

North Tyneside Council Report to Cabinet Date: 25 January 2017

ITEM 4

Title: 2017-2020 Financial Planning and Budget Process: Cabinet's Draft Budget and Council Tax Requirement Proposals

Portfolio(s): Elected Mayor

Finance

Cabinet Member(s): Mrs Norma Redfearn

Cllr Ray Glindon

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, but recognise the continued reduction in core funding, increasing cost pressures 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. In line with Government guidelines, included in these proposals is a 3% increase in Council Tax to fund Adult Social Care spend and a general 1.998% increase in Council Tax in line with national government guidance.
- 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 An Efficiency Plan was submitted to Central Government on 14 October 2016 in order to secure as far as possible the proposed level of Revenue Support Grant for this Authority that was announced as part of the 2016 Local Government Finance Settlement. The Efficiency Statement is included as a background paper to this report.

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 are most effectively targeted at the people who need them most. And 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:

- understand and manage demand;
- enable people to help themselves;
- use intelligence to target resources to best effect;
- maximise income and reduce long-term cost;
- work in partnership to improve outcomes and,
- be innovative and utilise technology to improve outcomes.

1.1.5 On the 15 December 2016, the Provisional Local Government Finance Settlement for 2017/18 was announced. The announcement has not led to a significant change to the Governments local funding reductions previously announced. There were significant reductions to the amount of New Homes Bonus and Education Services Grant that are available to the Authority in 2017/18 but there was also an increase in the amount of Grant available to the Authority to fund Adult Social Care as well as an increase in Council Tax. A Settlement Consultation was published with a closing date of 13 January 2017.

1.1.6 On 28 November 2016, 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 2017/18 Council Tax requirement including the General Fund Budget, the 2017-2020 Investment Plan, and the Treasury Management Statement and Annual Investment Strategy for 2017/18 (Annex 1, refers).

1.1.7 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:

- (a) Note the progress made in relation to this year's Financial Planning and Budget process;
- (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 2 February 2017, in accordance with the Authority's Constitution and Budget and Policy Framework Procedure Rules;
- (c) Note that Cabinet's proposals for the 2017-2020 Investment Plan, including prudential indicators for 2017-2020 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 2 February 2017;

- (d) Note that Cabinet's proposals for the Treasury Management Statement and Annual Investment Strategy for 2017/18 will be submitted to full Council for its meeting on 2 February 2017;
- (e) Note that any implications that impact on this report arising from decisions of full Council on the 19 January 2017 and Cabinet on the 25 January 2017 will be provided as a supplementary report to full Council on the 2 February 2017;
- (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 2017/18 and future years (Appendix E);
- (g) Note the key aspects of the 2017/18 Local Government Finance Settlement announced on 17 December 2016, 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;
- (h) Agree that the Our North Tyneside Plan priorities form the Policy Framework for the Financial Planning and Budget Process for 2017-2020;
- (i) Agree the key principles being adopted in preparing the Financial Strategy for the Authority, subject to an annual review;
- (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;
- (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;
- (l) Agree the formal Reserves and Balances Policy for the Authority, subject to review at least annually (Appendix F);
- (m) Consider and agree the estimates of amounts for the 2017/18 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 (2016/17) and indications of the Financial Plan for 2018/19 and the following year;
- (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 16 February 2017, based upon the outcomes of recommendation 1.2.1 (g) above;

- (o) Consider and agree the estimates of amounts in relation to the 2017-2020 Investment Plan, including prudential indicators for 2017-2020 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 (Appendices C(i) and C(ii));
- (p) Note that all approved schemes within the 2017-2020 Investment Plan will be kept under corporate review by the Investment Programme Board;
- (q) Approve the Treasury Management Statement and Annual Investment Strategy 2017/18;
- (r) Note the conclusions of the Overview, Scrutiny and Policy Development Committee's review of the 2017/18 budget proposals;
- (s) Note the Provisional Statement by the Chief Finance Officer;
- (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 2017/18;
- (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;
- (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 20 January 2017, as the Budget Engagement process will continue until 20 January 2017, and present these as an addendum to the report to full Council on 2 February 2017 and 16 February 2017; and
- (w) Grant delegated authority to the Chief Executive, in consultation with the Elected Mayor and Head of Finance to authorise the purchase of homes, on the open market, providing value for money is demonstrated and the cost can be contained within existing financial resources of the Authority. This is to ensure the programme of delivery of affordable homes and homes at market rent is progressed in line with the Cabinet's priorities.

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 19 December 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' provide 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

General Fund

- 1.5.1 The Authority has to find efficiencies and resource changes in the General Fund budgets of up to £52m over the next three years as a result of sustained cuts in government funding and unfunded policies and pressures. Since 2010 the Authority, along with other local authorities, has faced unprecedented reductions in Government spending. The Authority has already made efficiency savings of more than £101m since 2010 and a further £22m must be saved in 2017/18. These huge cuts come at a time when demand for some of the Authority's most costly services such as support to vulnerable adults and children's social care is increasing. These initial budget proposals aim to achieve the required savings.
- 1.5.2 The Authority is facing an incredibly tough and challenging time as it is faced with steeply declining government funding as well as relentless pressure on its already reduced budgets. In light of this challenge, the Authority has listened to residents and has set out a clear plan for the future. These draft budget proposals will protect and improve essential services for the people of North Tyneside, invest in the future of the Borough, grow the local economy, creating more jobs and opportunities and build a more modern Authority that enables people to do more for themselves.
- 1.5.3 With so many competing demands to pay for services the Elected Mayor and Cabinet have taken a lot of time to scrutinise the Authority's finances. With the

scale of the funding reductions, very difficult decisions have had to be made and unfortunately many more lie ahead if the Authority is to manage with less money. These proposals aim to protect essential services and make sure that the Authority operates in as efficient a way as possible, providing excellent value for money for local taxpayers.

- 1.5.4 The Budget proposals set out in this report have been developed in the context of the 2016-2019 'Our North Tyneside Plan' and reflect the Plan priorities. The overall direction is outlined in Annex 1 to this report. The savings to be delivered will be managed through the four service delivery 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.
- 1.5.5 Engagement on the Budget proposals began in Summer 2017 and continued from 29 November 2016 until 20 January 2017. It involves information and feedback through the Authority's website as well as focus group activity with staff, residents, businesses and strategic partners.
- 1.5.6 In February 2016 the final 2016 Local Government Financial Settlement was issued. The Authority's spending power was assumed to change over the period to 2019/20 based on an average annual increase in Council Tax (excluding the Social Care precept of 1.5%). The assumptions in Cabinet's 2017-2020 Budget and financial plan proposals therefore include an increase to council tax of 4.998% in 2017/18. Of this increase 3.0% will part-fund the significant cost pressures the Authority faces in relation to Adult Social Care (increased from 2% in the initial budget proposals following the issue of the Provisional Local Government Finance Settlement for 2017/18) While the additional income is helpful (albeit reluctantly accepted by Cabinet in the absence of a sustainable national solution to the problems of adult and children's social care), and will help to mitigate the impact of these cost pressures on the Authority's overall budget, the amount raised (i.e. £2.25m) is a relatively small proportion of the adult social care cost pressures faced by the Authority. The remaining 1.998% increase in Council Tax will be used to fund cost pressures in other services areas.
- 1.5.7 Annex 1 to this report sets down in detail the Cabinet's 2017-2020 draft Budget proposals for the General Fund Revenue Budget, Dedicated Schools Grant and the 2017-2020 Investment Plan.
- 1.5.8 For the 2017/18 Financial Planning and Budget process we are proposing a three-year financial planning process covering the years 2017-2020. The Provisional Local Government Finance Settlement for 2017/18 was issued on the 15 December 2016 and is summarised in Annex 1 to this report. A Consultation on the Settlement was issued with a closing date of 13 January 2017.

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 2 February 2017.

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:	2017-2020 Financial Planning and Budget Process – Cabinet’s draft Budget Proposals and Council Tax Requirement
Appendix A:	General Fund 2017-2020 Financial Pressures Summary
Appendix B	Efficiency Plan
Appendix C (i):	2017-2020 Investment Plan
Appendix C (ii)	Prudential Indicators
Appendix D	Treasury Management Statement and Annual Investment Strategy
Appendix E	Budget Engagement Summary
Appendix F	Reserves and Balances Policy
Appendix G	Budget Timetable
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) 2017-2020 Financial Planning and Budget Process: Cabinet's Initial Budget proposals, Cabinet 28 November 2016 http://www.northtyneside.gov.uk/browse-display.shtml?p_ID=567207&p_subjectCategory=41
- (b) 2017-2020 Financial Planning and Budget Process, incorporating the Council Plan and associated Engagement Strategy, Cabinet 12 September 2016
http://www.northtyneside.gov.uk/browse-display.shtml?p_ID=566444&p_subjectCategory=41
- (c) 2016 Local Government Finance Settlement
<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2017-to-2018>
- (d) 2016 Autumn Statement
<https://www.gov.uk/government/publications/autumn-statement-2016-documents>
- (e) Efficiency Statement and Cumulative Impact Assessment
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=566926
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=566927

http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=567841

- (f) [Chartered Institute of Public Finance and Accountancy's \(CIPFA's\) LAAP Bulletin Number 77: Local Authority Reserves and Balances, November 2008 \(P\).](#)
- (g) 2016/17 Financial Management Report to 30 November 2016 – Cabinet 16 January 2017
http://www.northtyneside.gov.uk/browse-display.shtml?p_ID=567582&p_subjectCategory=41
- (h) General Fund Budget Summaries
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=567782
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=567783

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 2017/18 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 2017-2020, 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 Annex 1 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 2017-2020 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 and the Director of Public Health, the Elected Mayor and Cabinet.

Community engagement

2.3.2 The 2017/18 Budget Engagement Strategy was agreed at Cabinet on 12 September 2016. The Authority's overall approach to engagement ensures that the public should have opportunities to have their say throughout the year. Between June and September 2016 there was an extensive programme of engagement across the Borough through the 'Big Community Conversation'. Further engagement on the Cabinet's initial Budget proposals has taken place from 29 November 2016 to 20 January 2017. The Budget proposals have been shaped in the context of 'Our North Tyneside Plan 2016 -2019.

2.3.3 The further engagement phase gave residents the opportunity to have their say online, via social media and at discussion events. There have also been 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, an Equality Impact Assessment has been carried out on the Budget Engagement process. The aim is to remove or minimise any disadvantage for people wishing to take part in the engagement programme. Specific proposals on how services will seek to meet budgetary requirements have been subject to EIAs. A cumulative impact assessment of all of these has been undertaken.

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 Borough's 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