

# North Tyneside Council Report to Cabinet Date: 27 January 2016

## ITEM 3

Title: 2016-2019 Financial Planning and Budget Process: Cabinet's Draft Budget and Council Tax Requirement proposals

<b>Portfolio(s):</b> Elected Mayor  Finance	<b>Cabinet Member(s):</b> Mrs Norma Redfearn  Cllr Ray Glindon
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**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 proposals and have been developed with the knowledge of continued reductions in Central Government funding and rising cost pressures, which are in part as a result of increasing demand for services. Included in the budget proposals is a proposed 2% increase in Council Tax to fund Adult Social Care spend (as proposed in the Chancellor's Spending Review), and a general 2% increase in Council Tax (in line with the expectations of Central Government's Provisional 2016 Settlement for Local Authorities). This general increase is to help continue to provide services over the coming years.
- 1.1.2 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.
- 1.1.3 On the 25 November 2015, the Government announced the 2015 Spending Review and Autumn Statement and on the 17 December 2015 announced the Provisional Local Government Finance Settlement. Alongside the publication of the Provisional Settlement information, the Department for Communities and Local Government

outlined indicative information for the next 3 years until 2019/20. The key headline was that the Government announced that the last Spending Review in 2010 had set out a real terms reduction of 14% over the period, with the reductions for this Spending Review announced at 6.7% in real terms. Total funding for councils will fall by 2.8% in 2016/17, before rising again by 2019/20.

- 1.1.4 On 7 December 2015, 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 2016/17 Council Tax requirement including the General Fund Budget, the 2016-2019 Investment Plan, and the Treasury Management Statement and Annual Investment Strategy for 2016/17 (Annex 1, refers).
- 1.1.5 There are a number of assumptions and judgements built into the figures presented here that lie mainly outside the control of the Authority and need to be finalised. The estimates of amounts will therefore need to be subject to further review before they can be confirmed.

## **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);
- (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 4 February 2016, 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 2016-2019 Investment Plan, including prudential indicators for 2016-2019 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 4 February 2016 (Annex 1, Section 5.0);
- (d) Note that Cabinet's proposals for the Treasury Management Statement and Annual Investment Strategy for 2016/17 will be submitted to full Council for its meeting on 4 February 2016 (Annex 1, Section 6.0);
- (e) Note that any implications that impact on this report arising from decisions of full Council on the 21 January 2016 and Cabinet on the 27 January 2016 will be provided as a supplementary report to full Council on the 4 February 2016 (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 2016/17 and future years (Annex 1, Section 1.0 and Appendix E);
- (g) Note the key aspects of the 2016/17 Local Government Finance Settlement announced on 17 December 2015, 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);

### **Our North Tyneside Plan 2016-2019**

- (h) Agree that the refreshed Our North Tyneside Plan priorities form the Policy Framework for the Financial Planning and Budget Process for 2016-2019 (Annex 1, Section 1.0);

### **The Financial Strategy 2016-2019**

- (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 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);
- (k) Agree the approach being taken in relation to the Target Operating Model and the Creating a Brighter Future Programme for the next three years in order to deliver the 'Our North Tyneside' Plan (Annex 1, Section 4.0);
- (l) Agree 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**

- (m) Consider and agree the estimates of amounts for the 2016/17 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 (2015/16) and indications of the Financial Plan for 2017/18 and the following year (Annex 1, Section 4.0);
- (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 18 February 2016, based upon the outcomes of recommendation 1.2.1 (j) above (Annex 1, Section 4.0);

## **2016-2019 Investment Plan**

- (o) Consider and agree the estimates of amounts in relation to the 2016-2019 Investment Plan, including prudential indicators for 2016-2019 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 5.0, Appendices C(i) and C(ii));
- (p) 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**

- (q) Approve the Treasury Management Statement and Annual Investment Strategy 2016/17 (Annex 1, Section 6.0);

## **Response to the Overview, Scrutiny and Policy Committee Recommendations**

- (r) Note the conclusions of the Overview, Scrutiny and Policy Committee's review of the 2016/17 budget proposals (Annex 1, Section 7.0);

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

- (s) Note the Provisional Statement by the Chief Finance Officer (Annex 1, Section 8.0)

## **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 2016/17 (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 Head of Finance to consider any further comments received from residents after the drafting of this Cabinet report but on or before 31 January 2016, as the Budget Engagement process will continue until 31 January 2016, and present these as an addendum to the report to full Council on 4 February 2016 and 18 February 2016 (Annex 1, Section 1.0).

### **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**

- 1.5.1 One year ago, the Council agreed a four-year revenue and Investment Plan that identified a savings target of £65m as a result of the estimated funding cuts and cost pressures the Authority faced over the 2014/15 to 2017/18 period. During 2015/16 as part of the review of the Creating a Brighter Future (CBF) Programme and development of the Target Operating Model (TOM), all aspects of the Financial Plan and Budget have been reviewed in order to arrive at the Cabinet's 2016-2019 draft Budget proposals.
- 1.5.2 In light of the financial challenge facing the Authority, the draft Budget proposals for 2016/17 include an assumption that a 2% "Adult Social Care Precept" is proposed to fund Adult Social Care, and a general 2% increase in Council Tax in line with Central Government's Settlement for Local Authorities.
- 1.5.3 Annex 1 to this report sets down in detail the Cabinet's 2016-2019 draft Budget proposals for the General Fund Revenue Budget, Dedicated Schools Grant, the 2016-2019 Investment Plan and the Treasury Management Statement and Annual Investment Strategy for 2016/17.
- 1.5.4 The contents of Annex 1 cover:
- 2016-2019- 'Our North Tyneside' / Creating a Brighter Future / Target Operating Model;
  - The Financial Strategy 2016-2019;
  - Local Government Finance Settlement;

- Cabinet’s draft 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 draft Budget proposals for the 2016-2019 Investment Plan and Prudential Indicators;
- Cabinet’s draft Budget proposals for the Treasury Management Statement and Annual Investment Strategy 2016/17;
- Response to Overview, Scrutiny and Policy Committee Recommendations; and
- Provisional Statement to Council by the Chief Finance Officer.

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

- 1.5.5 At its meeting on 14 September 2015, Cabinet approved the process and timetable to be adopted for the refresh of the Our North Tyneside Plan, 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.
- 1.5.6 The original ‘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.
- 1.5.7 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 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.
- 1.5.8 Engagement on the Our North Tyneside Plan priorities and Budget proposals commenced in September 2015 and will continue until 31 January 2016. It involves information and feedback through the Authority’s website as well as focus group activity with staff, residents, businesses and strategic partners.
- 1.5.9 For the 2016/17 Financial Planning and Budget process we are proposing a three-year financial planning process covering the years 2016-2019. The Local Government Finance Settlement for 2016/17 was issued on the 17 December 2015 and is summarised in section 3 of Annex 1 to this report. A Consultation on the Settlement was issued with a closing date of 15 January 2016.

## **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 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 4 February 2016.

### Option 3

Cabinet can disagree with the proposals

Option 1 is the recommended option.

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

1.7.1 Option 1 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:	2016-2019 Financial Planning and Budget Process – Cabinet’s draft Budget Proposals and Council Tax Requirement
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	Budget Engagement Summary
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:**

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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) 2016-2019 Financial Planning and Budget Process: Cabinet's Initial Budget proposals, Cabinet 7 December 2015  
[http://www.northtyneside.gov.uk/browse-  
display.shtml?p\\_ID=563450&p\\_subjectCategory=41](http://www.northtyneside.gov.uk/browse-display.shtml?p_ID=563450&p_subjectCategory=41)
- (b) Medium Term Financial Plan Update following Budget 2015, Cabinet 10 August 2015  
[http://www.northtyneside.gov.uk/pls/portal/NTC\\_PSCM.PSCM\\_Web.download?p\\_ID=561844](http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=561844)
- (c) 2016-2019 Financial Planning and Budget Process, incorporating the 2016-2019 'Our North Tyneside' Plan and associated Engagement Strategy, Cabinet 14 September 2015



[http://www.northtyneside.gov.uk/browse-display.shtml?p\\_ID=562232&p\\_subjectCategory=41](http://www.northtyneside.gov.uk/browse-display.shtml?p_ID=562232&p_subjectCategory=41)

- (d) Local Government Finance Settlement 2016/17  
<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2016-to-2017>
- (e) 2015 Spending Review and Autumn Statement  
<https://www.gov.uk/government/topical-events/autumn-statement-and-spending-review-2015>
- (f) [Chartered Institute of Public Finance and Accountancy's \(CIPFA's\) LAAP Bulletin Number 77: Local Authority Reserves and Balances, November 2008 \(P\).](#)
- (g) 2015/16 Financial Management Report to 30 November 2015 – Cabinet 14 January 2016  
[http://www.northtyneside.gov.uk/browse-display.shtml?p\\_ID=563839&p\\_subjectCategory=41](http://www.northtyneside.gov.uk/browse-display.shtml?p_ID=563839&p_subjectCategory=41)
- (h) Our North Tyneside Plan and Budget Engagement Equality Impact Assessment – August 2015
- (i) 2016-2019 Financial Planning and Budget Process – Business Cases
- (j) General Fund Budget Summaries

## **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, 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.

## **2.3 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 'Our North Tyneside' Plan and Budget Engagement Strategy was agreed at Cabinet on 14 September 2015. The Budget proposals have been shaped in the context of the 'Our North Tyneside' Plan. This refreshed plan has been developed following engagement with a wide range of stakeholders. Engagement on the 2016-2019 'Our North Tyneside' Plan and Budget proposals is taking place between 15 September 2015 and 31 January 2016.
- 2.3.3 Residents views on priorities for the 'Our North Tyneside' 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. 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 A second phase of engagement has run from 8 December 2015 to 31 January 2016 which has again provided opportunities for residents to have their say online, via social media and at a range of events. These events have offered the opportunity for the following groups to discuss proposals for the refreshed 'Our North Tyneside' Plan and Budget proposals: North Tyneside Strategic Partnership members, political groups within the Authority, staff panel members, all residents, young people, older people and people with protected characteristics under the Equality Act.

2.3.5 Engagement feedback shows widespread agreement with the 'Our North Tyneside' Plan priorities and Budget proposals. Key findings highlight requests for:

- more communication about proposals for nursery childcare provision
- a clear definition of 'affordable' housing
- the maintenance of environmental standards and the borough's physical infrastructure
- clarity on partner's performance and value for money
- exploration and exploitation of external (including European) funding streams
- Information on the implications of self-service, particularly for vulnerable people
- greater investment in ICT in order to deliver self-service
- public reporting on performance against the 'Our North Tyneside' plan
- regular reporting on engagement outcomes
- progress on regeneration initiatives
- decisions on proposed housing developments, particularly around Murton village

Participants also acknowledged the impact successful partnership working and the achievement of local schools has had on the borough.

## **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 strategic planning and 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 'Our North Tyneside' Plan and Budget Engagement process. The aim is to remove or minimize any disadvantage for people wishing to take part in the engagement programme.
- Full Equality Impact Assessments have been completed as part of the business cases on all relevant Budget proposals and a cumulative impact assessment has been undertaken to ensure 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 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
- Head(s) of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Head of Corporate Strategy