

# North Tyneside Council Report to Cabinet Date: 12<sup>th</sup> September 2016

## ITEM 6b

Title: 2017-2020 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 Service Area: 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 2017/18. The next report to Cabinet will be on 28 November 2016, which will outline the initial Cabinet Budget proposals.

This report sets out information in relation to:

- The proposed 2017-2020 Financial Planning and Budget Process, including information on the key decision milestones;
- The Efficiency Plan for North Tyneside Council, which will be submitted in advance of 14 October 2016 Government deadline, and,
- The proposed Budget Engagement Strategy to be adopted as part of the 2017-2020 Financial Planning and Budget process.

#### 1.2 Recommendation(s):

It is recommended that Cabinet:

- (a) Approve the proposed outline 2017-2020 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 Budget Engagement Strategy as part of the 2017-2020 Financial Planning and Budget Process as set out at Appendix B to this report; and,

- (c) Grant delegated authority to the Elected Mayor, in consultation with the Deputy Mayor, Cabinet Member for Finance and Resources, the Chief Executive, the Head of Finance and the Head of Law and Governance, to approve the submission of the North Tyneside Council Efficiency Plan to the Department for Communities and Local Government in advance of 14 October 2016 deadline, in order to secure the final 3 years of the 2017-2020 Local Government Finance Settlement.

### **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 8 August 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 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 Our North Tyneside Plan was refreshed last year as part of the 2016-2019 Financial Planning and Budget process. The agreed priorities in the Our North Tyneside Plan provide the strategic policy framework within which budget resources will be allocated for 2017-2020.

### **1.5 Information**

- 1.5.1 Since the Coalition Government's four year Spending Review of 2010, and as a result of the Local Government Finance Settlements for 2015/16 and 2016/17, North Tyneside Council has 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, some of which have arisen from national policy and new legislation (e.g. Rent reduction, National Living Wage, NHS cuts to Public Health budgets). Since the financial year 2013/14, we have so far had to make efficiency savings of approximately £60 million.
- 1.5.2 The Authority has consistently delivered substantial efficiency savings driven by the continued reduction in core Government funding and increasing demand for services. This financial climate continues into the current planning process for 2017-2020 with the need for 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 2017/18 Financial Planning and Budget process we are proposing a three-year financial planning process covering the years 2017-2020. This planning process aligns with the remaining period of the current Local Government Finance Settlement, the

Final Settlement for 2016/17 and a provisional Settlement for the following three years were issued on 8 February 2016.

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

- 1.5.4 The Our North Tyneside Plan sets out the overall vision and policy context within which the Financial Plan and Budget proposals are set. This vision and policy context have been developed in partnership through the North Tyneside Strategic Partnership. The Plan provides a clear framework for the Council to move forward. It also provides the strategic policy context for all financial decisions and the operational delivery of services at Borough level, but also increasingly as we work alongside other local authorities through the North East Combined Authority and with businesses through the North East Local Enterprise Partnership.
- 1.5.5 The Our North Tyneside Plan 2016-2019 (Council Plan) was refreshed as part of the 2016-2019 Financial Planning and Budget process. It was shaped through consultation and engagement with residents, service users and key stakeholders through: The Big Community Conversation in the summer of 2015; the Our North Tyneside Plan and Budget consultation from September 2015 to January 2016, feedback from the Residents Survey 2015 and also at the State of the Area event in October 2015.
- 1.5.6 The Our North Tyneside Plan has three key themes, in line with what our residents and others have told us:
- Our People
  - Our Places
  - Our Economy
- 1.5.7 For each one there are a set of very clear policy outcomes that we are seeking to deliver as set out below.

Our People will:

- Be listened to, and involved by responsive, enabling services.
- Be ready for school – giving our children and their families the best start in life.
- Be ready for work and life – with the skills and abilities to achieve their full potential, economic independence and meet the needs of local businesses
- Be ready for work and life – with the skills and abilities to achieve their full potential, economic independence and meet the needs of local businesses
- Be healthy and well – with the information, skills and opportunities to maintain and improve their health, well-being and independence.
- Be cared for and safeguarded if they become vulnerable.

Our Places will:

- Be great places to live, and attract others to visit or work here.
- Offer a good choice of quality housing appropriate to need, including affordable homes.
- Provide a clean, green, healthy, attractive and safe environment.
- Have an effective transport and physical infrastructure - including our roads, cycle ways, pavement, streetlighting, drainage and public transport.

Our Economy will:

- Grow by building on our strengths, including our existing world class companies, and small and growing enterprises.
- Have the right skills and conditions to support investment, and create and sustain new good quality jobs and apprenticeships for working age.

1.5.8 The Medium Term Financial Strategy (MTFS) is a key part of the Authority's Budget and Policy Framework which aims to ensure that all financial resources are directed towards delivery of the Our North Tyneside Plan. The Strategy describes the principles to be applied in developing and updating the annual budget and financial plan. The strategy is reviewed annually reflecting the dynamic nature of local government funding.

### **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 support delivery of the Our North Tyneside Plan 2016-2019 which is the key driver of our resources allocation. The Budget setting process helps the Authority respond appropriately to responsibilities and duties placed upon local government through legislative requirements and the Government's drive to deliver savings.

1.5.10 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 Strategy that looks at all Authority services and takes into account the Government's local government finance agenda.

### **Defining our Financial Strategy**

1.5.11 Financial Management 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. Key drivers for change and the improvement focus in resource planning continue to include developing a 3 year Financial Plan. The Medium Term Financial Strategy supports consideration of the key drivers in developing the financial plan and is expected to secure the following:

- Delivering the priorities of the Our North Tyneside Plan;
- Application of the principles of the Target Operating Model;
- Continued improvement of financial planning and the strategic financial management of the Authority's revenue and capital resources;
- Aligning financial resources to the Authority's spending priorities and priority outcomes;
- Maximising the use of resources available to the Authority, both internal and external;
- Ensuring that the Authority provides value for money and delivers budget savings;
- Reviewing the Authority's reserves policy to ensure there is protection against unforeseen events;
- Responding to external pressures;
- Developing a sustainable budget over the medium term;

- Highlighting financial risks and mitigating controls

1.5.12 The approach to developing the draft Financial Plan for 2017-2020 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.

1.5.13 Leading on from this, the key components and principles adopted for our 2017-2020 Financial Strategy have been fully reviewed as part of this year's process and are summarised below:

- 1) The overall financial strategy will be to ensure that the Authority's resources are directed to achieving Our North Tyneside Plan and associated outcomes. The Authority's Medium Term Financial Strategy (MTFS) will be reviewed on at least an annual basis.
- 2) Overall Authority spending should be contained within original estimates. If, following monthly revenue monitoring, service budgets are projected to exceed original estimates, plans should be prepared setting out the actions required to ensure spending at the end of the year does not exceed original estimates.
- 3) The Authority will maintain its general reserve at a least a level of £6.6m at the end of each year, subject to a risk assessment as part of the annual budget setting process
- 4) The Authority will aim to balance its revenue budget over the period of the MTFS without reliance on the use of the general reserve.
- 5) The Authority will plan for any changes to specific grants/interim funding/Financial Settlement/Legislation
- 6) The Authority will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities. The use and level of earmarked reserves will be reviewed at least annually.
- 7) The Authority will continue to improve its approach to efficiency, commissioning and procurement to ensure value for money and minimise the impact of budget savings on priority services as well as effectively managing the programme of change.
- 8) Opportunities for working in collaboration and partnership and different ways of working will be identified and developed where this will support the delivery of the Authority's outcomes and improve service efficiency and delivery. This will include the use of well-being powers, development of trading opportunities and different business models and the sourcing and securing of external funding.
- 9) The Authority will consider the use of prudential borrowing to support capital investment to deliver Our North Tyneside Plan and will ensure that the full costs of borrowing are taken into account when investment decisions are taken.
- 10) The Authority will 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.

- 11) The Authority will continue to review strategic assets to maximise the potential to release value for strategic re-investment and to ensure that the asset requirements are aligned to the delivery of services across the borough.
- 12) The Authority recognises the impact of increases in Authority tax levels and fees and charges in an area of relatively low income and low wealth and will therefore balance the need for increases against the delivery of Our North Tyneside Plan and demand for services. This will include the consistent application of an agreed fees and charges policy.
- 13) The Authority will continue to consider business risk in all decision making process and alongside this ensure resources are aligned to reduce any material financial risk to the authority.
- 14) The authority will continue to review the Treasury Management Strategy and the efficient management of debt on an annual basis with an ongoing focus of delivering safe stewardship.

### **2016-2020 Local Government Finance Settlement and Efficiency Plan Submission**

- 1.5.14 On 17 December 2015, the Secretary of State for Communities and Local Government announced a four year funding package to council's as part of the 2016-2020 Provisional Local Government Finance Settlement, with the figures for 2016/17 being confirmed on 8 February 2016. Details of the implications for North Tyneside Council of this Settlement were set out in detail in the 2016-2019 Financial Planning and Budget Reports to Cabinet and Council on 27 January 2016 and 18 February 2016 respectively.
- 1.5.15 In order to secure the funding for the final 3 years of the 2017-2020 Local Government Finance Settlement, each Local Authority is required to submit an "Efficiency Plan" to the Department for Communities and Local Government (DCLG) by 14 October 2016. Following receipt of Efficiency Plans, the Government will confirm the offer in writing shortly after the deadline.
- 1.5.16 The refresh of the Financial Strategy alongside the work in progress of the Senior Leadership Team, Mayor, Deputy Mayor, Cabinet Member for Finance and Resources and Cabinet will be used to inform the North Tyneside Council Efficiency Plan. As noted in recommendation 1.2 (c) the North Tyneside Council Efficiency Plan will be approved by the Elected Mayor, in consultation with the Deputy Mayor, Cabinet Member for Finance and Resources, the Chief Executive, the Head of Finance and the Head of Law and Governance under delegated authority in advance of 14 October 2016 Government deadline.

### **Equality and Diversity Considerations**

- 1.5.17 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 Equality impact assessments.

- 1.5.18 Full impact assessments will be included in all proposals going forward for inclusion with the initial Budget proposals in November 2016 in order to be available to Cabinet when it further considers the Financial Plan and Budget proposals on 28 November 2016.

### **2017/18 Financial Planning and Budget Process Timetable of Key Decision Milestones**

- 1.5.19 Key aspects of the 2017/18 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)

- 1.5.20 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 2017-2020 Financial Planning and Budget Process. The Head of Finance will be the project sponsor.

### **Section 2 - The North Tyneside Council Budget Engagement Strategy for 2017/18**

- 1.5.21 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. Engagement with residents takes place throughout the year and the information gathered will be used to inform the Financial Planning and Budget process. There will also be specific engagement activities as part of the budget setting process where residents and other key stakeholders will be able to be involved.
- 1.5.22 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 proposals, and receive feedback on outcomes from the engagement. The feedback from the engagement activities will form part of reports to Cabinet and Council to support decision-making.
- 1.5.23 Details of the Budget Engagement Strategy for 2017/18 are set out at Appendix B 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 2017-2020 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 – 2017/18 Financial Planning and Budget Process: Timetable of Key Milestones

Appendix B – 2017/18 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

[http://www.northtyneside.gov.uk/pls/portal/NTC\\_PSCM.PSCM\\_Web.download?p\\_ID=566296](http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=566296)

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

(b) 2016-2019 Our North Tyneside Plan

<http://my.northtyneside.gov.uk/category/368/our-north-tyneside-plan>

## **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 2017-2020



Financial Plan, incorporating the 2017/18 Budget Setting process. Decisions on the budget in relation to the General Fund, Housing Revenue Account, school's 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 2017-2020 in accordance with the Authority's Reserves and Balances Policy most recently agreed by Council on 18 February 2016.
- 2.1.3 The only direct financial implications arising from this report will be any residual costs arising from support for engagement activity. These costs will be met from existing budgets.
- 2.1.4 The Budget Engagement Strategy for 2017/18 will in part help to inform decisions about what will be included in the three-year Financial Plan for 2017-2020. Decisions on the budget for the General Fund, Investment 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 2017-2020 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. At the appropriate stage in the process, the Budget 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 2017/18 as outlined in this report sets out the process by which residents and other stakeholders will be involved in the consultation on the 2017/18 Budget as part of the 2017-2020 Financial Planning and Budget Process.

## 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 proposals for Budget Engagement. 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 protected characteristics under the Equality Act 2010 to encourage participation and provide engagement in a manner that will meet their needs. Appendix B provides the approach we are taking.
- The outcome of any decisions made following engagement activity 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 Service 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  X
- Head(s) of Service  X
- Mayor/Cabinet Member(s)  X
- Chief Finance Officer  X
- Monitoring Officer  X
- Head of Corporate Strategy  X