

North Tyneside Council Report to Cabinet Date: 11 September 2017

ITEM 6(b)

2018-2020 Financial Planning and Budget Process incorporating the Council Plan and Associated Engagement Strategy

Portfolio(s): Elected Mayor
Deputy Mayor
Finance and Resources
Community Engagement

Cabinet Member(s): Norma Redfearn
Cllr Bruce Pickard
Cllr Ray Glindon
Cllr Carole Burdis

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 Council Plan, Financial Planning and Budget process for this year as part of the proposed framework for the next two years. Further reports will follow as part of the process of setting the Council Plan and Authority's Budget for the financial year 2018/19. The next report to Cabinet will be on 27 November 2017, which will outline the initial Cabinet Budget and Council Plan proposals.

This report sets out information in relation to:

- The proposed 2018-2020 Financial Planning and Budget Process, including information on the key decision milestones;
- The proposed Council Plan and Budget Engagement Strategy to be adopted as part of the 2018-2020 Financial Planning and Budget process.
- The proposed process and timescales to be adopted to develop the updated Council Plan.

1.2 Recommendation(s):

It is recommended that Cabinet:

- (a) Approve the proposed outline 2018-2020 Council Plan, 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 Council Plan and Budget Engagement Strategy as part of the 2018-2020 Financial Planning and Budget Process as set out at Appendix B to this report;
- (c) Note that the Efficiency Plan will be refreshed as part of the overall Council Plan, Financial Planning and Budget process.

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 31 July 2017.

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 It is proposed that the Council Plan is updated as part of this 2018-2020 Financial Planning and Budget Setting Process. The priorities in the updated Our North Tyneside Plan will provide the strategic policy framework within which budget resources will be allocated for 2018-2020.

1.5 Information

- 1.5.1 The world financial crisis of 2008 and 2009 revealed an unstable and unbalanced model of economic growth in the UK, and since 2010 Central Government has introduced a number of reforms impacting on local government services and financing. Measures set out in the spending Review 2015 meant savings of £21.5 billion, of which £9.5 billion was reinvested in the Government's Priorities. The Budget 2016 and 2017 set out the adjustments the Government is making to those plans, with the intent to find a further £3.5 billion of savings from public spending in 2019/20. There is no specific information provided on how the adjustments of £3.5 billion of savings are to be made and no breakdown for individual departments.
- 1.5.2 Medium term financial planning remains difficult and is prepared against the continuing funding cuts for local government coupled with increased demand for social care and welfare reform. The March 2017 Budget reported a further deterioration in the public finances and the expectation that the national budget deficit will not be eradicated until the end of the next Parliament. Uncertainty remains in respect of the impact of Central Government's devolution agenda as well as the future impact of Brexit. In terms of managing the increasing demands for both Adult and Children's Social Care, there are also indications that many authorities are overspending against budgets for both Adults

and Children's Services in order to meet increasing demand and cost. These pressures are evident in our own authority and we need to explore new financial and organisational initiatives to meet this significant challenge at a time of Central Government cuts.

- 1.5.3 The policy of introducing 100% Business Rate Retention for local government could impact significantly upon local authorities' baseline funding levels and their ability to raise funding to meet future service demands. The expectation was that 100% Business Rate Retention would be introduced in 2019/20 although following the General Election this remains uncertain and adds to the risks associated with financial planning for the longer term.
- 1.5.4 At this stage for the 2018/19 Financial Planning and Budget process a two-year financial planning process is proposed covering the period 2018-2020. This planning process aligns with the remaining period of the current Local Government Finance Settlement, the Final Settlement for 2017/18 and the 2017 Spring Budget which was issued on 8 March 2017.

Council Plan 2018-2020

- 1.5.5 The current referred Council Plan (the "Our North Tyneside Plan") was approved by Council on 18 February 2016. The Plan, which is developed in partnership through the North Tyneside Strategic Partnership, sets out the overall vision and policy context within which the Financial Plan and Budget proposals are set. It provides a clear strategic framework for the Authority and its partners to operate within. The Plan also provides the strategic policy context for all financial decisions and delivery of services as well the operational change programme the "Creating a Brighter Future programme". This programme is designed to reshape services in line with a Target Operating Model to ensure that the outcomes in the Council Plan can be delivered within the resources allocated through the financial planning and budget setting process.
- 1.5.6 The Council Plan has three key themes:
- Our People
 - Our Places
 - Our Economy
- 1.5.7 It is proposed that the Council Plan is updated as part of the financial planning and budget setting process to ensure that it reflects the latest position with regards to all relevant data and intelligence including:
- the priorities and needs as identified by residents and other key stakeholders;
 - the Joint Strategic Needs Assessment;
 - the national, regional and local policy context.

Medium Term Financial Strategy

- 1.5.8 The Medium Term Financial Strategy (Strategy) 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.

- 1.5.9 The 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 Strategy must support the delivery of the Our North Tyneside Plan 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 Central 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 Strategy that looks at all Authority services and takes into account the Central 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 and therefore, in previous years, the Authority has adopted a three year planning timeframe. However, the two year planning timeframe proposed for 2018-2020 is to align with the period of the Local Government Finance Settlement and the 2017 Spring Budget. As no further strategic financial information is available beyond this date, at this point only a two year planning timeframe is meaningful to demonstrate sustainability in the Authority's plans for the future. The 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 2018-2020 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 2018-2020 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 the Council Plan and associated outcomes. The Authority's Strategy 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 a minimum 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 the Council 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 on our residents, many of whom are struggling on relatively low income and low wealth and will therefore balance the need for increases against the delivery of the 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.

Local Government Finance Settlement and Efficiency Plan

- 1.5.14 On 17 December 2015, the Secretary of State for Communities and Local Government announced a four year funding package to councils 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 was required to submit an “Efficiency Plan” to the Department for Communities and Local Government (DCLG) by 14 October 2016. The Authority met this requirement.
- 1.5.16 Whilst not a central government requirement it is considered appropriate that the North Tyneside Efficiency Plan is reviewed to consider that it remains an appropriate overall approach to meeting the financial challenges moving forward. This review will be completed as part of the overall approach to the refresh of the Council Plan, Budget and Financial Plan.

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 those protected by the Equalities legislation are considered prior to any decision being made. In this Authority we will continually monitor the effect of our budget setting process and decision-making 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 2017 in order to be available to Cabinet when it further considers the Financial Plan and Budget proposals on 27 November 2017.
- 1.5.19 An Equality Impact Assessment will be carried out on the proposed Council Plan and Budget Engagement Strategy.

2018/19 Financial Planning and Budget Process Timetable of Key Decision Milestones

- 1.5.20 Key aspects of the 2018/19 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)

- 1.5.21 The Elected Mayor and Cabinet are responsible for formulating the Council Plan and 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 2018-2020 Financial Planning and Budget Process. The Head of Finance will be the project sponsor.

Section 2 - The Council Plan and Budget Engagement Strategy

- 1.5.22 Through its overarching corporate Engagement Strategy approved by Cabinet on 14 September 2015, the Authority 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 Council Plan, 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.
- 1.5.23 The programme of the engagement activity will ensure that all stakeholders are informed about the Council Plan and 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.
- 1.5.24 Details of the Council Plan and Budget Engagement Strategy for 2018/19 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 Council Plan and Budget of the Authority. There are no other options available in relation to this. The Council Plan and Budget Engagement Strategy forms part of the 2018-2020 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 – 2018/19 Council Plan and Financial Planning and Budget Process:
Timetable of Key Milestones

Appendix B – 2018/19 Council Plan and Budget Engagement Strategy

1.9 Contact Officers:

Janice Gillespie, Head of Finance
Tel No 643 5701

Jacqueline Laughton, Head of Corporate Strategy
Tel No 643 7070

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

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 2018-2020 Financial Plan, incorporating the 2018/19 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 two-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 two-year financial plan for 2018-2020 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 Council Plan and Budget Engagement Strategy for 2018/19 will in part help to inform decisions about what will be included in the Council Plan and two-year Financial Plan for 2018-2020. 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 Council has agreed that the Council Plan is part of the policy framework (as a "local choice" plan) and as such it must be agreed in accordance with the rules of procedure relating to the Budget and Policy Framework (Part 4.7 of the Council's Constitution).

2.2.4 The 2018-2020 Council Plan, Financial Planning and Budget process has been prepared to comply with the time-scales required within the Budget and Policy Framework Procedure Rules contained within the Authority's Constitution. Decision making in relation to the Housing Revenue Account is the responsibility of 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 Cabinet Member for Community Engagement, the Chief Executive and the Senior Leadership Team. At the appropriate stage in the process, the Council Plan and 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 Council Plan and Budget Engagement Strategy for 2018/19 as outlined in this report sets out the process by which residents and other stakeholders will be involved in the consultation on the Council Plan and 2018/19 Budget as part of the 2018-2020 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 and Council Plan 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 will be carried out on the proposals for Council Plan and Budget Engagement. The aim will be to remove or minimize any disadvantage for people wishing to take part in the engagement programme. We will make 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 outlines 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. This is fulfilled through the Safer North Tyneside partnership within the framework of the North Tyneside Strategic Partnership.

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