

North Tyneside Council Report to Cabinet Date: 28 November 2016

ITEM 3

Title: 2017-2020 Financial Planning
and Budget Process: Cabinet's
Initial Budget proposals

Portfolio(s): Elected Mayor Finance and Resources Housing and Transport	Cabinet Member(s): Mrs Norma Redfearn Cllr Ray Glindon Cllr John Harrison
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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 to be set out in this report have been developed in the context of the Our North Tyneside Plan and reflect the Plan priorities, but recognise the continued reduction in core funding, increasing costs such as the impact of the National Living Wage and increasing demand for services in areas such as Adult Social Care and Children's Services.

1.1.2 At its meeting on 12 September 2016, Cabinet approved the process and timetable to be adopted for the preparation of the draft Financial Plan, 2017/18 revenue budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2017-2020 Investment Plan, as part of the overall Financial Planning and Budget process for 2017-2020. Cabinet also approved the budget engagement strategy as part of this report.

1.1.3 This report will present, 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. This report will present proposals to cover a three-year planning period from 2017-2020 for the revenue budget and a three year planning horizon for the Investment Plan.

1.1.4 The Authority's approach for 2017-20 is to achieve savings early where possible, to mitigate against future financial risks whilst working in a very different way to ensure that resources can be more effectively targeted at the people who need them most to ensure that all residents have a successful, healthy and safe future, no matter where they live in the Borough. This means that the Authority will need to:

- deal with causes not consequences (i.e. it is proactive rather than reactive);
- understand and manage demand;
- enable people to help themselves; and,
- have the right people with the right skills in the right place at the right time.

1.1.5 We have completed a base budget review and, based on our current financial assumptions, there is a budget gap of around £52m from 2017/18 to 2019/20. This is based on a range of factors including areas of resource reduction, financial pressures and growth, as set out in Table 1 below:

Table 1: 2017-2020 Financial Plan

	2017/18	2018/19	2019/20
	£m	£m	£m
General Fund Base Budget	153.945	147.670	143.270
Pay and Price Increases, Demand Led, Corporate, Legislative / Changes to Responsibilities, Resource Changes and 2016/17 In Year Pressures	20.251	7.186	8.985
Efficiency Savings	-26.526	-11.586	-13.495
Total General Fund Financial Plan	147.670	143.270	138.760

1.1.6 Whilst the Authority has submitted an Efficiency Statement to the Government to secure some degree of certainty over the level of Revenue Support Grant until 2020, there remain some significant items outstanding, which are expected to be announced in the Autumn Statement on the 23 November. Cabinet will continue to work on the detailed budget proposals and an updated report will be submitted to Cabinet in due course.

1.2 Recommendation(s):

1.2.1 The recommendations to Cabinet will include:

Part 1

The 2017-2020 Financial Planning and Budget Process

- (a) Noting the progress made in relation to this year's Financial Planning and Budget process;

The Council Plan - 'Our North Tyneside'

- (b) Noting that the Our North Tyneside Plan forms the Policy Framework for the Financial Planning and Budget Process for 2017-2020;

The Financial Strategy 2017-2020

- (c) Noting the key principles being adopted in preparing the Financial Strategy for the Authority, subject to an annual review;
- (d) Noting the medium-term financial challenges and financial risks facing the Authority and agree to address these issues as part of the Creating a Brighter Future Programme for the Authority, to deliver continued financial stability and prudent management of our financial resources;
- (e) Noting the formal Reserves and Balances Policy for the Authority, subject to review at least annually;

2017/18 General Fund Revenue Budget and Dedicated Schools Grant

- (f) Considering and agreeing the initial budget proposals in relation to the 2017/18 General Fund Revenue Budget and Dedicated Schools Grant, including the assessment in relation to the current year's budget monitoring information (2016/17);

2017-2020 Investment Plan

- (g) Considering and agreeing the proposed 2017-2020 Investment Plan;
- (h) Noting that all approved schemes within the 2017-2020 Investment Plan will be kept under corporate review by the Investment Programme Board;

Provisional Statement by the Chief Finance Officer

- (i) Noting the Provisional Statement by the Chief Finance Officer,

Part 2

2017-2020 Housing Revenue Account Business Plan and Budget

- (j) Considering and agreeing the initial budget proposals in relation to the 2017-2020 Housing Revenue Account budget, and associated Business Plan, including an assessment in relation to the current year's budget monitoring information (2016/17);
- (k) Noting the proposed April 2017 1% rent reduction (in line with the Welfare Reform and Work Act 2016), and the initial proposals in relation to housing service charges and garage rents for 2017/18;

Management Arrangements

- (l) Authorising the Elected Mayor, in conjunction with the Cabinet Member for Finance and Resources, Deputy Mayor and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of these initial proposals; and
- (m) Authorising the Chief Executive, in consultation with the Elected Mayor, Cabinet Member for Finance and Resources, Deputy Mayor and the Senior Leadership Team to manage the Efficiency Programme and note that progress will be reported to Cabinet as part of the regular budget monitoring information provided.

1.3 Forward plan:

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 10 October 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 development of the Financial Plan and Budget has followed the same timetable as in previous years. The priorities in the 2016-2019 Council Plan - 'Our North Tyneside' provides the strategic framework within which budget resources are allocated.
- 1.4.3 The Financial Planning and Budget process is a fundamental part of the overall governance and assurance framework of the Authority. This in turn provides assurance that is considered as part of preparing the Annual Governance Statement each year.

1.5 Information

An initial report is submitted at this stage to allow time for the Government's Autumn Statement, which will be published on 23 November 2016, to be assessed. Supplementary information detailing the assessment of the Autumn Statement and the impact on budget proposals will be submitted to Cabinet for the consideration of this matter.

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