

North Tyneside Council Report to Council Date: 2 February 2012

ITEM 3

Title: 2012-2015 Council Strategic Plan and Budget Setting Process: 2012/13 Budget Submission to the Authority (incorporating the Housing Revenue Account and associated Business Plan)

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| Portfolios: Elected Mayor Finance Housing | Cabinet Members: Mrs Linda Arkley Councillor Judith Wallace Councillor Paul Mason |
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Report from: Senior Leadership Team

Report Author: Fiona Rooney, Strategic Director of Finance and Resources (Chief Finance Officer) **Tel: 643 5724**

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Wards affected: All

PART 1

1.1 Purpose:

- 1.1.1 The Council's Constitution sets out, in its Budget and Policy Framework Procedure Rules, the process for agreeing the Council Strategic Plan and setting the Budget. The 2012-2015 Council Strategic Plan and Budget Setting process, reflects these requirements. Further detail of the decision-making process is set down in paragraphs 1.5.7 to 1.5.14 of this report.
- 1.1.2 This report and supporting Annex A and Annex 1 and its Appendices set down the 2012-2015 draft Council Strategic Plan and estimates of amounts considered by Cabinet on 18 January 2012. Part I of the Cabinet report (attached as Annex A and Annex 1 to this report) presented the 2012-2015 draft Council Strategic Plan and the estimates of amounts for all aspects of the Elected Mayor and Cabinet's proposed spending and resource plans for the General Fund Revenue Budget (including the Dedicated Schools Grant), the 2012-2022 Capital Plan, the Treasury Management Statement and Annual Investment Strategy for 2012/13. The report also indicated the proposed council tax level for 2012/13 that would be required to fund the spending plans outlined in the report. In addition, Part II of the report presented the Housing Revenue Account (HRA) Business Plan and Budget for 2012-2015 and the proposed the housing rent, garage rent and service charge increases for 2012/13.

- 1.1.3 Cabinet agreed all recommendations as set down in paragraph 1.2.1 of the 18 January 2012 report. Following on from Cabinet's decisions on 18 January 2012, the report is now forwarded to be received by full Council at its meeting on 2 February 2012 to begin the consideration process.
- 1.1.4 The report will be tabled in two parts, the first in relation to receiving the draft Council Strategic Plan and estimate of amounts and the second in relation to agreeing the Housing Revenue Account and associated Business Plan.
- 1.1.5 Then, having received the report, and in relation to the Housing Revenue Account budget for 2012/13 and associated Business Plan, full Council is asked to approve the housing rent, garage rent and service charge increases on 2 February 2012, along with the Housing element of the Capital Plan and associated prudential indicators (Part II refers).
- 1.1.6 In relation to the General Fund budget for 2012/13, Council Tax level and the 2012-2022 Capital Plan overall, the reconvened full Council on 21 February 2012 will be asked to give detailed consideration to, and approve, the Elected Mayor and Cabinet's draft Council Strategic Plan and estimates of amounts. At this time all outstanding information should have been assessed and information on the Police and Fire Authority precepts should have been received by the Council. As noted in the Cabinet Reports of 28 November 2011 and 18 January 2012, Members need to be aware that the formal 2012/13 Budget Setting meeting of the Northumbria Police Authority will not take place until 22 February 2012. This has been previously discussed with Group Leaders.

1.2 Recommendation(s):

Part I

- 1.2.1 In relation to the Elected Mayor and Cabinet's 2012-2015 draft Council Strategic Plan and estimates of amounts, it is recommended that Council:
- (a) Acknowledge receipt of the Elected Mayor and Cabinet's draft Council Strategic Plan and estimates of amounts for all aspects of the Elected Mayor and Cabinet's proposed spending and resource plans for the General Fund revenue Budget (including the Dedicated Schools Grant), the 2012-2022 Capital Plan (including prudential indicators for 2012/13 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), the Treasury Management Statement and Annual Investment Strategy for 2012/13 and the Housing Revenue Account (HRA) budget for 2012/13 and associated Business Plan (Annex A and Annex 1);

Part II

- 1.2.2 In relation to the Elected Mayor and Cabinet's proposals for the Housing Revenue Account, it is recommended that Council:

- (a) Agree the estimates of amounts in relation to the 2012/13 Housing Revenue Account budget proposals and associated Business Plan, including an assessment in relation to the current year's budget monitoring information (2011/12) (Annex 1, Section 10.0) and note the Housing Revenue Account Chief Finance Officer's statement to Council (Annex 1, Section 11.0);
- (b) Increase individual council rents as outlined in Section 10.0 of Annex 1 to meet the Government's revised rent restructure formula requirements, following notification received by the Council of the final Housing Revenue Account Subsidy Determination, and in line with the national assumptions related to the move to self-funding;
- (c) Note the ongoing issues in relation to Housing Self Financing (Annex 1, Section 10.0);
- (d) Increase Housing Garage Rents by 5.6% (Annex 1, Section 10.0);
- (e) Increase Housing Service Charges by 5.6%, except for the Warden Services charge which needs to be amended to reflect the changing nature of service, from a social care role to a property orientated "landlord" service. This will result in the removal of the warden support service charge for all sheltered tenants i.e. a reduction of £9.44 per week, and a proposed increase in the landlord element charge from £4.12 to £9.00 per week. The net effect of this is a reduction of charge to £4.32. Those tenants in sheltered accommodation on housing benefit, which is approximately 80% would pay neither of these charges); (Annex 1, Section 10.0) and,
- (f) Agree the Housing (HRA) Capital Plan for 2012-2022 and associated prudential indicators (Annex 1, Section 10.0).

1.3 Forward plan:

This report was included in the Forward Plan for the period from 1 January 2012 to 30 April 2012.

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 Council's Constitution. The Council Strategic Plan is guided by paragraph 4.7.4 covering the process for the preparation, consideration and final approval of plans and strategies and the Budget is guided by paragraph 4.7.3 covering the process for the preparation, consideration and final approval of the Council's budget. The constitutional requirements for preparing, considering and approving the Council Strategic Plan and Budget drive the timetable for the Council Strategic Plan and Budget Setting process.
- 1.4.2 The development of the Council Strategic Plan and Budget has followed the same timetable as in previous years although, where possible, strategic planning and

engagement has taken place earlier than in previous years, to allow more time for proposals to be considered and appropriate consultation to be undertaken. The priorities in the Council Strategic Plan provide the strategic framework within which budget resources are allocated. The timetable is set out in section 1, Table 1 of Annex 1 therefore assumed the same timeline for preparing, considering and approving the Council Strategic Plan with the Budget.

- 1.4.3 The Council Strategic Plan and Budget Setting process is a fundamental part of the overall governance and assurance framework of the Council. This in turn provides assurance that is considered as part of preparing the Annual Governance Statement each year. Feedback through the Annual Governance Statement and the Overview and Scrutiny Committee's report into the 2011-2015 Service and Spending Review process has been used to inform this year's process.

1.5 Information - Executive Summary

The 2012-2015 Council Strategic Plan and Budget Setting Process

- 1.5.1 At its meeting on 12 September 2011, Cabinet approved the process and timetable to be adopted for the preparation of the Council Strategic Plan, 2012/13 revenue Budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2012-2022 Capital Plan, as part of the overall Council Strategic Plan and Budget Setting Process for 2012-2015. Cabinet also approved the Council Strategic Plan and Budget Engagement Strategy at that meeting.
- 1.5.2 On 28 November 2011, Cabinet considered its draft Council Strategic Plan and initial budget proposals so that these proposals could go forward as part of the Council Strategic Plan and Budget Engagement with the Council's partners and communities. On 28 November 2011, delegated authority was granted to the Elected Mayor, in conjunction with the Cabinet Member for Finance and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of Cabinet's initial proposals.
- 1.5.3 Council Strategic Plan and Budget engagement in line with the Council Strategic Plan and Budget Engagement Strategy agreed by Cabinet on 12 September 2011, has been undertaken. Section 2.0 and Appendix B of Annex 1 include the key messages that emerged from the engagement and illustrate how the results of this and other engagement activities have influenced the draft Council Strategic Plan and budget proposals for 2012/13 and future years. In addition, at Cabinet on 18 January 2012, delegated authority was granted to the Elected Mayor, in consultation with the Cabinet Member for Finance, the Chief Executive, the Interim Strategic Director and the Strategic Director of Finance and Resources to consider any further comments received from residents after the drafting of that Cabinet report but before 1 February 2012, as the Council Strategic Plan and Budget Engagement process will continue until 31 January 2012. These will be presented as an addendum to the report to Council on 2 February 2012 (Annex 1, Section 1 and Appendix B).

- 1.5.4 On 18 January 2012, the Elected Mayor and Cabinet considered the 2012-2015 draft Council Strategic Plan and the estimates of amounts for all aspects of the Elected Mayor and Cabinet's proposed spending and resource plans for the general fund revenue budget (including the Dedicated Schools Grant), the 2012-2022 Capital Plan, the Treasury Management Statement and Annual Investment Strategy for 2012/13 and the Housing Revenue Account (HRA) budget for 2012/13 and associated Business Plan. The report also indicated the proposed council tax level for 2012/13 that would be required to fund the spending plans outlined in this report. In addition, the report proposed the housing rent, garage rent and service charge increases for 2012/13.
- 1.5.5 Cabinet on 18 January 2012 granted delegated authority to the Elected Mayor to make any final amendments to the Housing Revenue Account and associated Business Plan following receipt of the Final Housing Revenue Account Self Financing Determination, expected 27 January 2012, prior to referral to Council on the 2 February 2012. No changes are expected for North Tyneside Council as a result of the final Housing Revenue Account Self Financing Determination. Any resulting changes will be notified to Members in advance of 2 February 2012 Council meeting.
- 1.5.6 Further delegations were also agreed at Cabinet on 18 January 2012 as follows:
- (a) Grant delegated authority to the Elected Mayor to make any final amendments to the Cabinet's proposals in relation to that information which is still outstanding in order that due consideration can be given to the final level of Council Tax the Cabinet wishes to put forward to full Council for approval for 2012/13;
 - (b) Grant delegated authority to the Strategic Director of Finance and Resources, in consultation with the Elected Mayor, Cabinet Member for Finance and the Senior Leadership Team to manage the overall Change, Efficiency and Improvement Programme and note that decisions made under this delegated authority will be reported to Cabinet as part of the regular budget monitoring information provided;
 - (c) Grant delegated authority to the Strategic Director of Finance and Resources, in consultation with the Elected Mayor, Cabinet Member for Finance and the Head of Legal, Governance and Commercial Services to deal with all matters arising in relation to the treatment of pensions and any associated matters relating to the potential transfers of Council employees to the Business Package, the Technical Package and the Community Based Trust projects of the Change, Efficiency and Improvement Programme;
 - (d) Grant delegated authority to the Elected Mayor, in consultation with the Major Projects Group, to keep under review the 'reserve list' of schemes within the 2012-2022 Capital Plan; and,
 - (e) Grant delegated authority to the Elected Mayor, in consultation with the Cabinet Member for Finance, the Chief Executive, the Interim Strategic Director and the Strategic Director of Finance and Resources to respond to any recommendations following Overview and Scrutiny Committee's

consideration of the Budget and Council Plan Study Group's report into the 2012-2015 Council Strategic Plan and Budget Setting process and Cabinet's draft Council Strategic Plan and initial budget proposals by 28 January 2012.

Process for Consideration and Determination of the Budget

- 1.5.7 The process for consideration of the budget is determined by legislation and in the Local Authorities (Standing Orders) (England) Regulations 2001. The Council has adopted a process complying with the statutory requirements. It is set out in the Budget and Policy Framework Procedure Rules in the Council's Constitution. This part of the report provides a summary of the main points.
- 1.5.8 Cabinet has to present its estimates of amounts for the following year to full Council before 8 February in any year. At this Council meeting on 2 February 2012, Cabinet's estimates of amounts are presented to full Council to begin the process for approving the Council's Budget and Council Strategic Plan for 2012/13.
- 1.5.9 Detailed consideration of the general fund council tax element of the Budget (including the overall Capital Plan) is planned to take place at the Council meeting on 21 February 2012.
- 1.5.10 The Council is able to raise objections to the Cabinet's proposals but the final Notices of Objection need to be submitted to the Chief Finance Officer on behalf of the Chief Executive by 4pm on 20 February 2012 so that they can be considered at Council on 21 February 2012.
- 1.5.11 At the Council meeting on 21 February 2012, in the event that no objections to Cabinet's Budget and Council Strategic Plan are received or approved, full Council may debate and give detailed consideration to Cabinet's budget estimates of amounts and Council Strategic Plan.
- 1.5.12 As all precepts will not be received by 21 February 2012, it is not possible for the Budget and Council Tax to be agreed at this meeting. The Budget and Council Tax would have to be set at the reconvened meeting on 1 March 2012.
- 1.5.13 If full Council does not agree Cabinet's proposals at the 21 February 2012 meeting, the Elected Mayor must reconsider the Cabinet's proposals taking into account full Council's objections. A Cabinet meeting has been scheduled for 23 February 2012, if required, for this purpose.
- 1.5.14 The Mayor may then revise the proposals, or disagree with full Council and give notice accordingly to the Chief Executive to enable a further meeting of full Council to be called. This is the final meeting in the process at which the Council's budget calculation will be agreed and council tax for 2012/13 set. If this meeting is required, it will take place on 1 March 2012. At this meeting, where any proposals of full Council in respect of the budget calculations do not accord with the Cabinet's proposals, Cabinet's proposals will prevail unless at the meeting a two-thirds' majority of the members present vote to impose full Council's own proposals.

Equality and Diversity Considerations

- 1.5.15 There have been a number of recent legal challenges to the setting of council budgets. In order to comply with current guidance all of the Council's Strategic Plan and Budget proposals (unless there is no policy decision involved) will include an Equality Impact Assessment. The timescales for Equality Impact Assessments to be completed has been aligned with the Council Strategic Plan and Budget Setting process.
- 1.5.16 Initial assessments were completed in order to inform Cabinet's decisions on the initial Council Strategic Plan and Budget proposals for 2012/13 which were considered at the 28 November 2011 Cabinet meeting.
- 1.5.17 More detailed assessments have now been carried out following the engagement on the initial proposals and have been used to inform decisions on the Council Strategic Plan and Budget proposals for 2012/13 for consideration at this meeting.

1.6. Decision options:

- 1.6.1 Council must receive this report to allow the consideration process to begin, as set out in paragraphs 1.5.7 to 1.5.14 of this report.
- 1.6.2. In relation to Housing, Section 76 (2) of the Housing Act 1989 requires each authority to produce a Housing Revenue Account budget in the January and February that immediately precede the financial year to which it will relate. In relation to the Housing Revenue Account (HRA) draft revenue budget and associated plan, there is a legal requirement to give all tenants 28 days notice of any rent changes. The new rent for 2012/13 will come into force on 2 April 2012, hence working backwards this means that the letters of notification have to be with tenants by 29 February 2012 at the latest. Prior to this, the changes necessary to the Northgate system to implement the new rents have to be tested and implemented, with backup dates in case of failure. In addition the printing and postage of the rent notification letters is carried out on our behalf by an external company, and we have to build in enough time to enable them to arrange the necessary resources to carry out their tasks. This takes us to seeking approval of the HRA rent early in February to enable sufficient time for all of the above processes to be carried out in enough time prior to the go live date.

1.7 Reasons for recommended option:

The reasons for recommendations are mainly legal in nature, as stated in paragraphs 2.2.1 and 2.2.2 of this report.

1.8 Appendices:

Annex 1: 2012-2015 Council Strategic Plan and Budget Setting Process: Cabinet's Draft Council Strategic Plan and Budget Proposals, Cabinet 18 January 2012.

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) Local Authorities (Standing Orders) (England) Regulations, 2001.
- (b) North Tyneside Council's Constitution including the Budget and Policy Framework Procedure Rules.

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

- 2.1.1 The financial implications of the 2012-2015 draft Council Strategic Plan and estimates of amounts are set down in Annex A and Annex 1 attached to this report.
- 2.1.2 Cabinet and Council need to have due regard to the Chief Finance Officer's advice in relation to the robustness of the estimates used and to the levels of reserves and balances proposed as part of the three-year financial plan for 2012-2015, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in November 2008.
- 2.1.3 Cabinet and Council need to have due regard to the Chief Finance Officer's advice in relation to the robustness of the estimates used and to the levels of reserves and balances proposed as part of the 2012-2015 Housing Revenue Account and associated Business Plan as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in November 2008.

2.2 Legal

- 2.2.1 The Local Authorities (Standing Orders) (England) Regulations 2001 make provision for the Executive to submit estimates of amounts for the following financial year for the consideration of the authority by 8 February in any year. The Council's Constitution and Budget and Policy Framework Procedure Rules reflect these Regulations. The next steps in the process for consideration of the budget by the Council are set out in the report at paragraphs 1.5.7 to 1.5.14.
- 2.2.2 As noted previously, Section 76 (2) of the Housing Act 1989 requires each authority to produce a Housing Revenue Account budget in the January and February that immediately precede the financial year to which it will relate. In relation to the Housing Revenue Account (HRA) draft revenue budget, there is a legal requirement to give all tenants four weeks' notice of any rent changes. In order to allow time for the production and delivery of the appropriate notifications, it is necessary for the rent and service charge increase to be agreed at the 2 February 2012 Council meeting.

2.3 Consultation/community engagement

Internal consultation

- 2.3.1 Each Cabinet Member has been involved in the development of the proposals put forward in this report, with regular discussions held between the Chief Executive, Strategic Directors, the Elected Mayor, the Cabinet Member for Finance and all other Cabinet Members. The Senior Leadership Team and their Directorate Leadership Teams have been fully engaged in the process and in the proposals set down in this report.

2.3.2 A specific Trades Union briefing on the Council Strategic Plan and Budget was held on 15 December 2011 and attended by Senior Officers. In addition, consultation has taken place with staff both generally and on specific proposals.

Community engagement

2.3.3 The 2012/13 Council Strategic Plan and Budget Engagement Strategy was agreed at Cabinet on 12 September 2011. This committed the Council to engaging with a wide range of individuals and groups, in addition to Elected Members, to capture a diverse range of views. Groups that have been consulted include:

- Elected Members;
- The Older People's Engagement Network, known as OPEN in partnership with Age Concern UK;
- The Older People's Forum;
- The North Tyneside Strategic Partnership (NTSP);
- The Young Mayor and Cabinet, including the Young Council;
- Schools Forum;
- Chairs of School Governors;
- Headteachers Convenors;
- Employee Joint Consultative Forum (EJCF);
- Voluntary and Community Sector;
- Area Forums;
- Business Community representatives including as part of the statutory consultation process, through the North Tyneside Business Forum which includes representatives from the North East Chamber of Commerce (NECC), the Federation of Small Businesses (FSB) and local Chambers of Trade;
- Widely consulted Council tenants through:
 - Gold Ticket and Mini Gold Ticket Events
 - Involved tenants meetings
 - Tenants Investment Panel
 - Overview Panel
- Users of Sure Start centres;
- Staff Panel;

- Residents Panel;
- Faith groups; and,
- Disability groups.

2.3.4 In addition to the Council Strategic Plan and budget engagement strategy, projects within the Council Strategic Plan have been driven by issues identified as part of our programme of engagement and consultation, including our Residents' Survey. Where proposals have a specific impact the Council has spoken to the people affected by those proposed changes. A detailed account of the community engagement on the Council Strategic Plan and Budget is contained in Appendix B of Annex 1 to this report.

2.3.5 Cabinet on 18 January 2012 granted delegated authority to the Elected Mayor, in consultation with the Cabinet Member for Finance, the Chief Executive, the Interim Strategic Director and the Strategic Director of Finance and Resources to consider any further comments received from residents after the drafting of the Cabinet report but before 1 February 2012, as the Council Strategic Plan and Budget Engagement process continues until 31 January 2012, and present these as an addendum to the report to Council on 2 February 2012 (Annex 1, Section 1 and Appendix B).

2.4 Human rights

2.4.1 All actions and spending plans contained within the Council Strategic Plan and 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 Council Strategic Plan and Budget the Council's aim has been at all times 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 Council Strategic Plan and Budget Engagement Strategy process. The aim is to remove or minimize any disadvantage for people wishing to take part in the engagement programme. We have made direct contact with groups within the identified protected characteristics under the Equality Act 2010 to encourage participation and provide engagement in a manner that will meet their needs
- Initial Equality Impact Assessments were completed by the end of October 2011 in order to inform Cabinet's decision of the initial Council Strategic Plan

and Budget proposals for 2012/13 for consideration at the Cabinet meeting on 28 November 2011. Full Equality Impact Assessments are now in place for proposals going forward for consideration by Council at this meeting.

- The outcome of any decisions made following the community engagement on the Council Strategic Plan and Budget Process and any new items included in the financial plan will be subject to further equality impact assessment, this includes individual projects within the Council Strategic Plan.

2.6 Risk management

Individual projects within the Council Strategic Plan are subject to full risk reviews. For larger projects, individual project risk registers are established as part of the Council's agreed approach to project management. Risks will be entered into the appropriate directorate, corporate/strategic 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

Projects within the Council Strategic Plan 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. One of our seven Council Strategic Plan priorities is "creating safe and secure communities".

2.8 Environment and sustainability

One of our seven Council Strategic Plan priorities is protecting and enhancing the environment. Within this priority the aim is to make savings on the council's energy costs, potentially delivering technical services in a different model, reducing fleet and transport costs.

PART 3 - SIGN OFF

- Strategic Director(s)
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Strategic Director with responsibility for Community Engagement

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