20 billion for the next four financial years from 2016/17 to 2019/20. In making these savings, the Government outlined that the Spending Review would reaffirm their commitment to “invest in the NHS and national security, while protecting spending on schools and honouring their commitment to the poorest people in the world”.

- 1.5.6 This announcement of Departmental Spending Reductions does not as yet provide detailed information on the potential financial impact for Local Government over the medium term. At this stage, therefore, it is assumed that our current financial planning assumptions around the savings required for the next 3 years as a result of Government funding reductions is unchanged. This position will be kept under constant review as more information becomes available.

## **Strategic Planning**

### **The Council Plan 2014-18 Our North Tyneside**

- 1.5.7 In May 2013 the Borough of North Tyneside elected a new Mayor. Following the election the Mayor and Cabinet, working with partners, developed the Our North Tyneside plan which was approved by Council on 26 September 2013. The Plan is based around three key themes:
- Our People
  - Our Places
  - Our Economy
- 1.5.8 The Our North Tyneside plan is both the Council Plan and the Sustainable Community Strategy for North Tyneside. In order to continue to build on the achievements of the existing Our North Tyneside Plan, reflect the context within which the authority is operating and align with the Creating a Brighter Future programme, it would be timely to refresh the Our North Tyneside Plan. The refreshed plan would provide the policy direction for the Authority’s Financial Planning and Budget process for 2016/17 and the following two years.

## **Financial Strategy**

- 1.5.9 A Financial Strategy is critical in order to ensure that the Authority makes decisions by focussing on strategic priorities and has a clear financial vision and direction for the medium term. This financial strategy needs to link to the Our North Tyneside Council Plan which ultimately drives our resources. Our Budget Setting process helps the Authority respond appropriately to responsibilities and duties placed upon Local Government through legislative requirements and the Government’s drive for a deliverable programme of efficiency savings.
- 1.5.10 Financial planning is of critical importance during the period of the Government’s own Spending Review and beyond, given the potential scale of future challenges noted previously. This planning is supported by the continuing need to integrate revenue, capital, asset and treasury planning, driven further by the Prudential Code requirements in relation to longer-term capital investment. In formulating the financial plan, the impact of priorities, objectives and preferred options needs to be fully evaluated.
- 1.5.11 Whilst decisions around budget-setting are approved on an annual basis, the Authority must demonstrate medium-term financial and resource planning. Annual budget decisions should be taken in the context of the overall financial plan that looks at all Authority services and takes into account the Government’s Local Government Finance agenda.

## Creating a Brighter Future Programme

1.5.12 An important element of our overall Financial Strategy is the Authority's approach to changes needed to achieve savings. During 2014/15 the Council developed a new change programme "Creating a Brighter Future" which looked to redefine, reshape and redesign what North Tyneside Council delivers now and will deliver going forward. The key principles of the programme sets out to:

- Pursue the right outcomes - irrespective of delivery method and structure - as set out in the Our North Tyneside Plan
- Change the demand for services - to enable people to be more independent and able to do more for themselves
- Change the relationship between the individual and the state - still focusing on safeguarding vulnerable people
- Adopt the role of enabler first (less paternalistic) so residents are doing things for themselves
- Deliver local public services in a more holistic way - with partners
- Build a fundamentally different organisational culture and behaviour, more efficient and agile operating models
- Adopt a more commercially minded approach
- Use intelligence better - ensure that we have a more co-ordinated approach to using the various information and feedback we hold
- Focus on ICT / digital innovation

1.5.13 The focus of the programme continues to drive the principle that the authority help people help themselves, thereby managing demand for Authority services, managing our costs, working better with partners and designing services to deliver our customer priorities. The programme has four key service themes:

- Ready for School - This project will focus on reshaping services that benefit 0-5 year olds by providing them and their families with a firm foundation, i.e. well cared for, a healthy start, and ready to learn.
- Ready for Work – This project will look to develop a service model that is not just about making sure our young people have the skills and learning to equip them for apprenticeships, work, and higher level learning, but also focusing on the needs of adults who need to re-enter employment, perhaps rethinking the skills as the world of work changes Business.
- Great Place to Live, Work and Visit - This theme focuses on the services that improve and regenerate the borough and its neighbourhoods, so it is a safe and supportive place where people want to live with their families, that has a successful economy able to attract investment and jobs, and it is a visitor destination that people want to keep coming back to.
- Cared For, Safeguarded and Healthy – The Authority and its partners must work together to deliver a model of services that enables people to have healthy lives so they need less support later in life, while ensuring the most vulnerable people of all ages – children and adults - are kept safe and cared for.

1.5.14 These four themes are supported by a range of infrastructure projects and a number of cross cutting / enabling projects as follows:

#### **Infrastructure Projects**

- Education Review
- Coastal Regeneration
- North Bank / Swans Regeneration
- Affordable Homes
- Quality Homes for Older People
- Transport

#### **Enablers**

- ICT, Digitalisation and Customer Insight
- Procurement, Commercial Capacity & Commissioning
- Workforce & Culture
- Electronic Document Records Management System (EDRMS)
- Community and Voluntary Sector Capacity
- Assets and Property

#### **Defining our Financial Strategy**

1.5.15 Best practice highlights the need for medium-term planning horizons. The Authority's three-year planning timeframe will assist in ensuring there is a clear demonstration of sustainability in its plans for the future. The key drivers for change and the improvement focus in resource planning continue to include the need for:

- (a) Medium term planning horizons – for workforce, assets, finance;
- (b) Financial flexibility;
- (c) Driving value for money and efficiency gains;
- (d) Joined-up performance management that supports the delivery of the required outcomes;
- (e) Strong financial awareness and budget holder responsibility;
- (f) Effective risk management;
- (g) More rapid accounts closure;
- (h) Continuous forecasting and in-year reporting; and,
- (i) Effective use of new technology

1.5.16 The approach to resource planning for 2016-2019 will continue to concentrate on ensuring that all of the above drivers are embedded into the decision-making process for the allocation and re-direction of the Authority's finite resources, financial and otherwise. In addition, there will be the annual detailed review of the current financial plan forecasts and commitments for revenue, capital investment and housing finance. The Financial Strategy will be subject to its usual annual review.

1.5.17 Leading on from this, the key components and principles adopted for our 2016-2019 Financial Strategy have been fully reviewed as part of this year's process and are summarised in Table 1 below:

**Table 1: Principles adopted for the 2016-2019 Financial Strategy**

Financial Themes	Principles Adopted
Council Tax	<ul style="list-style-type: none"> <li>• Provide value for money for the people of North Tyneside</li> <li>• Council Tax levels that demonstrate prudence and retain stability in the Authority's finances</li> <li>• Determine a policy for the future take-up of the council tax freeze grant if relevant</li> <li>• Council tax collection managed to secure recurrent efficiencies in the Authority's collection fund</li> </ul>
Housing and Welfare Reform	<ul style="list-style-type: none"> <li>• Ensure that the financial implications of the Local Council Tax Support Scheme have been fully considered</li> <li>• Welfare Reform changes are reviewed to ensure that the full implications are taken account of</li> <li>• Recognise the implications of Housing Revenue Account Self Financing and the impact of announcements made as part of Summer Budget 2015 on the Housing 30 year business plan.</li> </ul>
Commercial Activity	<ul style="list-style-type: none"> <li>• Consider Trading Opportunities</li> <li>• Options for Service Delivery Mechanisms</li> <li>• Ensure that commercial opportunities with our partners are explored</li> </ul>
Revenue Income Generation	<ul style="list-style-type: none"> <li>• Encourage a climate / approach where trading and charging powers of the authority are maximised</li> <li>• Continue to manage income and debts to reduce the need to make provision for bad debts</li> <li>• Apply a charging policy consistently across all Authority services</li> </ul>
Revenue Expenditure & Budget Strategy	<ul style="list-style-type: none"> <li>• Annual budget resources aligned and prioritised to meet the Our North Tyneside Plan</li> <li>• Reserves and Balances Policy in line with best practice that is reviewed on at least an annual basis</li> <li>• General unearmarked reserves (general balances) retained at least at a level of £6m at the end of each financial year, subject to a risk assessment as part of budget setting in each of the three years of the financial planning period</li> <li>• Earmarked reserves established appropriately for known and quantifiable (future) liabilities and financial risks</li> </ul>

	<ul style="list-style-type: none"> <li>• Pay and price inflation forecasts and full payroll costs built into projections and then used as a way to target general efficiency savings across service areas</li> <li>• Continuous challenge of the base budget to secure service efficiency savings</li> <li>• Implementation of Service Plans to demonstrate how our services can achieve value for money in terms of customer satisfaction, quality of services and costs. This is driven through the Creating a Brighter Future Programme.</li> <li>• Specific annual review of those services supported by specific grant in readiness for any further detailed Government announcement(s) in relation to grant changes, and as a direct result of the Finance Settlement</li> <li>• Where external funding is secured for a limited time period, any operational arrangements put in place must not assume that the fall-out of grant will be replaced by mainstream funding automatically</li> <li>• Ensure appropriate use of reserves to support the revenue budget in the medium term</li> <li>• Recognise the implications of the Business Rates Retention Scheme</li> <li>• The Financial Strategy needs to be flexible enough to manage the changes to the Local Government finance system</li> </ul>
<p>Capital Financing and Expenditure</p>	<ul style="list-style-type: none"> <li>• Supports the Authority's aim to promote and stimulate strong and sustainable economic growth leading to wellbeing and prosperity for residents and communities and this will be supported by a planned approach to strategic investment managed through the Authority's Investment programme.</li> <li>• Strategic assets reviewed at least annually to maximise the potential to release value into the business for strategic re-investment</li> <li>• Prudential borrowing to support local capital investment priorities or invest to gain schemes that will secure greater revenue efficiencies, in accordance with the Authority's approved Local Prudential Code</li> <li>• Asset management plans updated on at least an annual basis and acknowledging available budget resources</li> <li>• Continuous review of prudential borrowing and its impact on the revenue budgets</li> <li>• No further additional reliance on land and building capital receipts.</li> </ul>

Treasury Management	<ul style="list-style-type: none"> <li>• Treasury Management Strategy to focus on delivering safe stewardship</li> <li>• Strategic options devised, where the market allows, for managing the overall level of borrowing over the medium term.</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>• Business risk embedded in all decision-making processes of the Authority</li> <li>• Budget resources aligned to reduce any material financial risks to the Authority.</li> </ul>

### **Equality and Diversity Considerations**

- 1.5.18 The Authority has specific responsibilities under the Equality Act 2010 and public sector equality duty. Part of this is to ensure that the potential effects of decisions on people with protected characteristics are considered prior to any decision being made. Previous judicial reviews involving other local authorities have highlighted the importance of ensuring that these responsibilities are met. In North Tyneside we will continually monitor our budget setting process by using impact assessments.
- 1.5.19 Full impact assessments will be included in all proposals going forward for inclusion with the initial Budget proposals in November 2015 in order to be available to Cabinet when it further considers the Financial Plan and Budget proposals on 23 November 2015.

### **2016/17 Financial Planning and Budget Process Timetable of Key Decision Milestones**

- 1.5.20 Key aspects of the 2016/17 Financial Planning and Budget process timetable are set out at Appendix A to this report. This highlights key decision milestones in the process.

#### Governance and Assurance Framework (incorporating the Monitoring and Reporting Cycle)

- 1.5.21 The Elected Mayor and Cabinet are responsible for formulating the Authority's Budget. The Cabinet Member for Finance and Resources, in close consultation with the Elected Mayor, has been nominated as the lead Cabinet Member for the overarching 2016-2019 Financial Planning and Budget Process. The Section 151 officer will be the project sponsor.

### **Section 2 - The North Tyneside Council Budget Engagement Strategy for 2016/17**

- 1.5.22 North Tyneside Council is committed to being a resident-focused and listening Authority and encourages residents and other stakeholders to help to shape its decision-making.
- 1.5.23 Engagement with residents takes place throughout the year and information gathered throughout the year will be used to inform this year's 2016/17 budget proposals that aim to support the delivering of the Council Plan, through the Creating a Brighter Future Programme for residents.



- 1.5.24 The Engagement Strategy for the budget setting process identifies the key actions that will be carried out to enable residents and other key stakeholders to be involved in commenting on budget proposals.
- 1.5.25 The programme of the engagement activity will ensure that all stakeholders are informed about the budget proposals, given an opportunity to be listened to and comment on the specific proposals, and receive feedback on how public comments have shaped decisions.
- 1.5.26 The feedback from the engagement activities will form part of reports to Cabinet and Council to support decision-making.
- 1.5.27 Details of the Budget Engagement Strategy for 2016/17 are set out at Appendix C to this report.

## **1.6 Decision options:**

- 1.6.1 The Authority's Constitution and Budget and Policy Framework Procedure Rules set down the stages to be completed in relation to agreeing the Budget of the Authority. There are no other options available in relation to this. The Budget Engagement Strategy forms part of the 2016-2019 Financial Planning and Budget Process.
- 1.6.2 Cabinet is referred to the legal requirements as stated in paragraph 2.2 of this report.

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

The reasons for the recommendations are mainly legal in nature, as stated in paragraphs 2.1 and 2.2 of this report.

## **1.8 Appendices:**

Appendix A – 2016/17 Financial Planning and Budget Process: Timetable of Key Milestones

Appendix B – Proposals for the Our North Tyneside Refresh.

Appendix C – 2016/17 Budget Engagement Strategy.

## **1.9 Contact Officers:**

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## **1.10 Background information:**

1.10.1 The following background papers/information have been used in the compilation of this report and are available at the office of the author:

(a) [Authority's Constitution and Budget and Policy Framework Procedure Rules](#)

N.B. The Budget and Policy Framework can be found at part 4.7 of the Constitution.

(b) [Medium Term Financial Plan Update Following Summer Budget 2015 - Report to Cabinet - 10 August 2015](#)

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

2.1.1 The financial implications arising from the outcomes of this report will be appraised as part of the decisions made about what will be included in the Authority's 2016-2019 Financial Plan, incorporating the 2016/17 budget setting process. Decisions on the budget in relation to the General Fund, Housing Revenue Account, schools' funding and the 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 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 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 2016-2019 in accordance with the Authority's Reserves and Balances Policy most recently agreed by Council on 19 February 2015.

2.1.3 The only direct financial implications arising from this report will be any residual costs arising from support for area based engagement, Residents' Panel and any other specific engagement events and the of on-line engagement. These costs will be met from existing budgets.

2.1.4 The Budget Engagement Strategy for 2016/17 will in part help to inform decisions about what will be included in the three-year Financial Plan for 2016-2019. Decisions on the budget for general fund, capital plan, housing revenue account and schools' funding will need to be made within the overall context of the resources available to the Authority and within the legal framework for setting budgets.

### **2.2 Legal**

2.2.1 The Local Government Finance Act 1992 requires the Authority to set a balanced budget in the context of the resources available, including central government grants, business rates and council tax income.

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 2016-2019 Financial Planning and Budget process has been prepared to comply with the time-scales required within the Budget and Policy Framework Procedure Rules contained in the Authority's Constitution. Decision making in relation to the Housing Revenue Account is the responsibility of the Cabinet, in accordance with section 9D of the Local Government Act 2000 (as amended).

## **2.3 Consultation/community engagement**

### **2.3.1 Internal consultation**

Consultation has been carried out with the Elected Mayor, Deputy Mayor, the Cabinet Member for Finance and Resources, the Chief Executive and the Senior Leadership Team. These proposals will be scrutinised as set down in the Authority's Constitution and Budget and Policy Framework Procedure Rules.

### **2.3.2 External consultation / engagement**

The Budget Engagement Strategy for 2016/17 as outlined in this report sets out the process by which the public, key partners and other stakeholders will be involved in the consultation on the 2016/17 Budget as part of the 2016-2019 Financial Planning and Budget Process.

The proposed process for involving the public, key partners and other stakeholders in the refresh the Our North Tyneside plan is as set out in this report.

## **2.4 Human rights**

All actions and spending contained within the Budget are fully compliant with national and international Human Rights Law. This will be detailed as part of the Financial Plan and Budget at the appropriate stage in the process. 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**

In undertaking the process for the Budget 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 will be taking a phased approach:

- An equality 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. We are making direct contact with groups representing persons with identified protected characteristics under the Equality Act 2010 to encourage participation and provide engagement in a manner that will meet their needs. Appendix C provides the approach we are taking.
- The outcome of any decisions made following the community engagement on the budget process will be subject to further equality impact assessment.

## 2.6 Risk management

Individual projects within the 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 or Corporate / Strategic 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 Individual proposals within this report do not themselves have direct implications for crime and disorder. However, ultimately decisions may be made and considered as part of the overall Financial Planning and Budget process, as set down in this report. These will be detailed as part of reporting the Budget at the appropriate stage in the process.

2.7.2 Under the 1998 Crime and Disorder Act, local authorities have a statutory duty to work with partners on the reduction of crime and disorder. The Partners' representation at Cabinet and North Tyneside Together projects will ensure we work closely with our partners when taking decisions.

## 2.8 Environment and sustainability

The proposals within this report do not themselves have direct implications in relation to the environment and sustainability. However, ultimately decisions may be made and considered as part of the overall Financial Planning and Budget process of the Authority, as set down in this report. These will be detailed as part of the Budget at the appropriate stage in the process.

## PART 3 - SIGN OFF

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