

North Tyneside Council Report to Cabinet Date: 7 December 2015

ITEM 3(a)

Title: 2016-2019 Financial Planning
and Budget Process: Cabinet's
Initial Budget proposals

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

Report from: Senior Leadership Team

Responsible Officer: Janice Gillespie, Head of Finance (Chief Finance Officer) Tel: 643 5701

Wards affected: All

PART 1

1.1 Executive Summary:

- 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. These are Cabinet's draft proposals and have been developed with the expectation of continued reductions in Central Government funding and rising cost pressures, which are in part as a result of increasing demand for services. Whilst the Spending Review and Autumn statement announcements were made on 25 November 2015, the proposals are based on a set of assumptions regarding grant reductions but the full impact of the Spending Review announcement remains uncertain. Included in the assumptions is a proposed 2% increase in Council Tax to fund Social Care spend (as proposed in the Chancellor's Spending Review).
- 1.1.2 The initial budget proposals for the Housing Revenue Account have been prepared on the assumption of 1% rent reductions over the next four years. The full impact of the Summer Budget announcements remains unclear. The details of both the Welfare Reform Bill and the Housing and Planning Bill are awaited as these proposed legislative changes are currently going through Parliament. We continue to shape the Housing Revenue Account against the Mayor and Cabinet's priorities to maintain Decent Homes, deliver affordable homes and protect vulnerable tenants.

- 1.1.3 At its meeting on 14 September 2015, Cabinet approved the process and timetable to be adopted for the preparation of the draft Financial Plan, 2016/17 revenue budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2016-2019 Investment Plan, as part of the overall Financial Planning and Budget process for 2016-2019. Cabinet also approved the Budget Engagement Strategy at that meeting.
- 1.1.4 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 2016-2019 for both the revenue and capital budget.
- 1.1.5 On the 25 November 2015, the Government announced the 2015 Spending Review and Autumn Statement. This included some details of the financial settlement for local authorities over the next four years and is the basis on which this Budget report has been prepared. However, it must be stressed that much of the detailed information required to finalise the 2016/17 Financial Plan and Budget position was not included in the information released as part of the Spending Review 2015 and therefore the proposals included as part of this report are still estimates at this stage. The Provisional Local Government Finance Settlement will provide further detail when it is released. It is hoped that this will be during December 2015 to allow time for the information to be considered and reported to Cabinet and Council as part of the draft Budget proposals presented to Cabinet on the 27 January 2016 and Council on the 4 February 2016.

1.2 Recommendation(s):

- 1.2.1 It is recommended that Cabinet:

Part 1

The 2016-2019 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 2015-2018 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 2016-2019 (Annex 1, Section 1.0);

The Financial Strategy 2016-2019

- (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 through the Target Operating Model 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 Target Operating Model and the Creating a Brighter Future Programme for the next three years, (Annex 1, Section 4.0);
- (f) Note the formal Reserves and Balances Policy for the Authority, subject to review at least annually (Annex 1, Section 2.0 and Appendix F);

2016/17 General Fund Revenue Budget and Dedicated Schools Grant

- (g) Consider and agree the initial Budget proposals in relation to the 2016/17 General Fund Revenue Budget and Dedicated Schools Grant, including the assessment in relation to the current year's budget monitoring information (2015/16) (Annex 1, Section 4.0);

2016-2019 Investment Plan

- (h) Consider and agree the 2016-2019 Investment Plan, including initial prudential indicators 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 5.0, Appendices C(i) and C(ii));
- (i) Note that all approved schemes within the 2016-2019 Investment Plan will be kept under corporate review by the Investment Programme Board (Annex 1, Section 5.0);

Treasury Management Statement and Annual Investment Strategy 2016/17

- (j) Consider and agree the initial proposals in relation to the Treasury Management Statement and Annual Investment Strategy 2016/17 (Annex 1, Section 6.0);

Provisional Statement by the Chief Finance Officer

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

Part 2

2016-2019 Housing Revenue Account Business Plan and Budget

- (l) Consider and agree the initial Budget proposals in relation to the 2016-2019 Housing Revenue Account budget, and associated Business Plan, including an assessment in relation to the current year's budget monitoring information (2015/16) (Annex 1, Section 8.0, Appendix E);
- (m) Note the proposed April 2016 1% rent reduction (in line with the Government's proposals included in the Welfare Reform and Work Bill), and

the initial proposals in relation to Housing Service Charges and Garage Rents for 2016/17 (Annex 1, Section 8.0);

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 regular budget monitoring and performance reporting (Annex 1, Section 2.0).

1.3 Forward plan:

This report was included in the Forward Plan for the period from 1 November 2015 to 28 February 2016.

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 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 2016-2019 initial Budget proposals for the General Fund Revenue Budget, Dedicated Schools Grant, Housing Revenue Account and associated Business Plan, the 2016-2019 Investment Plan and the Treasury Management Statement and Annual Investment Strategy for 2016/17.
- 1.5.2 The contents of Annex 1 cover:

- The 2015-2018 Council Plan - 'Our North Tyneside' / Creating a Brighter Future / Target Operating Model;
- The Financial Strategy 2016-2019;
- Spending Review and Autumn Statement;
- Cabinet's initial Budget proposals for the 2016/17 Council Tax Requirement including the General Fund Revenue Budget and 2016/17 Financial Plan and the Dedicated Schools Grant;
- Cabinet's initial Budget proposals for the 2016-2019 Investment Plan and Prudential Indicators;
- Treasury Management Statement and Annual Investment Strategy 2016/17;
- Provisional Statement to Council by the Chief Finance Officer; and
- Cabinet's initial Budget proposals for the 2016-2019 Housing Revenue Account and associated Business Plan.

2016-2019 Financial Planning and Budget Process, incorporating the associated Engagement Strategy

- 1.5.3 At its meeting on 14 September 2015, Cabinet approved the process and timetable to be adopted for the preparation of the draft Financial Plan, 2016/17 revenue budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2016-2019 Investment Plan, as part of the overall Financial Planning and Budget process for 2016-2019. 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 residents and was approved by the North Tyneside Strategic Partnership on 11 September 2013 and then full Council on 26 September 2013. The Plan has been refreshed during 2015/16 to ensure it continues to reflect the current priorities of the Authority.
- 1.5.5 The Budget proposals set out in this report have been developed in the context of the 2015-2018 '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 three key themes of the Creating a Brighter Future programme which will redefine, reshape and redesign how North Tyneside Council delivers the required outcomes through a Target Operating Model.
- 1.5.6 Engagement on the Budget proposals commenced in September 2015 and will continue until January 2016. It will involve information and feedback through the Authority's website as well as focus group activity with staff, residents, businesses and strategic partners.

1.6 Decision options:

1.6.1 The following decision options are available for consideration by Cabinet:

Option 1

Cabinet can agree the proposals set down in this report.

Option 2

Cabinet can suggest that further / different options are considered by the Senior Leadership Team.

Option 1 is the recommended option.

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 2016/17 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:	2016-2019 Financial Planning and Budget Process – Cabinet’s Initial Budget Proposals
Appendix A:	2016-2019 Financial Pressures Summary
Appendix B	Creating a Brighter Future Programme
Appendix C (i):	2016-2019 Investment Plan Summary
Appendix C (ii)	Prudential Indicators
Appendix D	Treasury Management Statement and Annual Investment Strategy 2016/17- Investment Instruments and Credit Criteria
Appendix E	Housing Revenue Account; Summary Financial Forecast 2016-2019
Appendix F	Reserves and Balances Policy

Appendix G 2016/17 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

Darrell Campbell, Finance Service
Tel No 643 7052

Jacqueline Laughton, Corporate Strategy
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) Medium Term Financial Plan Update following Budget 2015, Cabinet 10 August 2015
- (b) 2016-2019 Financial Planning and Budget Process, incorporating the Council Plan and associated Engagement Strategy, Cabinet 14 September 2015
- (c) 2015 Spending Review and Autumn Statement
- (d) [Chartered Institute of Public Finance and Accountancy's \(CIPFA's\) LAAP Bulletin Number 77: Local Authority Reserves and Balances, November 2008 \(P\).](#)
- (e) 2015/16 Financial Management Report to 30 September 2015 – Cabinet 9 November 2015

(f) HRA Budget Summary

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 2016/17 Budget setting process. Decisions on the Budget in relation to the General Fund, Housing Revenue Account and associated Business Plan, Dedicated Schools Grant (DSG), 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 2016-2019, 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 2016-2019 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 14 January 2016 Cabinet meeting for approval.

2.3 Consultation / Community engagement

Internal consultation

- 2.3.1 Each Cabinet Member has been consulted on the individual proposals put forward in this report, with regular discussions held between the Chief Executive, Deputy Chief Executive, Head of Finance, Heads of Service, the Elected Mayor and Cabinet.

Community engagement

- 2.3.2 The 2016/17 Budget Engagement Strategy was agreed at Cabinet on 14 September 2015. The Budget proposals have been shaped in the context of 'Our North Tyneside' Plan 2015 -2018. This plan was developed following engagement with a wide range of stakeholders. Engagement on the Council Plan and Budget proposals is taking place between 15 September 2015 and 27 January 2016.
- 2.3.3 Residents views on priorities for the Council Plan and Budget for 2016/17 have been captured in a number of ways. During the Summer of 2015 a series of Community Conversation events were held across the Borough. In addition, eight public meetings were held over a three week period during September and October, in all areas of the borough. Residents discussed and gave views on a range of potential options to enable the Authority to deliver savings. In addition, information was also shared via social media and the Authority's website, for residents to give feedback. The State of the Area and Resident's Panel consultation events also took place.
- 2.3.4 For the next phase of engagement there will again be opportunities for residents to have their say online, via social media and at a discussion event. There will also be meetings with key groups of stakeholders to discuss the Budget proposals.

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 full 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 and a Cumulative Impact Assessment.

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 operational, strategic, corporate 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 Authority'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

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