

## Local Government Act 1972

### Borough of North Tyneside

21 February 2012

At the extraordinary meeting of the Council of the Borough of North Tyneside duly convened and held on Tuesday 21 February 2012 at 6.00pm in the Chamber at Quadrant at which a quorum of members were present, that is to say:

#### Present

Councillor J J Stirling (In the Chair)

Mrs L Arkley (Elected Mayor)

Councillor J M Allan  
Councillor A Arkle  
Councillor Mrs G Barrie  
Councillor Mrs J M Bell  
Councillor L Birkenfield  
Councillor G Brett  
Councillor P Brooks  
Councillor B Burdis  
Councillor W Caithness  
Councillor K A Conroy  
Councillor D E Corkey  
Councillor A Cowie  
Councillor S Cox  
Councillor C Croft  
Councillor E N Darke  
Councillor L Darke  
Councillor S Day  
Councillor M A Finlay  
Councillor C A Gambling  
Councillor R Glindon  
Councillor I Grayson  
Councillor M A Green  
Councillor J L L Harrison  
Councillor S Hill  
Councillor E F J Hodson  
Councillor Janet Hunter  
Councillor John Hunter  
Councillor M Huscroft  
Councillor M J Huscroft

Councillor D W Lilly  
Councillor F Lott  
Councillor M L Madden  
Councillor P Mason  
Councillor D McGarr  
Councillor M McIntyre  
Councillor Mrs P McIntyre  
Councillor J McLaughlin  
Councillor D McLellan  
Councillor L J Miller  
Councillor Mrs S E Mortimer  
Councillor T Mulvenna  
Councillor A Normand  
Councillor D Ord  
Councillor K Osborne  
Councillor J O'Shea  
Councillor G Partis  
Councillor Mrs N Peggs  
Councillor C B Pickard  
Councillor M G Rankin  
Councillor N Redfearn  
Councillor J Rutherford  
Councillor D Sarin  
Councillor L A Spillard  
Councillor Mrs B E Stevens  
Councillor A Waggott-Fairley  
Councillor J I Walker  
Councillor Mrs J A Wallace  
Councillor G C Westwater

### **C130/02/12 Apologies**

Apologies for absence were received from Councillor K Barrie.

### **C131/02/12 Declarations of Interest**

Further to Minute No. C114/02/12 (Declarations of Interest), of the meeting held on 2 February 2012, which were taken as read, the following additional declarations of interest were made in relation to the item below (Minute C132/02/12):

Councillor G Barrie – personal interest – she was an ambassador for Girl Guiding.

Councillor M Madden – personal interest – she was a Member of VODA Board and employed by Wallsend Memorial Hall & People's Centre.

#### Labour Group Objection in relation to a proposal to reduce the working week to 36 hours:

Councillor S Cox – personal interest – his sister works for North Tyneside Council.

Councillor C Croft – prejudicial interest – a family member works for North Tyneside Council.

Councillor C Gambling – personal interest – her brother is employed by North Tyneside Council.

Councillor R Glendon – personal interest – his daughter-in-law works for North Tyneside Council.

Councillor L Miller – prejudicial interest – he has a relative who is employed by North Tyneside Council.

Councillor M Rankin – prejudicial interest – his partner works for North Tyneside Council

#### Labour and Liberal Democrat Groups' Objections:

Mr G Haywood, Interim Chief Executive – declared an interest as the objections contained a proposal to terminate his contract.

### **C132/02/12 2012-2015 COUNCIL STRATEGIC PLAN PLAN AND BUDGET SETTING PROCESS: ELECTED MAYOR AND CABINET BUDGET AND COUNCIL TAX REQUIREMENT RESOLUTION FOR 2012/13**

The Chair explained the procedure that would be followed at the meeting. The Council would consider the proposals of the Cabinet and may approve them or inform the Mayor of any objections it had to the whole or any part of the proposals and instruct the Mayor to reconsider the Cabinet's proposals in the light of those objections.

The Cabinet's proposals would be taken as the substantive motion and then any objections from the Labour Group and the Liberal Democrat Group.

Members moving the motion and objections would have up to 10 minutes to put their motion/objections and seconders 5 minutes. All other speakers would have up to 5

minutes. If a Group wished to move individual objections, they may do so but they would only have one opportunity to speak for up to 10 minutes.

This was a departure from the Council's normal rules of debate which the Chair proposed to adopt for this meeting. A request was made that the Council Procedure Rule 12(5) relating to the length of speeches be formally suspended to reflect this.

It was moved and seconded that the Council Procedure Rule 12(5) (Content and Length of Speeches) be suspended.

The Council agreed.

A report was submitted to Council which detailed the following:

- (a) The 2012-2015 Council Strategic Plan;
- (b) The Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution in order to set the 2012/13 General Fund Revenue Budget and 2012/13 Council Tax Requirement and the Council Tax level for 2012/13;
- (c) The Elected Mayor and Cabinet's proposals for 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 the proposed Minimum Revenue Provision (MRP) Policy in line with capital finance regulations; and,
- (d) The Elected Mayor and Cabinet's proposals for the Treasury Management Statement and Annual Investment Strategy for 2012/13.

The report also detailed the requirement to obtain appropriate delegations as detailed in the report and received by full Council on 2 February 2012.

At Cabinet on 18 January 2012, delegated authority had been granted to consider any additional 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 had continued until 31 January 2012. These had been presented as an addendum to the report to Council on 2 February 2012. The Elected Mayor and Cabinet had considered the comments received, along with the recommendations received from the Overview and Scrutiny Committees Budget and Council Strategic Plan Sub Group. In view of this the Council Strategic Plan had been amended to include the Council's Change, Efficiency and Improvement Programme Technical Package.

Since the Cabinet meeting on 18 January 2012 and the Council meeting on 2 February 2012, the outstanding financial information in relation to precepts, levies, joint service budgets and the final Local Government Finance Settlement for 2012/13 had now been received with the exception of the Northumbria Police Authority precept which was not due to be approved until 22 February 2012. On 20 February 2012 a Notification Letter had been sent to all Members and Co-opted Members of the Council setting down the final amendments made by the Elected Mayor, under the delegated authority granted to her by Cabinet on 18 January 2012. Those amendments had been incorporated into the Budget and Council Tax Requirement Resolution and were repeated in Table 1 in the report.

Since the report to Council on 2 February 2012, there had been two changes to the methods of delivery of the savings included as part of the Change, Efficiency and Improvement Programme in two areas:

- (a) Tourist Information Centre - It was no longer proposed to close the Tourist Information Centre in North Shields. The saving of £15,000 was now proposed to be delivered through a remodelling of the service.
- (b) Kids Club at Battle Hill - It was no longer proposed to close the Kids Club provision at Battle Hill. The £59,000 saving in the business case related to 2 posts that had a borough wide remit. The Council intended to achieve the savings linked to the original Kids Club proposal through a remodelling of the service that would see all Clubs maintained but delivered on a bi-weekly instead of weekly basis.

Following the Council meeting on 15 February 2012, the Reserves and Balances Policy, attached to the report as Appendix C had been amended to reflect the establishment of the Housing Building Fund.

The Council Tax level for 2012/13 (including precepts) was therefore proposed to be unchanged from 2011/12, i.e. a 0% increase, as previously proposed in the report to full Council on 2 February 2012.

In accordance with the Non-Domestic Ratepayers (Consultation) Regulations 1992, which required local authorities to carry out budget engagement with the business community by 25 February each year, the initial meeting with the business community had been held on 8 December 2011, with the statutory budget engagement meeting being carried out on 13 January 2012.

The Localism Act 2011 introduced changes which impacted on the Council Tax calculation for 2012/13 as part of the formal budget and council tax resolution.

Firstly, the Localism Act 2011 changed some aspects of Part 1 of the 1992 Local Government Finance Act 1992 (the 1992 Act) governing the calculation of Council Tax.

Secondly, the Localism Act 2011 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 increased its Council Tax by an amount exceeding the principles determined by the Secretary of State and agreed by the House of Commons. The Council Tax referendum principles for 2012/13 had been agreed by the House of Commons on 8 February 2012. These agreed principles stated that for Unitary Local Authorities that any increase in its relevant basic amount of Council Tax for 2012/13 was deemed excessive for referendum purposes if it exceeded 3.5% compared with 2011/12. This relevant basic amount of Council Tax was different to the Council Tax requirement because it was adjusted for the levies which local authorities paid. To illustrate this, the Council Tax requirement for North Tyneside Council for 2012/13 was £85.287 million, whereas the relevant basic amount of Council Tax for referendum purposes for 2012/13 was £72.490m.

The Localism Act 2011 now required billing authorities to calculate a Council Tax requirement for the year, not its budget requirement as previously. The calculation of the Council Tax requirement for North Tyneside Council for 2012/13, based on the

2012/13 budget requirement was set out in Table 3 in the report.

The report set out the response to Overview and Scrutiny Recommendations that had been provided by the Mayor, and a statement by the Chief Finance Officer on the robustness of estimates and the adequacy of the Council's financial reserves. It also set out the position regarding the Dedicated Schools Grant.

It was moved by Mrs L Arkley, Elected Mayor and seconded by Councillor Mrs J A Wallace that:

- (a) the 2012-2015 Council Strategic Plan which now takes into consideration the further comments received from the ongoing engagement process up until 31 January 2012 and the recommendations of Overview and Scrutiny's Budget and Council Strategic Plan Sub Group, attached as Appendix A to the report, be approved;
- (b) approval in principle be given to the recommendations and delegations set down in paragraph 1.5.30 of the report in relation to the 2012/13 General Fund Revenue Account Budget, the 2012/13 Council Tax Requirement and Council Tax level for 2012/13, being the Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution;
- (c) the Elected Mayor and Cabinet's proposals for the 2012-2022 Capital Plan (excluding housing which was previously agreed at Council on 15 February 2012), including prudential indicators for 2012/13 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 be approved;
- (d) the Elected Mayor and Cabinet's proposals for the Treasury Management Statement and Annual Investment Strategy for 2012/13 as detailed in the original report to Council on 2 February 2012 and attached as Appendix L to this report, be approved;
- (e) the prudential indicators for 2012/13 set down in the original report to Council on 2 February 2012 in accordance with the Chartered Institute of Public Finance & Accountancy's (CIPFA's) Prudential Framework be approved; and
- (f) the Minimum Revenue Provision Policy (MRP) for 2012/13 set down in the original 2 February 2012 Report to Council in line with capital finance regulations be approved.

1. The recommended budgets of the Council by Directorate, as set down in Appendices E(i) to I(ii) of this report to Council, together with the associated Council Strategic Plan set down at Appendix A, be approved as noted below subject to the variations listed in paragraphs 2 and 3 below and the estimated allocation of £133.423m in Dedicated Schools Grant, further explained at paragraphs 1.5.31 to 1.5.37, for 2012/13 be noted:

<b>Directorate</b>	<b>£</b>
Children, Young People and Learning	26,434,372
Chief Executive's Office	17,237,198
Community Services	82,097,372

Finance and Resources	13,399,355
Corporate	14,993,621
Total	<u>154,161,918</u>

2. The following levies be included in the net budget requirement:

	£
Tyne & Wear Integrated Transport Authority	12,447,406
Tyne Port Health Authority	58,121
Environment Agency	163,152
Northumberland Inshore Fisheries and Conservation Authority	128,597
Total	<u>12,797,276</u>

3. The contingency provision be set as follows:

	£
Contingency Provision	3,015,000
Total	<u>3,015,000</u>

4. It be noted that at its meeting held on 26 January 2012 the Council calculated the Council Tax Base for 2012/13 for the whole Council area as 64,219 (Item T in the Formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")).

5. The Council Tax requirement for the Council's own purposes for 2012/13 is £85,286,685 (as set down in paragraph 1.5.29, Table 3).

6. The following amounts be now calculated by the Council for the year 2012/13 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended (the Act):

- (a) £370,811,577 Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
- (b) £285,524,892 Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
- (c) £85,286,685 Being the amount by which the aggregate at 6(a) above exceeds the aggregate at 6(b) above, calculated by the Council in accordance with Section 31(A)(4) of the Act, as its Council Tax requirement for the year (Item R in the formula in Section 31B of the Act).
- (d) £1,328.06 Being the amount at 6(c) above (Item R), all divided by Item T (4 above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

(e) North Tyneside Council Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
885.37	1,032.94	1,180.50	1,328.06	1,623.18	1,918.31	2,213.43	2,656.12

being the amounts given by multiplying the amount at 6(e) above by the number which, in the proportion set out in Section 5(1) of the Act 1992, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

(f) Northumbria Police Authority Valuation Bands

It be noted that for the year 2012/13 the Northumbria Police Authority have issued the following amounts in precepts to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings in the Council's area as indicated below:

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
55.79	65.08	74.38	83.68	102.28	120.87	139.47	167.36

(g) Tyne & Wear Fire and Rescue Authority Valuation Bands

It be noted that for the year 2012/13 the Tyne and Wear Fire and Rescue Authority have issued the following amounts in precepts to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings in the Council's area as indicated below:

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
48.77	56.90	65.03	73.16	89.42	105.68	121.93	146.32

(h) Total Valuation Bands

That, having calculated the aggregate in each case of the amounts at 6(e), 6(f) and 6(g) above, the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2012/13 for each part of its area and for each of the categories of dwellings shown below:

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
989.93	1,154.92	1,319.91	1,484.90	1,814.88	2,144.86	2,474.83	2,969.80

7. The Council's basic amount of council tax for 2012/13 is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992, as amended.
8. The Council's Financial Regulations will apply to the financial management of this budget.
9. A sum of £2.785m continues to be set aside in the budget to accommodate a number of events that may arise during 2012/13 but that cannot be quantified to such an exact degree as to be allocated directly into the Council's main budget headings, and to reflect the high level of efficiency savings built into the 2012/13 Budget. It is proposed that the £2.785m General Contingency is set aside in 2012/13 for the following items:
  - (a) general inflation;
  - (b) demand-led pressures; and,
  - (c) CEI Programme.

This contingency provision may be needed to cover any material change in inflation.

Demand-led pressures will include adult social care services and children's services where the Council has a statutory responsibility to respond.

The Contingency will also be available to cover the CEI Programme and the savings required in 2012/13. This is to reflect the possibility that some savings, for unforeseen or external factors, may not be deliverable in the original planned timescale. Where original proposals become unachievable, alternative proposals must be substituted as soon as practical after the issues are raised through the performance monitoring process of the Council and be reported through to Cabinet.

An additional £0.230m is proposed to be added to contingencies in respect of the grant awarded to support the roll out of free education places for disadvantaged 0-2 year olds. This is included as a specific contingency as detailed plans for the use of this funding are still to be developed. This brings the total level of contingency in 2012/13 to £3.015m.

It is proposed that virement levels and approvals for virement shall be in accordance with the rules set down in the Council's Financial Regulations in force at the time.

10. The Reserves and Balances Policy attached as Appendix C is adopted as set down and is subject to review at least annually.
11. The Strategic Director of Finance and Resources, in consultation with the Elected Mayor, Cabinet Member for Finance and the Senior Leadership Team is delegated 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.

12. The Local Prudential Code for unsupported borrowing for 2012-2022 attached as Appendix K is adopted as set down and is reviewed annually as part of the Council Strategic Plan and Budget Setting Process.
13. The Elected Mayor in consultation with the Major Projects Group, be authorised to keep under review the proposed Reserve List of Schemes, within the 2012-2022 Capital Plan.
14. 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 are authorised 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.
15. The chief finance officer be authorised to serve notices, enter into agreements, give receipts, make adjustments, institute proceedings and take any action available to the Council to collect or enforce the collection of non-domestic rate and Council Tax from those persons liable.
16. The chief finance officer be authorised to disburse monies from funds and accounts of the Council as required for the lawful discharge of the Council's functions.
17. Agree that the Northumbria Police Authority and the Tyne and Wear Fire and Rescue Authority receive payment from the Collection Fund in 12 equal instalments on the last working day of each month.
18. Payments from the Collection Fund to be made to the Council's General Fund in 12 equal instalments on the last working day of each month.

Members asked questions on the Elected Mayor and Cabinet's proposals.

In response to a Member's query, the Cabinet Member for Finance undertook to provide a written response giving details of level of debt, balances and reserves for the last four financial years including 2011/12.

### **Labour Group Objection**

(Councillors C Croft, L J Miller and M Rankin and Mr G Haywood, Interim Chief Executive withdrew from the meeting for the duration of the discussion and voting on the Labour Group objection).

An objection was then moved by Councillor J M Allan and seconded by Councillor R Glindon, as set out in Appendix 1 to these minutes.

Members asked questions on the Labour Group objection. The objection was then

debated.

The objection, on being put to the meeting, was approved by 36 votes to 20 votes.

### **Liberal Democrat Group Objection**

(Mr G Haywood, Interim Chief Executive withdrew from the meeting for the duration of the discussion and voting on the Liberal Democrat Group objection).

An objection was then moved by Councillor G Brett and seconded by Councillor C Croft, as set out in Appendix 2 to these minutes.

Members asked questions on the Liberal Democrat Group objection. The objection was then debated.

The objection, on being put to the meeting, was approved by 41 votes to 17 votes.

(Note: A further objection received from the Liberal Democrat Group was withdrawn).

The Chair informed Council that the Elected Mayor was now required to consult with Cabinet and reconsider her proposals taking into account the approved objections. An extraordinary Cabinet meeting had been scheduled to take place on 23 February 2012 for this purpose. A further Council meeting would then take place on 1 March 2012. If any proposal of the full Council did not accord with the Cabinet's proposals, then the Cabinet's proposals would prevail at the meeting on 1 March 2012 unless a two thirds majority of Members present voted to impose full Council's own proposals.

### **C133/02/12 Common Seal**

**Resolved** that the Common Seal be affixed to all deeds and documents required for carrying into effect the various decisions of the Council made since its last meeting.

**North Tyneside Council**  
**Report to Council**  
**Date: 21 February 2012**

**Title: 2012-2015 Council  
Strategic Plan and Budget  
Setting Process: Labour Group  
Notice of Objection**

**Report of: The Labour Group**

**Wards affected: ALL**

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**LABOUR GROUP NOTICE OF OBJECTION FOR THE 2012/13 GENERAL FUND  
REVENUE BUDGET, THE PROPOSED COUNCIL TAX LEVEL FOR 2012/13, THE  
CAPITAL PLAN FOR 2012 – 2022, THE TREASURY MANAGEMENT STATEMENT  
AND ANNUAL INVESTMENT STRATEGY 2012/13 AND THE 2012-2015 COUNCIL  
STRATEGIC PLAN**

## **A Strategy for Tough Times**

### **1.0 Introduction**

The Labour Group has submitted objections to the Mayor's council plan and budget that deals with the current financial position that many local authorities are having to manage. We present a series of proposals that recognise that we need to be prudent and sensible, as well as spending only what we can afford.

The Labour Group feel that the political groups should commence the preparation a lot earlier in the council calendar, and the work carried out by the Budget Study Working Group is not of any value, especially when the Conservative Group do not even participate in the work and the reporting to Cabinet. We would suggest that the Budget Study Working Group should be abolished and the political groups should focus on their own research and preparation of their objections.

The Labour Group Proposals clearly demonstrate a clear difference between our party's policies and the Conservative policies.

When Labour were last in power they delivered every budget underspent for four consequential years, this current year the projection is that there will be an overspend of over £1m clearly showing that the continuing growth in borrowing is a failure of the current administration. We believe that we need to slow down the expenditure of the council in order to consolidate and make our priority to maintain our current excellent services. It is important that we pause our uncommitted schemes to assess the amount of debt that has risen from £264m in 2009 to a staggering £512m today, including the new housing debt.. It is important that the Council addresses this continuing growth in debt by reviewing the need to borrow and setting a principle of only spending what we can afford.

Our priorities address the need for council housing and affordable homes, the future of our children, the need to establish strong partnerships with the private sector to create jobs and training opportunities.

**Council Tax** - to set a 0% Council Tax will reduce the spending power of the council and the grant to do this does nothing to address the money not going into the base budget. In future years this fundamental flaw will present the council with a dilemma in funding gaps that will mean either very large council tax increases, or high numbers of job losses and cuts in services. The fact that the rulings of Government limit the setting of council tax levels to below the figure of the government grant without a referendum do not make it a value for money exercise. However, we now know that the funding gap will continue to widen and that it will not be addressed until some time in the future. These restrictions prevent us from being politically responsible for the council's base budget, but we also recognise that the Government Grant is greater than the monies we could raise via the limited council tax rise, and the cost of a referendum is not a value for money process. So reluctantly we have to accept that a 0% increase is the only option for the council. We believe that the Finance Sub Committee should be requested to undertake an impact assessment on the impact of on-going 0% council tax rises on the council's base budget and to report on the projected funding gaps and reduction of the Council's spending power, with a special emphasis on what impact it will have on the local economy in North Tyneside.

**CEI** – we believe that the proposal to establish a Community Based Trust is not required and the business case is weak, and therefore all work on it should cease. The Outsourcing of Business and Technical also is going at a pace that is too fast and will lead to fundamental mistakes being drawn up in the contracts and thus place the council at risk, especially for hidden additional charges. Therefore we are proposing that a politically balanced Board be created to manage the concepts and objectives and to evaluate the viability of such undertakings. The Board should keep Full Council up to date and bring to Full Council at the appropriate time a set of recommendations for discussion and agreement.

The Labour Group proposes that we create a politically balance working group to oversee the work of the three Strategic Directors in reviewing and bringing forward recommendations for a management structure that is designed for the Organisation.

**The Future** – we have set out a number of proposals that will see the Authority work in partnerships, using our assets as a resource, but retaining ownership, to provide Council Housing and affordable homes predominantly on brownfield sites. We propose to use this opportunity to not only provide homes for our growing population, but also as an opportunity to uplift and regenerate our employment sites. We propose to offer our 52 empty business premises to new start up and existing businesses rent free to stimulate the opportunity for businesses. The North Bank of the Tyne will be a flagship development scheme, that will bring in International Global Companies, providing job opportunities, training and apprenticeships. The Multiversity will work closely with those new businesses to provide the training and development of new and traditional skills that these employers seek. The industry and Learning will bring fresh footfall into our town centres and both Wallsend and North Shields will reap the benefits both for the day time and night time economies.

**Council Plan** – we have set out in the Council Plan our proposals for the work to be carried out throughout the coming three years, all of our proposals are achievable and have a limited cost on the authority.

## 2.0 Labour Group Resolution: Setting the Council Tax 2012/13

### 2012/13 Council Tax Requirement Resolution

2.1 The Labour Group recommends that:

2. The recommended budgets of the Council by Directorate, as set down in Appendices E(i) to I(ii) of this report to Council, together with the associated Council Strategic Plan set down at Appendix A, be approved as noted below subject to the variations listed in paragraphs 2 and 3 below and notes the estimated allocation of £133.423m in Dedicated Schools Grant for 2012/13:

Directorate	£
Children, Young People and Learning	26,434,372
Chief Executive's Office	17,237,198
Community Services	82,097,372
Finance and Resources	13,399,355
Corporate	14,913,484
<b>Total</b>	<b><u>154,081,781</u></b>

2. The following levies be included in the net budget requirement:

	£
Tyne & Wear Integrated Transport Authority	12,447,406
Tyne Port Health Authority	58,121
Environment Agency	163,152
Northumberland Inshore Fisheries and Conservation Authority	128,597
<b>Total</b>	<b><u>12,797,276</u></b>

- 3A. The contingency provision be set as follows:

	£
Contingency Provision to be changed	
<b>Total</b>	<b><u>3,095,137</u></b>

4. The following individual objections are proposed to be incorporated within the Council's Budget:

### Growth

Item		£
	<b>Children, Young People and Learning</b>	
1.	Reduce the proposed increase in School Meals and Meals on Wheels to inflation only	140,386

2.	Delay 'Business Package - efficiencies from the Council's overhead and support arrangements being delivered through a partner organisation'	19,294
	<b>Total Children, Young People and Learning</b>	<b>159,680</b>
	<b><u>Community Services</u></b>	
3.	Reduce the proposed increase in Commercial Waste charges to inflation only	27,000
4.	Create a Ward Community Budget	150,000
5.	Remove the proposed increase in Fees and Charges for Sport and Leisure	80,000
6.	Remove the proposed increase in Arts Services fees and charges	5,000
7.	Remove the proposed increase in fees and charges for visitors and schools included in the alternative management options for Rising Sun Country Park and review staffing	3,000
8.	Remove the proposed increase in Allotment Income	16,000
9.	Remove the proposed subsidy reduction for Sports Pitches and Bowling Greens	14,000
10.	Remove the establishment of a Community Based Trust	250,000
11.	Delay 'Business Package - efficiencies from the Council's overhead and support arrangements being delivered through a partner organisation'	7,857
	<b>Total Community Services</b>	<b>552,857</b>
	<b><u>Chief Executive's Office</u></b>	
12.	Delay 'Business Package - efficiencies from the Council's overhead and support arrangements being delivered through a partner organisation'	251,032
13.	Research and development of options for renewable energy solutions within the council and the borough	50,000
	<b>Total Chief Executive's Office</b>	<b>301,032</b>
	<b><u>Finance and Resources</u></b>	
14.	Delay 'Business Package - efficiencies from the Council's overhead and support arrangements being delivered through a partner organisation'	625,294
	<b>Total Finance and Resources</b>	<b>625,294</b>

<b>Corporate</b>		
15.	Increase in contingency provision related to CEI Programme changes	232,596
	<b>Total Corporate</b>	<b>232,596</b>
	<b>If All Objections are accepted the Total Growth will be:</b>	<b>1,871,459</b>

### Savings

		<b>£</b>
	<b>Community Services</b>	
16.	Delete the provision of a pool car	-5,000
	<b>Total Community Services</b>	<b>-5,000</b>
	<b>Chief Executive's Office</b>	
17.	Terminate contract for Interim Chief Executive from 1 April 2012	-178,000
18.	Review of the Strategic Projects Team	-50,000
19.	Reduce the Mayoral Allowance	-10,000
20.	Delete Widening Horizons - Area Forum Budgets	-150,000
	<b>Total Chief Executive's Office</b>	<b>-388,000</b>
	<b>Corporate</b>	
21.	Cessation of all advertising in the News Guardian	-32,000
22.	Additional Advertising Income	-65,000
23.	Defer Capital projects funded from borrowing and not yet committed for 12 months	-140,000
24.	Reduction by 10% of those salaries over £50,000 per annum, with a floor of £50,000	-199,000
25.	Introduction of a 36 hour working week	-730,000
26.	Reduce the CEI Reserve due to cessation of Community Based Trust and the delay in the implementation of the Business Package	-150,000
27.	Savings on third party payments through better control of waivers	-10,000
28.	Reduction in contingency provision due to the cessation of the Community Based Trust and the delay in the implementation of the Business Package	-152,459
	<b>Total Corporate</b>	<b>-1,478,459</b>

	<b>If All Objections are accepted the Total Savings will be:</b>	<b>-1,871,459</b>

5. Note that at its meeting held on 26 January 2012 the Council calculated the Council Tax Base for 2012/13 for the whole Council area as 64,219 (Item T in the Formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")).
6. Agree that the Council Tax requirement for the Council's own purposes for 2012/13 is £85,286,685, as set out below.

### **2012/13 Council Tax Requirement for North Tyneside Council**

	£	£
2012/13 Budget Requirement		169,974,194
Financed by:		
Redistributed Business Rates	(83,044,319)	
Revenue Support Grant	(1,609,794)	
Collection Fund Surplus	<u>(33,396)</u>	<u>(84,687,509)</u>
<b>Council Tax Requirement</b>		<b>85,286,685</b>

7. Agrees that the following amounts now calculated by the Council for the year 2012/13 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended (the Act):
  - (a) £370,526,191 Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
  - (b) £285,239,506 Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
  - (c) £85,286,685 Being the amount by which the aggregate at 7(a) above exceeds the aggregate at 7(b) above, calculated by the Council in accordance with Section 31(A)(4) of the Act, as its Council Tax requirement for the year (Item R in the formula in Section 31B of the Act).
  - (d) £1,328.06 Being the amount at 7(c) above (Item R), all divided by Item T (5 above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.



(e) North Tyneside Council Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
885.37	1,032.94	1,180.50	1,328.06	1,623.18	1,918.31	2,213.43	2,656.12

being the amounts given by multiplying the amount at 7(e) above by the number which, in the proportion set out in Section 5(1) of the Act 1992, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

(f) Northumbria Police Authority Valuation Bands

Note that for the year 2012/13 the Northumbria Police Authority have issued the following amounts in precepts to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings in the Council's area as indicated below:

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
55.79	65.08	74.38	83.68	102.28	120.87	139.47	167.36

(g) Tyne & Wear Fire and Rescue Authority Valuation Bands

Note that for the year 2012/13 the Tyne and Wear Fire and Rescue Authority have issued the following amounts in precepts to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings in the Council's area as indicated below:

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
48.77	56.90	65.03	73.16	89.42	105.68	121.93	146.32

(h) Total Valuation Bands

That, having calculated the aggregate in each case of the amounts at 7(e), 7(f) and 7(g) above, the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2012/13 for each part of its area and for each of the categories of dwellings shown below:

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
989.93	1,154.92	1,319.91	1,484.90	1,814.88	2,144.86	2,474.83	2,969.80

8. The Council's basic amount of council tax for 2012/13 is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992, as amended.

9. The Council's Financial Regulations will apply to the financial management of this budget.
10. A sum of £2.785m continues to be set aside in the budget to accommodate a number of events that may arise during 2012/13 but that cannot be quantified to such an exact degree as to be allocated directly into the Council's main budget headings, and to reflect the high level of efficiency savings built into the 2012/13 Budget. It is proposed that the £2.785m General Contingency is set aside in 2012/13 for the following items:
  - (d) general inflation;
  - (e) demand-led pressures; and,
  - (f) CEI Programme.

This contingency provision may be needed to cover any material change in inflation.

Demand-led pressures will include adult social care services and children's services where the Council has a statutory responsibility to respond.

The Contingency will also be available to cover the CEI Programme and the savings required in 2012/13. This is to reflect the possibility that some savings, for unforeseen or external factors, may not be deliverable in the original planned timescale. Where original proposals become unachievable, alternative proposals must be substituted as soon as practical after the issues are raised through the performance monitoring process of the Council and be reported through to Cabinet.

An additional £0.230m is proposed to be added to contingencies in respect of the grant awarded to support the roll out of free education places for disadvantaged 0-2 year olds. This is included as a specific contingency as detailed plans for the use of this funding are still to be developed.

A further net increase to the Contingency Provision of £0.080m is proposed to allow for changes to the CEI Programme.

Any virements above £50,000, revenue or capital, to be approved by full Council with effect from 1 April 2012, pending a full review of the Financial Regulations, to be reported to Council by October 2012.

11. The Reserves and Balances Policy attached as Appendix C is adopted as set down and is subject to review at least annually.
12. The Strategic Director of Finance and Resources, in consultation with the Elected Mayor, Cabinet Member for Finance and the Senior Leadership Team is delegated 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;

13. The Local Prudential Code for unsupported borrowing for 2012-2022 attached as Appendix K is adopted as set down and is reviewed annually as part of the Council Strategic Plan and Budget Setting Process.
14. The Elected Mayor in consultation with the Major Projects Group, be authorised to keep under review the proposed Reserve List of Schemes, within the 2012-2022 Capital Plan.
15. 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 are authorised 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;
16. The chief finance officer be authorised to serve notices, enter into agreements, give receipts, make adjustments, institute proceedings and take any action available to the Council to collect or enforce the collection of non-domestic rate and Council Tax from those persons liable.
17. The chief finance officer be authorised to disburse monies from funds and accounts of the Council as required for the lawful discharge of the Council's functions.
18. Agree that the Northumbria Police Authority and the Tyne and Wear Fire and Rescue Authority receive payment from the Collection Fund in 12 equal instalments on the last working day of each month.
19. Payments from the Collection Fund to be made to the Council's General Fund in 12 equal instalments on the last working day of each month.

### 3.0 CAPITAL PLAN 2012/13 – 2021/22

- 3.1 The Labour Group recommends that the following amendments be incorporated within the 2012/13 – 2021/22 Capital Plan:

<b>Growth:</b>	£
Create a Ward Community Budget	80,000
<b>Total Additional Growth</b>	<b>80,000</b>
<b>Savings:</b>	
Delete Widening Horizons	-80,000
Defer expenditure on the following projects for 12 months:	
Roads and Pavements	-1,000,000

Coastal Developments	-1,000,000
Private Sector Homes	-400,000
North Shields Customer First	-3,100,000
Youth Facilities	-1,000,000
ICT Strategy	-600,000
<b>Total Additional Savings</b>	<b>-7,180,000</b>

### 3.2 Draft Prudential Indicators

The following indicators have been revised to reflect the changes to the 2012-22 Capital Plan and the revenue impact of the changes.

The Local Government Act 2003 requires Councils to comply with the 'CIPFA Prudential Code for Capital Finance in Local Authorities.' The Prudential Code requires authorities to develop a set of Prudential Indicators for capital as laid out in the Code. In addition to the indicators laid down in the Code, local authorities are free to set up their own local indicators, as they consider appropriate.

The following part of the report sets down the draft Prudential Indicators as calculated and proposed for North Tyneside Council for 2012–2015.

#### Indicators of Affordability

Prudential Indicators (PIs) 1 to 4 are key indicators of affordability.

#### Ratio of Financing Costs to Net Revenue Stream (PIs 1 and 2)

This indicator shows the estimate of the ratio of financing costs to net revenue stream for the current and future years, that is the proportion of the budget (for both General Fund and Housing) that is spent on the financing of capital spend. The estimates of financing costs include the base Capital Plan.

The actual figures for 2010/11 are also set out in Table 1 below:

**Table 1: Ratio of Financing Costs to Net Revenue Stream (PIs 1 and 2)**

	2010/11	2011/12	2012/13	2013/14	2014/15
	Actual	Est.	Est.	Est.	Est.
General Fund	14.20%	14.33%	15.92%	16.10%	16.16%
HRA	14.43%	17.26%	30.57%	31.12%	24.17%

The above indicator shows costs for all borrowing, both supported and unsupported. It also includes the financing costs of PFI schemes and leases that have been brought "on balance sheet" under International Financial Reporting Standards (IFRS). To enhance the information available for decision-making we have also provided a local indicator to show the proportion of the budget that is spent on unsupported borrowing. This is shown in Table 2 below:

**Table 2: Ratio of Financing Costs for prudential (unsupported) borrowing to Net Revenue Stream (Pls 1 and 2)**

	2010/11	2011/12	2012/13	2013/14	2014/15
	Actual	Est.	Est.	Est.	Est.
General Fund	5.23%	6.32%	7.44%	7.76%	8.16%
HRA	4.51%	4.57%	4.17%	3.93%	3.91%

**Impact on Council Tax and Housing Rents (Pls 3 and 4)**

This prudential indicator reflects the estimate of the incremental impact of capital investment decisions proposed in this budget report, over and above capital investment decisions that have previously been taken. These figures reflect the amount of unsupported borrowing that is built into the proposed Capital Plan in terms of both unsupported borrowing costs and any changes to revenue running costs arising from the proposed Capital Plan.

**Table 3: Impact on Council Tax and Housing Rents (Pls 3 and 4)**

	2012/13	2013/14	2014/15
	£	£	£
For the Band D Council Tax	1.81	11.23	17.56
	2012/13	2013/14	2014/15
	£	£	£
For average weekly housing rents	0	0	0

**Net Borrowing and the Capital Financing Requirement (PI 5)**

This is a key indicator for prudence and is designed to ensure that over the medium term net borrowing will only be for a capital purpose. Net borrowing should not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus estimates of any additional capital financing requirement for the current and next two financial years.

The Council's estimated net borrowing (borrowing less investments) is set out below together with the estimated Capital financing requirement (i.e. the Council's underlying need to borrow for Capital purposes) projected to 31 March 2015:

- Estimated net borrowing as at 31 March 2012 - £462.598m
- Capital Financing Requirement as at 31 March 2015 - £623.382m

**Capital Expenditure (Pls 6 and 7)**

The actual capital expenditure that was incurred in 2010/11 and the estimates of capital expenditure to be incurred for the current and future years are set out in Table 4 below:

**Table 4: Capital Expenditure (Pls 6 and 7)**

	<b>2010/11 Actual £000's</b>	<b>2011/12 Est. £000's</b>	<b>2012/13 Est. £000's</b>	<b>2013/14 Est. £000's</b>	<b>2014/15 Est. £000's</b>
Chief Executive's Office	17,734	18,600	6,470	10,717	8,768
Children, Young People and Learning Community Services	9,970	15,470	11,673	3,750	1,000
Finance and Resources	2,076	7,469	3,894	1,957	0
Corporate items	2,732	3,432	2,150	3,600	3,000
	14,385	3,428	1,500	1,500	500
<b>Total General Fund</b>	<b>46,897</b>	<b>48,399</b>	<b>25,687</b>	<b>21,524</b>	<b>13,268</b>
<b>HRA</b>	<b>35,699</b>	<b>17,700</b>	<b>16,297</b>	<b>14,368</b>	<b>20,133</b>
<b>Total</b>	<b>82,596</b>	<b>66,099</b>	<b>41,984</b>	<b>35,892</b>	<b>33,401</b>

These estimates mirror those shown in the Appendix to this report.

#### **Capital Financing Requirement (CFR) (Pls 8 and 9)**

The Capital Financing Requirement measures the authority's underlying need to borrow for a capital purpose. It reflects the cumulative amount of borrowing required for capital purposes less the annual Minimum Revenue Provision (MRP). In accordance with best professional practice North Tyneside Council does not associate borrowing with particular items or types of expenditure.

The actual external debt of the Council may be lower than the CFR as the Council may choose to use its own external funds (reserves, balances, provisions etc) to finance borrowing. The difference between the CFR and actual external debt is the unfunded element (or internal borrowing) of the CFR. As at 31 March 2011, the Council's overall CFR (excluding PFI and leases) was £398.737m. Actual external debt was £330.901m giving an unfunded element (or internal borrowing) of £67.836m.

Estimates of the end of year Capital Financing Requirement for the authority for the current and future years and the actual Capital Financing Requirement at 31 March 2011 are set out in Table 5 below:

**Table 5: Capital Financing Requirement (Pls 8 and 9)**

	<b>2010/11 Actual £000's</b>	<b>2011/12 Est. £000's</b>	<b>2012/13 Est. £000's</b>	<b>2013/14 Est. £000's</b>	<b>2014/15 Est. £000's</b>
General Fund	290,284	295,973	295,470	291,908	284,461

HRA	162,159	292,465	301,899	319,240	338,921
<b>Total</b>	<b>452,443</b>	<b>588,438</b>	<b>597,369</b>	<b>611,148</b>	<b>623,382</b>

The above indicator shows the total borrowing requirement, both supported and unsupported. To enhance the information available for decision-making we have provided a local indicator to show the Capital Financing Requirement for unsupported borrowing. This is shown in Table 6 below:

**Table 6: Capital Financing Requirement for Unsupported Borrowing (Pls 8 and 9)**

	<b>2010/11 Actual £000's</b>	<b>2011/12 Est. £000's</b>	<b>2012/13 Est. £000's</b>	<b>2013/14 Est. £000's</b>	<b>2014/15 Est. £000's</b>
General Fund	115,858	128,520	137,633	140,730	139,665
HRA	47,294	47,766	45,266	41,366	40,616
<b>Total</b>	<b>163,152</b>	<b>176,286</b>	<b>182,899</b>	<b>182,096</b>	<b>180,281</b>

### **CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes**

The Council has an integrated Treasury Management Strategy and has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. North Tyneside Council has, at any point in time, a number of cash flows, both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved Treasury Management Strategy and Practices.

In addition to the Prudential Indicators set out above, there are a set of Treasury Management Indicators which cover the following:

- (a) Authorised limit for external debt;
- (b) Operational boundary for external debt;
- (c) Upper limits for exposure to fixed and variable interest rates; and,
- (d) Maturity structure of borrowing.

These indicators are an integral part of the Council's Treasury Management Strategy which is included at Section 7.0 of this report. However, to some extent, the strategy is informed by decisions on the Council's budget setting process and can only be presented in an informed way once the budget is set. With this in mind, the Treasury Management Indicators are presented here based upon approval of the budget proposals set down in this report.

*External Debt*

In respect of its external debt, it is recommended that the Council approves the following Authorised Limits for its total external debt gross of investments for the next three financial years, and agrees the continuation of the previously agreed limit for the current year since no change to this is necessary.

These limits separately identify borrowing from other long-term liabilities such as PFI and finance leases.

Council is requested to approve these limits and to delegate authority to the chief finance officer, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities, in accordance with option appraisal and best value for money for the Council.

Any such changes made will be reported to the Cabinet at its next meeting following the change.

**Table 7: Authorised Limit for External Debt**

	<b>2012/13 £000's Est.</b>	<b>2013/14 £000's Est.</b>	<b>2014/15 £000's Est.</b>
Borrowing	938,352	1,078,812	1,140,987
Other Long Term Liabilities	90,000	90,000	90,000
<b>Total</b>	<b>1,028,352</b>	<b>1,168,812</b>	<b>1,230,987</b>

The chief finance officer reports that these Authorised Limits are consistent with the authority's current commitments, existing plans and the proposals in this 2012/13 budget report for capital expenditure and financing, and in accordance with its approved Treasury Management Policy Statement and Practices.

The chief finance officer confirms that they are based on the estimate of most likely, prudent, but not worst case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements.

Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the Capital Financing Requirement and estimates of cash flow requirements for all purposes.

Council will be requested to approve the following Operational Boundary for external debt for the same time period.

The proposed Operational Boundary for external debt is based on the same estimates as the Authorised Limit but reflects directly the chief finance officer's estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the Authorised Limit, to allow, for example, for unusual cash movements, and equates to the maximum of external debt projected by this estimate.



The Operational Boundary represents a key management tool for in-year monitoring by the chief finance officer. Within the Operational Boundary, figures for borrowing and other long-term liabilities are separately identified. Council is requested to delegate authority to the chief finance officer, within the total Operational Boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long-term liabilities, in a similar fashion to the Authorised Limit.

Any such changes will be reported to the Cabinet at its next meeting following the change.

**Table 8: Operational Boundary for External Debt**

	2012/13	2013/14	2014/15
	£000's	£000's	£000's
	Est.	Est.	Est.
Borrowing	523,602	555,210	585,777
Other Long Term Liabilities	90,000	90,000	90,000
<b>Total</b>	<b>613,602</b>	<b>645,210</b>	<b>675,777</b>

#### **Actual External Debt at 31 March 2011**

The Council's actual external debt at 31 March 2011 was £386.866m, comprising £330.900m borrowing and £55.966m other long-term liabilities.

It should be noted that actual external debt is not directly comparable to the Authorised Limit and Operational Boundary, since the actual external debt reflects the position at one point in time.

In taking its decisions on this budget report, Council should note that the Authorised Limit determined for 2012/13 will be the statutory limit determined under Section 3(1) of the Local Government Act 2003.

#### **Upper limit for fixed interest rate exposure**

Council will be requested to set an upper limit on its fixed interest rate exposures for 2012/13, 2013/14 and 2014/15 of 100% of its net outstanding principal sums.

Council will be requested to set an upper limit on its variable interest rate exposures for 2012/13, 2013/14 and 2014/15 of 50% of its net outstanding principal sums.

The proposals to set upper and lower limits for the maturity structure of the Council's borrowings are as follows:

**Table 9: Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.**

	Upper Limit	Lower Limit
Under 12 months	50%	0%
12 months and within 24 months	50%	0%

24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	25%

**Table 10: Upper limit for total principal sums invested for over 364 days**

	2012/13	2013/14	2014/15
<b>% of Investments with Maturity over 364 days</b>	25%	25%	25%

***The above indicator sets the exposure of investments in excess of 364 days at no more than 25% of the portfolio.***

### **Annual Minimum Revenue Provision (MRP) Statement**

The Capital Finance Regulations require the Council to agree an annual policy for the Minimum Revenue Provision.

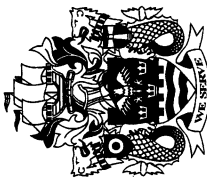
The Minimum Revenue Provision is the amount that is set aside to provide for the prepayment of debt (principal repayment). This is the amount required to make a prudent provision and ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Revenue Support Grant (RSG), reasonably commensurate with the support provided through the RSG.

It is proposed that the Council adopts a policy for Annual Minimum Revenue Provision in line with the following principles:

- (a) Assets existing at 31 March 2007 – MRP will continue to be charged at 4% per annum;
- (b) Supported Borrowing – MRP will continue to be charged at 4%, which matches the level of Government support provided for this borrowing through the RSG;
- (c) Unsupported Borrowing – for all assets financed by unsupported borrowing, MRP will be charged over the estimated life of the assets. This will include assets financed through current PFI schemes and finance leases; and
- (d) The conversion to International Financial Reporting Standards (IFRS) may also result in some lease transactions being treated as “on balance sheet” for the Council. Where this is the case an element of the annual charge to the Council for the lease will be treated as repayment of capital (ie repayment of principal and interest). The principal element is effectively the MRP charge for the year. This MRP charge will be equal to the element of the rent/service charge that goes to write down the balance sheet liability.

The effects of the MRP policy have been built into the current revenue budget projections.

# Appendix A



North Tyneside Council

## Council Strategic Plan 2012 – 2015

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A Strategy for Tough Times

# 1. Introduction

Our Plan is created to:

- deal with the tough economic situation that faces our Council;
- introduce new ways of dealing with the massive day to day pressures on our services created by the Council
- develop new income streams that exploit and share our assets in an innovative way, not simply dispose of them, which is the current strategy.

The Council is committed to maintaining those excellent services we already deliver. We will implement new ways of maintaining that quality of service whilst preserving, as far as possible, the numbers of people employed across the Borough. In the interests of transparency, however, North Tyneside people need to understand the difficulties we now face. In this current year, the Council has overspent in excess of £1m which will be carried forward to next year's budget. Under the current administration, spending has continued and the debt burden of the Council has continued to grow.

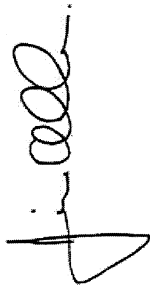
Decisions made by the current coalition Government means that there will be a transfer of just over £128m of housing debt to the Council and this will worsen the financial burden on our Council. It has put the Council Housing Revenue Account £20m over the limit of borrowing, and effectively means we cannot borrow any more until the Authority reduces its debt. This is a very difficult situation that needs different and innovative ways to overcome it. For example, our solution for housing will be to deliver an alternative method of providing much needed public rented accommodation.

The revised Council Plan for 2012-15 will provide stability for the Council while ensuring we live within our means. We shall implement new ways of going into partnership with the private sector and attract new job opportunities into North Tyneside. We shall provide opportunities for our young people through learning, training and apprenticeships, job opportunities for residents, and boost our town centres by maximising these assets, not disposing of them forever. We will also introduce new ways to encourage the Council's own staff to bring forward new ideas for modern ways to pay for and deliver services.

The revised Council Plan for 2012-15 will provide stability for the Council while ensuring we live within our means.

- We will implement new ways of going into partnership with the private sector that will attract new job opportunities.
- Boost job opportunities for residents and regenerate our town centres.
- We will also introduce new ways to encourage the Council's own staff to bring forward new ideas for modern ways to pay for and deliver services.

- We will provide opportunities for our young people through providing meaningful learning, training and apprenticeships is designed to make the most of our young people's talent.

A handwritten signature in black ink, appearing to read 'Jim Allan', written in a cursive style.

Jim Allan - Leader of the Labour Group

**Our vision is for North Tyneside to be a place where:**

- **Fairness – both residents and businesses are our priority**
- **Accountability – the Council will control the allocation of new rented housing.**
- **Job Creation – will be an on-going agenda item in council business especially around young people.**
- **Savings – we will find new and innovative ways of producing income streams.**
- **Responsibility – we will only spend what we can afford.**



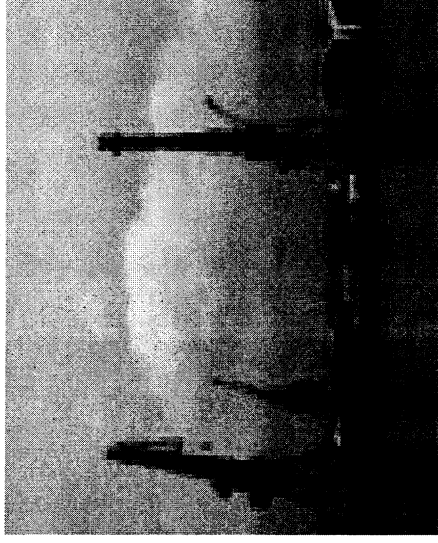
### **Our Guiding Principles:**

- **Putting people first – taking personal responsibility and ownership of our dealings with residents whom we seek to represent.**
- **Being innovative and open to new ideas from a wide range of partners such as Job Centre Plus/DWP**
- **Reducing our debt burden whilst striving to maintain the quality of service.**
- **Providing and encouraging environmental sustainability.**

# Our Priorities

## We have five priorities

- ❖ Sustaining our front line Council services within the council, but only Spending what we can afford.
- ❖ Maintaining excellent education, training and employment opportunities, including apprenticeships and working in collaboration with partners.
- ❖ Providing Council Housing and affordable rented housing in partnership with the private sector and registered social landlords.
- ❖ Introducing new income streams to maximise the benefits of our assets, Not just seeking to dispose of them forever
- ❖ Work in Partnership to realise the full potential of the North Bank of the Tyne Regeneration.



## **PRIORITY 1**

### **Sustaining our front line services within the council**

- but only spending what we can afford

We will ensure that our current level of services are maintained and sustained. We will not expand unless we have the funds.

1. All work on the Community Based Trust will be stopped, and it is intended that the other outsourcing programme will be brought under democratic control(see CEIP)
2. The role of the Interim Chief Executive will be terminated and the existing three Strategic Directors will be tasked with reviewing the organisational structure of the senior management and determining that it reflects the future requirements of the Organisation, and the aspirations of the council policies, as well as identifying new efficiencies. This work will be completed within six months. It is proposed that the progress of the work will be managed by a specially formed Politically balanced working group and the report will be presented to the September Council Meeting.
3. We will review and seek to reduce the wages of those staff employed on annual salaries in excess of £50k by 10%, but there will be a ceiling that wage levels will not go below £50k
4. It is proposed The Mayoral Allowance will be reduced down from £61,734 to £46,000 per annum.
5. The Council Advertising will be restricted to those publications that cover the whole of the Borough
6. The Council publications will all be merged into one publication that will include housing, education and the general council publications. The publications will be self-funded through selling advertising space.
7. As a consequence of the reduction in project work the Strategic Project Team will be have their workload reviewed and savings will be made via redeployment.
8. Uncommitted Capital Spend will be suspended for one year and reviewed at the next budget process.
9. It is proposed the reserve capital schemes will be presented to Full Council for approval before moving from the reserve list.
10. It is proposed the appointment of consultants will be approved by Full Council, including the renewal of consultant call off contracts.
11. The Council will seek to agree a reduction of the working week by one hour.
12. A corporate objective will be set to reduce the current levels of sickness by a minimum of 10%.
13. Introduce a local procurement policy which will reduce the Council's carbon footprint and create and support local employment opportunities
14. As far as possible seek out best value contracts via negotiation, and offering longer periods for discounted rates which should reduce overheads in annual renewals



## **PRIORITY 2**

### **Maintaining excellent education, training and employment opportunities, including apprenticeships and working in collaboration with partners**

1. We will work openly and honestly with our Educational Partners to establish a strong vocational and academic presence as part of the North Bank of the Tyne Regeneration
2. School meals will only be increased in line with the CPI in September
3. We will make strong representations to the Government to bring forward aid to help with the condition of our school buildings.
4. The Learning Trust is continuing to do well and we will do all that we can to encourage schools, yet to join, to see the financial and academic advantages of being a member.
5. The removal of the EMA grant has had a big impact on our young people undertaking 16 to 18 education, we will actively seek sensible and affordable solution to try and eliminate the financial impact that the loss of grant has had on local families of children seeking to continue their studies. We will enter discussions with the TWITA to seek out a scheme that will minimise the cost of travel for our 16 to 18 year olds attending further education and training. A report will be brought to the September Council Meeting.
6. We will seek to encourage our schools to invest in renewable energy to reduce their day to day energy costs.
7. A full review will be undertaken of all youth provision across the Borough; the review will take into account all the providers of the services, both council and the third sector, including full costs. A new Youth Provision Strategy will be created along with an implementation plan. The Young Mayor and their Cabinet Members take a leading role in this project and once complete present it to a Full Council Meeting for endorsement.

### **PRIORITY 3**

**Providing affordable rented housing in partnership with the private sector and registered social landlords –**  
we will actively prepare a council and affordable housing building programme, using our existing brownfield sites.

1. We will provide additional Council Housing.
2. We will use council owned brown field sites as our contribution to a partnership to provide affordable and rented homes.
3. We will mould the core strategy to encourage more building work on brown field sites, to protect our green areas and open spaces.

## **PRIORITY 4**

**Introducing new income streams to maximise the benefits of our assets, not dispose of them forever**

1. We will commence work on using our assets to generate income from marketing and advertising.
2. We will look for opportunities to expand our service delivery into the public and private sectors.
3. We will use our housing skills to introduce a service to manage privately owned rented accommodation.
4. Using renewable energy in our public buildings will allow us to minimise our energy costs. Working in partnership we can support the private sector, allowing them to take advantage of the low costs while using local companies to manufacture the components.

## **PRIORITY 5**

**Work in Partnership to realise the full potential of the North Bank of the Tyne Regeneration** – we will work in partnership with local companies to ensure the employment and inward investment opportunities that a working river creates will boost the local and regional economy, through job creation, training and skills via a Multiversity Education Partnership. The resulting increased numbers of people using the town centres and riverside areas will assist in boosting the daytime and night time economy.

1. The River Tyne is a real asset for North Tyneside. It has provided employment for the community in days gone by and working in partnership with the private sector it can do so again. We will seek innovative and diverse employment opportunities to create local jobs.
2. The Council will work collectively to improve the viability of all of our Town and Local Shopping Centres.

## **2. Delivering the Strategic Plan – Our Change, Efficiency and Improvement programme.**

- 1. We propose that the plans to create a Community Based Trust will be stopped immediately.**
- 2. We propose that A politically balanced Board of elected members be created that will oversee the considerations of the business cases for adopting new ways of working. The timeline will be extended to allow for full and frank discussions with key players including the Trade Unions. Regular progress reports will be presented to Full Council and responsibility for making the key decisions will be subject to consultation with Full Council if not subject to Full Council approval.**
- 3. A politically balanced Working Group of elected members will be established to work with of the Senior Management Team in preparing an Organisational Structure to meet the future needs of the Council, and it being presented to the September Council Meeting.**

### **3. Delivering the Strategic Plan – Finance and Resources**

#### **Financial Strategy**

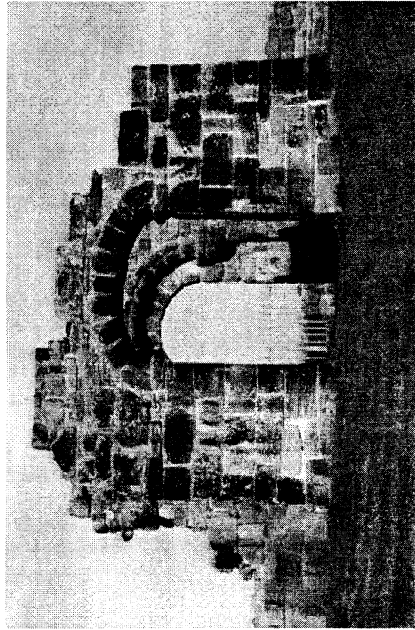
The Financial Strategy of the Council will ensure that we are prudent in our spending, with a particular emphasis on reducing the current debt of the Council. The Strategy will provide a structure that will meet the Day to Day pressures and challenges. It is important that the Council only spends what it can afford. The Strategy will allow for new income streams and new trading opportunities to be explored and reported to Council before implementation. The Strategy will challenge the conventional tradition of cuts and increasing fees and charges, by the consideration of generating income as well.

The Council Plan outlines the way the council should progress in these tough financial times and that the Council will be careful and considerate about growth and the analysis of costs before spending approval is granted. It will be a remit of the Financial Strategy to suspend uncommitted expenditure until the next budget in 2013, when the projects will be reviewed and considered again.

Financial planning is of critical importance during the period of the government's own spending review. This planning is supported by the continuing need to integrate revenue, capital, asset and treasury planning, driven further by the Prudential Code requirements in relation to longer-term capital investment. In formulating the financial plan, the impact of priorities, objectives and preferred options needs to be fully evaluated.

While decisions around budget setting are approved on an annual basis, the council must demonstrate longer-term planning around the use of its resources. Annual budget decisions should be taken in the context of a three-year financial plan that looks at all council services and takes into account the government's Local Government Finance Settlement agenda. The Annual Review of Financial Regulations will be carried out and improvements and recommendations will be brought to full council for approval.

## RESOURCES



Without our staff we would be unable to deliver our services, we need to acknowledge their value and provide support and training to use more modern business systems and techniques.

We will ensure that we install a customer focus culture and we will promote a more positive organisation that will broadcast and promote positive results providing examples of good practise and sharing those with others.

We will regularly review our working methods and processes to seek constant improvement.

We will promote confidence in our staff to be able to seek new methods and systems to deliver our first class services more cost effectively.

We will encourage our staff to seek new areas of work that will bring new income streams through trading or providing services to others.

## **4. Delivering the Plan – Working in Partnership**

In delivering this strategic plan, we will work with partners from all sectors at a strategic and operational level. In meeting the public sector reform agenda we are taking every opportunity to explore how services can be delivered through new partnership mechanisms. Partnership working in the current economic environment will be key to ensuring improved value for money and efficient use of resources by eliminating waste and cost incurred by duplication of effort.

We will undertake a review of the North Tyneside Strategic Partnership to determine - effectiveness, value for money, representation and areas of work.

North Tyneside's Learning Trust is now well established and continues to attract schools. The Learning Trust enables member schools to work with each other and with partners from the public and private sector.

On transport, the council plays a leading role in the Tyne and Wear Integrated Transport Authority, along with Nexus and the other local authorities in the Tyne and Wear area, we will investigate having a City Region Taxi and Private Hire Regulation Body, perhaps delivered through the ITA to have a true integrated transport system. A travel plan for 16 to 18 year olds will be prepared and presented to the September Council for consideration.

A review will be undertaken of all youth provision in the Borough and a new Local Delivery Plan will be created.

We will review the way we involve our residents and businesses to see if there are improvements and new ideas to involve greater numbers of our population. We will introduce Ward Forums to be delivered through our ward councillors and we will devolve the area forum budget equally to the ward forums.

The Cabinet will continue to have representatives from our key partners including the trade unions at cabinet meetings of the council.

We will work with Northumbria Health Care NHS Foundation Trust and the emerging GP Commissioning Consortia to enhance health and well-being across the Borough by providing additional financial resources for additional jointly funded activities.



Project Ref	Project Title	2012/13 £000	2013/14 £000	2014/15 £000	2015/22 £000	Total £000	Funding Source	£000
	<b>Chief Executive's Office</b>							
EV034	Local Transport Plan	3,748	3,172	3,642	0	10,562	Local Transport Plan Grant	10,562
DV048	Roads & Pavements delayed		1,000	1,000	0	2,000	Capital Receipts	2,000
	Central Promenade reconstruction scheme	0	100	1,581	1,581	3,262	Council Contribution Environment Agency Northumbrian Water Limited	1,431 1,115 716
DV018	Fish Quay Environmental Improvements	409	0	0	0	409	Heritage Lottery Fund Capital Receipts Unsupported Borrowing	68 303 38
DV046	Wallsend and North Bank of the Tyne Regeneration	150	0	0	0	150	Capital Receipts	150
DV054	Coastal Development		1,350	1,000	0	2,350	Unsupported Borrowing	2,350
HS003	Private Sector Homes Renovation delayed		800	400	2,800	4,000	Capital Receipts Unsupported Borrowing	2,940 1,060
GEN04	Widening Horizons - Area Forums	80	50	0	0	130	Capital Receipts	130
ST014	North Shields Customer First Centre delayed		3,100	0	0	3,100	Unsupported Borrowing Capital Receipts	2,700 400
HS036	North Tyneside Warm Zones	938	0	0	0	938	Unsupported Borrowing Scottish Power contribution N Power	188 550 200
HS004	Disabled Facility Grants	1,145	1,145	1,145	8,309	11,744	Capital Receipts Unsupported Borrowing Disabled Facilities Grant	5,206 2,628 3,910
	<b>Total: Chief Executive's Office</b>	6,470	10,717	8,768	12,690	38,645		38,645
	<b>Children, Young People and Learning</b>							
ED075	Schools Devolved Formula Capital	1,609	0	0	0	1,609	Standards Fund Grant Capital Receipts	767 842



		APPENDIX B					
Total: Corporate items		1,500	1,500	500	3,500	7,000	7,000
TOTAL: GENERAL FUND		25,687	21,524	13,268	37,190	97,669	96,669
HS002 <b>Housing</b> HRA Schemes							
		16,297	14,368	20,133	197,719	248,517	102,802
							145,715
Total: Housing		16,297	14,368	20,133	197,719	248,517	248,517
		41,984	35,892	33,401	234,909	346,186	345,186
TOTAL							

**Financing Summary**

	2012/13	2013/14	2014/15	2015/22	Total
<b>General Fund</b>	£000	£000	£000	£000	£000
Unsuported Borrowing	0	9,010	4,955	22,940	36,905
Capital Receipts	8,408	8,269	3,326	10,914	30,917
<b>Council contribution</b>	<b>8,408</b>	<b>17,279</b>	<b>8,281</b>	<b>33,854</b>	<b>67,822</b>
Grants and contributions	17,279	4,245	4,987	3,336	29,847
<b>TOTAL: GENERAL FUND</b>	<b>25,687</b>	<b>21,524</b>	<b>13,268</b>	<b>37,190</b>	<b>97,669</b>
<b>Housing</b>					
Revenue contribution	3,193	1,466	6,779	91,364	102,802
Major Repairs Reserve	13,104	12,902	13,354	106,355	145,715
<b>TOTAL: HOUSING</b>	<b>16,297</b>	<b>14,368</b>	<b>20,133</b>	<b>197,719</b>	<b>248,517</b>
<b>TOTAL</b>	<b>41,984</b>	<b>35,892</b>	<b>33,401</b>	<b>234,909</b>	<b>346,186</b>

**North Tyneside Council  
Report to Council  
Date: 21 February 2012**

**Title: 2012-2015 Council  
Strategic Plan and Budget  
Process: Liberal Democrat  
Group Notice of Objection**

**Report of: The Liberal Democrat Group**

**Wards affected: ALL**

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**Liberal Democrat Group Notice of Objection for the 2012/13 General Fund Revenue Budget, the proposed Council Tax Level for 2012/13, the Capital Plan for 2012-2022, the Treasury Management Statement and Annual Investment Strategy for 2012/13 and the 2012-2015 Council Strategic Plan**

**SAVE OUR SERVICES**

**1.0 Introduction**

The Liberal Democrat Group have submitted objections to the Elected Mayor's budget that will ensure that the Council gets back to basics by concentrating on delivering essential services and getting rid of the spin and propaganda.

The Liberal Democrat Group has again encountered considerable difficulty in obtaining the detailed information for the preparation of our budget objections. The quality and timeliness of information was totally unacceptable. The quality of responses was totally below the standard of a professional organisation with a multi million pound turnover.

Councillors are accountable to residents of North Tyneside and are entitled to the necessary information to ensure public money is being spent appropriately. In particular we encountered difficulties in receiving detailed information in the format requested from:

Children and Young People;  
Adult Care;  
Legal and Democratic Services; and  
Leisure Culture and Customer Services.

We wrote to the Interim Chief Executive to draw his attention to the difficulties we were experiencing. Regrettably there was no improvement in the timeliness or quality of information.

It is our view that on 19 December 2011 we requested specific Legal advice regarding the budget setting process and despite numerous reminders this advice has not been provided.

We have adopted a policy of identifying savings which will not impact on service delivery. These saving will be transferred to a special reserve to be

called 'Adult and Social Care Repair Fund'.

We would then review all of the Mayor's proposed cuts and will use the special fund to re-instate and save those services which are worst hit. The Liberal Democrat Group also sought to follow through the Government advice to reduce senior management costs. We have identified a number of senior posts that we believe can be deleted without affecting services. However we have been advised by the Section 151 Officer and Head of Paid Service that these savings cannot be included in our budget proposals.

We are concerned at the conflicting advice from Government to cut senior management costs and yet we are prevented from carrying out Government advice in our budget objection.

It is our intention to follow this matter through and ask the relevant Government ministers to fully investigate this matter. In particular given the Mayor's proposals to privatise/externalise many services we cannot understand why such a large senior management is required.

The post of Chief Executive has not been filled on a permanent basis and an interim Chief Executive is fulfilling the role. Last year, North Tyneside Council received one of the best settlements of any Council. Despite this the Mayor and Cabinet failed to address the core problems surrounding the Council's budgets and operated from week to week.

In opposition the Mayor criticised the then Mayor for living outside their means and relying on reserves to balance the budget. It is therefore hugely surprising that the Mayor continued with this irresponsible policy rather than tackle the core issue of getting income to match expenditure.

The Mayor's budgets in 2010/11 and 2011/12 relied on the use of more of the Council's financial reserves. The approval of those budgets left the Council with commitments above the level of its income. This year's budget again relies on reserves to make it balance.

In our opinion, the use of such a level of reserves to balance the budget was bad practice and irresponsible and conflicted with the advice of Chartered Institute of Public Finance and Accountancy (CIPFA) which states that "*It is not normally prudent for reserves to be deployed to finance recurrent expenditure*".

As a result of this short sighted action last year, greater cuts have been required this year.

In our opinion, using reserves in such a manner indicated that the Council's expenditure was spiralling out of control with expenditure substantially exceeding income.

Delegated authority was given to senior officers to deliver parts of the budget and in particular the value for money savings. The Liberal Democrat Group has not seen evidence of the success of this delegation. We therefore propose to amend the delegation to include the Strategic Director of Finance

and Resources and to ensure monthly reporting to Cabinet and Overview and Scrutiny Committee on progress towards the target.

Urgent action needs to be taken to address this major financial issue to avoid a serious financial problem for the Council.

THE CURRENT ADMINISTRATION HAS NO HISTORY OF SUCCESS IN ACHIEVING SAVINGS TARGETS AND AS SUCH THE LIBERAL DEMOCRAT GROUP CANNOT HAVE CONFIDENCE IN THE SAVINGS IDENTIFIED IN THE MAYOR'S BUDGET BEING ACHIEVED.

The Liberal Democrat Group proposes substantial savings in non essential services to address the underlying problems.

The Liberal Democrat Group is seriously concerned that the Council must provide assistance to residents and businesses in the current economic climate.

We have once again proposed to freeze council tax at its current level to assist residents and have provided for new measures to support local business to expand. In addition we are providing funding to assist small businesses in creating new jobs in the borough.

We believe the Council must as far as possible adopt local procurement policies and work with local businesses to enable them to compete for Council and public service contracts.

The current serious financial situation has to be the top priority for the Council and the Elected Mayor has to ensure that the finances are stabilised. All expenditure, both revenue and capital must be continually reviewed in order to re-assess the Council's priorities. There must be a full review of the Capital Plan to ensure that the Council is aware of the revenue costs associated with all of the schemes.

The Liberal Democrat Group believe that now is the time for all parties to work together for the benefit of residents of North Tyneside. The Liberal Democrat budget will ensure financial stability is restored. This will allow for the Council to be more pro-active in future years.

The Liberal Democrat Delivery Plan will see North Tyneside Council improve its services to residents and businesses in order that it can achieve the excellent services rating that residents' deserve.

### **Learning Village or Multiversity**

The Liberal Democrat Group believe that one of the most important developments in North Tyneside will be the Multiversity complex on the North Bank of the Tyne. The scheme is vital for the regeneration of Wallsend.

We are concerned that the name of the project has been amended to Learning Village. This project must include the university element. We therefore rename the project the Multiversity as this was the name the project originally attracted interest.

We are deeply concerned at the lack of a clear commitment from the Council for this project. The Liberal Democrat Group fully support a Multiversity. The inclusion of this item as number 13 on the capital plan reserve list clearly demonstrating a total lack of commitment to this project from this administration.

The Liberal Democrat budget restores this scheme into the main capital plan.

### **Regeneration**

We are deeply concerned at the repeated delays in Whitley Bay regeneration for more and more consultation. Councillors and the Mayor are elected to take decisions in the best interests of residents and must not hide behind repeated consultation when they are afraid to take decisions. It is time to stand up and be counted and make decisions now about the future of Whitley Bay.

In Wallsend the regeneration has been delayed by the repeated delays over the regeneration of Whitley Bay. Wallsend needs action now. The closure of the Co-op store and the subsequent failure of Morrison's to immediately re-open the store have badly hit the town centre. The Council must take the lead and provide support to Wallsend town centre and ensure businesses are supported and that the town centre remains vibrant. Last year our budget allocated £500,000 for the support and development of businesses in Wallsend Town Centre.

The Mayor reduced this to £140,000 but failed to use it for supporting and developing business in Wallsend as promised.

### **Backing Business**

We recognise the important and valuable role businesses both large and small carry out in North Tyneside. We have provided additional funding for the support of local businesses to give them advice and assistance to develop their business and to be able to compete for public contracts.

We would review the current grants for new business scheme to see if support should be targeted at specific business types in each area and if it is appropriate to give grants to new businesses setting up in direct competition to established businesses.

For many years we have called for the Council to use empty shops as bases for starter businesses. Once again we propose that the empty Council shops in Bedford Avenue Wallsend which have been neglected by the Council for many years, be used to provide a base for starter businesses.

North Tyneside has some excellent small businesses and the Council need to support them in growing their business.

We welcome the Council arranging drop in sessions and meet the buyer events for North Tyneside businesses, which were proposed by the Liberal Democrat Group last year.

The Council, as landlord, has many vacant premises which can be used to

provide starter premises for new business. At present these are standing empty as the Council seeks to obtain unreasonable rents to meet unrealistic income targets.

### **CAPITAL PLAN**

The Liberal Democrat budget calls for a full review of priorities and actions within the Capital Plan.

The Council needs to have clear reasons for all capital expenditure. There must also be a full review of how the Plan is funded as the previous and current Mayor's Capital Plans relied on selling off huge amounts of open space. We oppose this practice and the review would remove the need for the sale of open space.

We are concerned that major decisions in relation to the Capital Plan are made by the Major Projects Group. We propose to amend the operation of this group to include a non executive member of each party and to ensure that all decisions are reported to Cabinet.

We propose amendments to the Capital plan to stop some of the Mayor's planned sale of open space in Wallsend. The town has little remaining open space and there should be no further land sales by the Council. We have identified other Council land that can be sold.

The serious damage to Wallsend Boys Club's Station Road building has drastically affected the fantastic work this club do for the community of Wallsend and all of North Tyneside. The Boys Club's work was recognised with the award of the Freedom of the Borough. At these important times we have included a grant for capital work of £1 million for Wallsend Boys Club.

Finally we include proposals to provide grants to landlords for the conversion of empty retail units into residential accommodation. The scheme will be piloted in Wallsend before being rolled out across the borough.

### **SENIOR MANAGEMENT ARRANGEMENTS**

We propose the deletion of the part time Chief Executive to ensure the Council has a smaller full time senior team. We believe the Elected Mayor should be involved in this group.

#### **Leisure trust**

We are totally opposed to the creation of the leisure trust and have submitted alternative savings to enable these services to remain in Council control.

We believe the business plans for the leisure trust are weak and unclear and do not, in our opinion, stand up to challenge and scrutiny.

#### **School meals and meals on wheels**

We are appalled at the proposed increase in costs for these services and our budget seeks to freeze current prices to protect those using the service.

#### **Bowling Greens and sports pitch price increase**

Our budget removes these ridiculous and unachievable increases. Clearly the



majority of groups and teams using these facilities will be unable to afford the proposed increases.

We can only assume that the intention is to dispose of the pitches and greens when teams stop using them.

### **Allotments**

As with bowling greens and sports pitches, our budget removes this ridiculous and unachievable increase. Clearly the majority of residents using these facilities will be unable or unwilling to afford the proposed increases.

We can only assume that the intention is to dispose of the allotments when teams stop using them.

### **Elected Members leading by example.**

Given the serious pressure of the Council's finances, we believe Elected Members should lead by example. Consequently we propose:

A voluntary 5% reduction in councillors allowances in line with the proposal for senior officers;

Deleting Deputy Chair's allowances;

Reducing the Elected Mayor's allowance by £10,000 to reflect the allowance the Mayor is entitled to claim as the Council's newly appointed representative on the Police Authority;

Deleting the mobile phones for Elected Members;

Deleting the civic car; and

Deleting committee teas.

### **Fees and Charges**

We are appalled at the totally unacceptable increases in fees and charges introduced under the officer delegation scheme. The worst example is the increase in charges for burials and cremations.

As a result we intend to amend the officer delegation scheme so that officers can only increase fees and charges in line with inflation. Any further increases must be referred to Cabinet or Council for approval.

## **2.0 Liberal Democrat Group Resolution: Setting the Council Tax 2012/13**

### **2012/13 Council Tax Requirement Resolution**

#### **2.1 The Liberal Democrat Group recommends that:**

1. The recommended budgets of the Council by Directorate, as set down in Appendices E(i) to I(ii) of this report to Council, together with the associated Council Strategic Plan set down at Appendix A, be approved as noted below subject to the variations listed in paragraphs 2 and 3 below and notes the estimated allocation of £133.423m in Dedicated Schools Grant for 2012/13:

**Directorate**

Children, Young People and Learning

£

26,434,372

Chief Executive's Office	17,237,198
Community Services	82,097,372
Finance and Resources	13,399,355
Corporate	14,993,621
<b>Total</b>	<b>154,161,918</b>

2. The following levies be included in the net budget requirement:

	£
Tyne & Wear Integrated Transport Authority	12,447,406
Tyne Port Health Authority	58,121
Environment Agency	163,152
Northumberland Inshore Fisheries and Conservation Authority	128,597
<b>Total</b>	<b>12,797,276</b>

3. The contingency provision be set as follows:

	£
Contingency Provision	2,990,000
<b>Total</b>	<b>2,990,000</b>

4. The following individual objections are proposed to be incorporated within the Council's Budget.
5. The Business and Technical Packages remain within the budget proposals but it is suggested that an All Party Working Committee be established with delegated power to review proposals for the packages and consider all other alternative savings.

## Growth

Item		£
	<b><u>Chief Executive's Office</u></b>	
	<b>Total Chief Executive's Office</b>	
	<b><u>Children, Young People and Learning</u></b>	
1.	Delete School Meals price increase (15p from September 2012)	178,000
	<b>Total Children, Young People and Learning</b>	<b>178,000</b>
	<b><u>Community Services</u></b>	
2.	Delete 'Reduce subsidy for sport pitches and bowling greens'	14,000
3.	Delete 'Increased income from Allotments'	16,000
4.	Retain Kids Club at Battle Hill at the original level of provision	6,000
5.	Delete 'Establish Community Based Trust'	250,000
6.	Delete Meals on Wheels Price increase (40p from	

	September 2012)	17,000
7.	Create an Adult and Social Care Repair Fund	394,455
	<b>Total Community Services</b>	<b>697,455</b>
	<b>Finance and Resources</b>	
	<b>Total Finance and Resources</b>	
	<b>Corporate</b>	
8.	Let empty shops for starter businesses subject to Cabinet approval	0
	<b>Total Corporate</b>	<b>0</b>
	<b>If All Objections are accepted the Total Growth will be</b>	<b>875,455</b>

### Savings

Item		£
	<b>Chief Executive's Office</b>	
9.	Delete Civic Car	-7,000
10.	Renting out of Political Group Rooms at £7,785 per room	-23,355
11.	Delete Members Mobile Phones	-6,000
	<b>Total Chief Executive's Office</b>	<b>-36,355</b>
	<b>Children, Young People and Learning</b>	
12.	Delete Committee Teas	-27,000
13.	Delete 'Apprenticeships (which includes support for Armed Forces return to employment)'	-84,000
	<b>Total Children, Young People and Learning</b>	<b>-111,000</b>
	<b>Community Services</b>	
14.	Delete Mouth of the Tyne Festival Contribution	-92,000
15.	Introduce Staff Car Parking Charges at Quadrant at £2.50 per day and 1p a minute for visitors) (£185,300 for staff and £29,400 for visitors offset by £7,000 for purchase of 2 pay and display Car Parking Meters and Running costs of £5,000). This is in addition to the savings included in the Elected Mayor and Cabinet's budget proposals.	-202,700
16.	Reduce Cultural Services Events Team	-30,000
17.	Delete Head of Cultural and Customer Services	-11,000
18.	Delete 'Killingworth Lake Area – Improvements'	-50,000
	<b>Total Community Services</b>	<b>-385,700</b>

	<b>Finance and Resources</b>	
19.	Reduce Officer Mobile Phones by 20%	-14,400
	<b>Total Finance and Resources</b>	<b>-14,400</b>
	<b>Corporate</b>	
20.	Terminate contract for Interim Chief Executive from 1 April 2012	-178,000
21.	Reduce Mayoral Allowance by 25%	-10,000
22.	Reduce third party payment expenditure	-10,000
23.	Delete subscription to Local Government Association publication – 12 months notice so saving in 2013/14	0
24.	Voluntary reduction in salaries of 5% for staff earning over £50,000 per annum	-20,000
25.	Delete Deputy Chairs Allowance	-15,000
26.	Voluntary 5% reduction in Members Allowance	-5,000
27.	Delete Local Government Association Conference Attendance	-4,000
28.	Revenue Implications of the net effect of the Capital Plan Proposals	-61,000
29.	Reduction in contingency provision related to CEI Programme changes	-25,000
	<b>Total Corporate</b>	<b>-328,000</b>
	<b>If All Objections are accepted the Total Savings will be</b>	<b>-875,455</b>

6. Note that at its meeting held on 26 January 2012 the Council calculated the Council Tax Base for 2012/13 for the whole Council area as 64,219 (Item T in the Formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")).
7. Agree that the Council Tax requirement for the Council's own purposes for 2012/13 is £85,286,685, as set out below:

#### **2012/13 Council Tax Requirement for North Tyneside Council**

	£	£
2012/13 Budget Requirement		169,974,194
Financed by:		
Redistributed Business Rates	(83,044,319)	
Revenue Support Grant	(1,609,794)	
Collection Fund Surplus	<u>(33,396)</u>	<u>(84,687,509)</u>
<b>Council Tax Requirement</b>		<b>85,286,685</b>

8. Agrees that the following amounts now calculated by the Council for the year 2012/13 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended (the Act):

- (a) £370,806,632 Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
- (b) £285,519,947 Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
- (c) £85,286,685 Being the amount by which the aggregate at 8(a) above exceeds the aggregate at 8(b) above, calculated by the Council in accordance with Section 31(A)(4) of the Act, as its Council Tax requirement for the year (Item R in the formula in Section 31B of the Act).
- (d) £1,328.06 Being the amount at 8(c) above (Item R), all divided by Item T (6 above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

(e) North Tyneside Council Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
885.37	1,032.94	1,180.50	1,328.06	1,623.18	1,918.31	2,213.43	2,656.12

being the amounts given by multiplying the amount at 8(e) above by the number which, in the proportion set out in Section 5(1) of the Act 1992, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

(f) Northumbria Police Authority Valuation Bands

Note that for the year 2012/13 the Northumbria Police Authority have issued the following amounts in precepts to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings in the Council's area as indicated below:

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
55.79	65.08	74.38	83.68	102.28	120.87	139.47	167.36

(g) Tyne & Wear Fire and Rescue Authority Valuation Bands

Note that for the year 2012/13 the Tyne and Wear Fire and Rescue Authority have issued the following amounts in precepts to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings in the Council's area as indicated below:

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
48.77	56.90	65.03	73.16	89.42	105.68	121.93	146.32

(h) Total Valuation Bands

That, having calculated the aggregate in each case of the amounts at 8(e), 8(f) and 8(g) above, the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2012/13 for each part of its area and for each of the categories of dwellings shown below:

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
989.93	1,154.92	1,319.91	1,484.90	1,814.88	2,144.86	2,474.83	2,969.80

9. The Council's basic amount of council tax for 2012/13 is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992, as amended.
10. The Council's Financial Regulations will apply to the financial management of this budget.
11. A sum of £2.785m continues to be set aside in the budget to accommodate a number of events that may arise during 2012/13 but that cannot be quantified to such an exact degree as to be allocated directly into the Council's main budget headings, and to reflect the high level of efficiency savings built into the 2012/13 Budget. It is proposed that the £2.785m General Contingency is set aside in 2012/13 for the following items:
  - (a) general inflation;
  - (b) demand-led pressures; and,
  - (c) CEI Programme.

This contingency provision may be needed to cover any material change in inflation.

Demand-led pressures will include adult social care services and children's services where the Council has a statutory responsibility to respond.

The Contingency will also be available to cover the CEI Programme and the savings required in 2012/13. This is to reflect the possibility that some savings, for unforeseen or external factors, may not be deliverable in the original planned timescale. Where original proposals become unachievable, alternative proposals must be substituted as soon as practical after the issues are raised through the performance monitoring process of the Council and be reported through to Cabinet.

An additional £0.230m is proposed to be added to contingencies in respect of the grant awarded to support the roll out of free education places for disadvantaged 0-2 year olds. This is included as a specific contingency as detailed plans for the use of this funding are still to be developed. This brings the total level of contingency in 2012/13 to £3.015m.

A net reduction to the Contingency Provision of £0.025m is proposed to allow for changes to the CEI Programme.

It is proposed that virement levels and approvals for virement shall be in accordance with the rules set down in the Council's Financial Regulations in force at the time.

12. The Reserves and Balances Policy attached as Appendix C is adopted as set down and is subject to review at least annually.
13. The Strategic Director of Finance and Resources, in consultation with the Elected Mayor, Cabinet Member for Finance and the Senior Leadership Team is delegated 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;
14. The Local Prudential Code for unsupported borrowing for 2012-2022 attached as Appendix K is adopted as set down and is reviewed annually as part of the service and spending review process.
15. The Elected Mayor in consultation with the Major Projects Group, be authorised to keep under review the proposed Reserve List of Schemes, within the 2012-2022 Capital Plan.
16. 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 are authorised 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;
17. The Officer Delegation Scheme be amended to state that officers may only increase fees and charges in line with inflation. Any increase

above inflation would need to be referred to Cabinet or Council for approval, as appropriate.

18. The chief finance officer be authorised to serve notices, enter into agreements, give receipts, make adjustments, institute proceedings and take any action available to the Council to collect or enforce the collection of non-domestic rate and Council Tax from those persons liable.
19. The chief finance officer be authorised to disburse monies from funds and accounts of the Council as required for the lawful discharge of the Council's functions.
20. Agree that the Northumbria Police Authority and the Tyne and Wear Fire and Rescue Authority receive payment from the Collection Fund in 12 equal instalments on the last working day of each month.
21. Payments from the Collection Fund to be made to the Council's General Fund in 12 equal instalments on the last working day of each month.

### 3.0 CAPITAL PLAN 2012/13 – 2021/22

- 3.1 The Liberal Democrat Group recommends that the following amendments be incorporated within the 2012/13 – 2021/22 Capital Plan:

Additional Growth:

1. Learning Village to be included in the Capital Plan instead of the reserve list	4,380,000
2. Wallsend – Grant to convert retail units into Housing	1,000,000
3. Grant to Wallsend Boys Club to rebuild their building	1,000,000

**Total Additional Growth** 6,380,000

Additional Savings:

4. Defer Expenditure on North Shields Customer First Centre for 12 Months	-3,100,000
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**Total Additional Savings** -3,100,000

### Resources



5.Remove some of the land sales from Wallsend currently included in the capital plan and generate land sales from other areas.	-5,000,000
<b>Total Additional Resources</b>	<b><u>-5,000,000</u></b>

### 3.2 Draft Prudential Indicators

The following indicators have been amended to reflect the changes to the Capital Plan set out in section 3.1 above and the revenue impact of the changes.

The Local Government Act 2003 requires Councils to comply with the 'CIPFA Prudential Code for Capital Finance in Local Authorities.' The Prudential Code requires authorities to develop a set of Prudential Indicators for capital as laid out in the Code. In addition to the indicators laid down in the Code, local authorities are free to set up their own local indicators, as they consider appropriate.

The following part of the report sets down the draft Prudential Indicators as calculated and proposed for North Tyneside Council for 2012–2015.

#### **Indicators of Affordability**

Prudential Indicators (PIs) 1 to 4 are key indicators of affordability.

#### **Ratio of Financing Costs to Net Revenue Stream (PIs 1 and 2)**

This indicator shows the estimate of the ratio of financing costs to net revenue stream for the current and future years, that is the proportion of the budget (for both General Fund and Housing) that is spent on the financing of capital spend. The estimates of financing costs include the base Capital Plan.

The actual figures for 2010/11 are also set out in Table 1 below:

**Table 1: Ratio of Financing Costs to Net Revenue Stream (Pls 1 and 2)**

	2010/11	2011/12	2012/13	2013/14	2014/15
	Actual	Est.	Est.	Est.	Est.
General Fund	14.20%	14.33%	15.96%	16.40%	16.68%
HRA	14.43%	17.26%	30.57%	31.12%	24.17%

The above indicator shows costs for all borrowing, both supported and unsupported. It also includes the financing costs of PFI schemes and leases that have been brought "on balance sheet" under International Financial Reporting Standards (IFRS). To enhance the information available for decision-making we have also provided a local indicator to show the proportion of the budget that is spent on unsupported borrowing. This is shown in Table 2 below:

**Table 2: Ratio of Financing Costs for prudential (unsupported) borrowing to Net Revenue Stream (Pls 1 and 2)**

	2010/11	2011/12	2012/13	2013/14	2014/15
	Actual	Est.	Est.	Est.	Est.
General Fund	5.23%	6.32%	7.51%	8.04%	8.67%
HRA	4.51%	4.57%	4.17%	3.93%	3.91%

**Impact on Council Tax and Housing Rents (Pls 3 and 4)**

This prudential indicator reflects the estimate of the incremental impact of capital investment decisions proposed in this budget report, over and above capital investment decisions that have previously been taken. These figures reflect the amount of unsupported borrowing that is built into the proposed Capital Plan in terms of both unsupported borrowing costs and any changes to revenue running costs arising from the proposed Capital Plan.

**Table 3: Impact on Council Tax and Housing Rents (Pls 3 and 4)**

	2012/13	2013/14	2014/15
	£	£	£
For the Band D Council Tax	3.45	17.94	31.72
	2012/13	2013/14	2014/15
	£	£	£
For average weekly housing rents	0	0	0

## Net Borrowing and the Capital Financing Requirement (PI 5)

This is a key indicator for prudence and is designed to ensure that over the medium term net borrowing will only be for a capital purpose. Net borrowing should not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus estimates of any additional capital financing requirement for the current and next two financial years.

The Council's estimated net borrowing (borrowing less investments) is set out below together with the estimated Capital financing requirement (i.e. the Council's underlying need to borrow for Capital purposes) projected to 31 March 2015:

- Estimated net borrowing as at 31 March 2012 - £462.598m
- Capital Financing Requirement as at 31 March 2015 - £634.968m

## Capital Expenditure (PIs 6 and 7)

The actual capital expenditure that was incurred in 2010/11 and the estimates of capital expenditure to be incurred for the current and future years are set out in Table 4 below:

**Table 4: Capital Expenditure (PIs 6 and 7)**

	<b>2010/11 Actual £000's</b>	<b>2011/12 Est. £000's</b>	<b>2012/13 Est. £000's</b>	<b>2013/14 Est. £000's</b>	<b>2014/15 Est. £000's</b>
Chief Executive's Office	17,734	18,600	10,220	9,967	6,768
Children, Young People and Learning	9,970	15,470	17,053	8,380	7,550
Community Services	2,076	7,469	4,894	1,957	0
Finance and Resources	2,732	3,432	2,750	3,000	3,000
Corporate items	14,385	3,428	1,500	1,500	500
<b>Total General Fund</b>	<b>46,897</b>	<b>48,399</b>	<b>36,417</b>	<b>24,804</b>	<b>17,818</b>
<b>HRA</b>	<b>35,699</b>	<b>17,700</b>	<b>16,297</b>	<b>14,368</b>	<b>20,133</b>
<b>Total</b>	<b>82,596</b>	<b>66,099</b>	<b>52,714</b>	<b>39,172</b>	<b>37,951</b>

These estimates mirror those shown in Appendix A to this report.

## Capital Financing Requirement (CFR) (PIs 8 and 9)

The Capital Financing Requirement measures the authority's underlying need to borrow for a capital purpose. It reflects the cumulative amount of borrowing

required for capital purposes less the annual Minimum Revenue Provision (MRP). In accordance with best professional practice North Tyneside Council does not associate borrowing with particular items or types of expenditure.

The actual external debt of the Council may be lower than the CFR as the Council may choose to use its own external funds (reserves, balances, provisions etc) to finance borrowing. The difference between the CFR and actual external debt is the unfunded element (or internal borrowing) of the CFR. As at 31 March 2011, the Council's overall CFR (excluding PFI and leases) was £398.737m. Actual external debt was £330.901m giving an unfunded element (or internal borrowing) of £67.836m.

Estimates of the end of year Capital Financing Requirement for the authority for the current and future years and the actual Capital Financing Requirement at 31 March 2011 are set out in Table 5 below:

**Table 5: Capital Financing Requirement (PIs 8 and 9)**

	<b>2010/11 Actual £000's</b>	<b>2011/12 Est. £000's</b>	<b>2012/13 Est. £000's</b>	<b>2013/14 Est. £000's</b>	<b>2014/15 Est. £000's</b>
General Fund	290,284	295,973	299,750	298,915	296,047
HRA	162,159	292,465	301,899	319,240	338,921
<b>Total</b>	<b>452,443</b>	<b>588,438</b>	<b>601,649</b>	<b>618,155</b>	<b>634,968</b>

The above indicator shows the total borrowing requirement, both supported and unsupported. To enhance the information available for decision-making we have provided a local indicator to show the Capital Financing Requirement for unsupported borrowing. This is shown in Table 6 below:

**Table 6: Capital Financing Requirement for Unsupported Borrowing (PIs 8 and 9)**

	<b>2010/11 Actual £000's</b>	<b>2011/12 Est. £000's</b>	<b>2012/13 Est. £000's</b>	<b>2013/14 Est. £000's</b>	<b>2014/15 Est. £000's</b>
General Fund	115,858	128,520	141,913	147,985	151,147
HRA	47,294	47,766	45,266	41,366	40,616
<b>Total</b>	<b>163,152</b>	<b>176,286</b>	<b>187,179</b>	<b>189,351</b>	<b>191,763</b>

The Council has an integrated Treasury Management Strategy and has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. North Tyneside Council has, at any point in time, a number of cash flows, both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved Treasury Management Strategy and Practices.

In addition to the Prudential Indicators set out above, there are a set of Treasury Management Indicators which cover the following:

- (a) Authorised limit for external debt;
- (b) Operational boundary for external debt;
- (c) Upper limits for exposure to fixed and variable interest rates; and,
- (d) Maturity structure of borrowing.

These indicators are an integral part of the Council's Treasury Management Strategy which is included at Section 7.0 of this report. However, to some extent, the strategy is informed by decisions on the Council's budget setting process and can only be presented in an informed way once the budget is set. With this in mind, the Treasury Management Indicators are presented here based upon approval of the budget proposals set down in this report.

### **External Debt**

In respect of its external debt, it is recommended that the Council approves the following Authorised Limits for its total external debt gross of investments for the next three financial years, and agrees the continuation of the previously agreed limit for the current year since no change to this is necessary.

These limits separately identify borrowing from other long-term liabilities such as PFI and finance leases.

Council is requested to approve these limits and to delegate authority to the chief finance officer, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities, in accordance with option appraisal and best value for money for the Council.

Any such changes made will be reported to the Cabinet at its next meeting following the change.

**Table 7: Authorised Limit for External Debt**

	<b>2012/13 £000's Est.</b>	<b>2013/14 £000's Est.</b>	<b>2014/15 £000's Est.</b>
Borrowing	938,352	1,078,812	1,140,987
Other Long Term Liabilities	90,000	90,000	90,000
<b>Total</b>	<b>1,028,352</b>	<b>1,168,812</b>	<b>1,230,987</b>

The chief finance officer reports that these Authorised Limits are consistent with the authority's current commitments, existing plans and the proposals in this 2012/13 budget report for capital expenditure and financing, and in accordance with its approved Treasury Management Policy Statement and Practices.

The chief finance officer confirms that they are based on the estimate of most likely, prudent, but not worst case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements.

Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the Capital Financing Requirement and estimates of cash flow requirements for all purposes.

Council will be requested to approve the following Operational Boundary for external debt for the same time period.

The proposed Operational Boundary for external debt is based on the same estimates as the Authorised Limit but reflects directly the chief finance officer's estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the Authorised Limit, to allow, for example, for unusual cash movements, and equates to the maximum of external debt projected by this estimate.

The Operational Boundary represents a key management tool for in-year monitoring by the chief finance officer. Within the Operational Boundary, figures for borrowing and other long-term liabilities are separately identified. Council is requested to delegate authority to the chief finance officer, within the total Operational Boundary for any individual year, to effect movement between the separately agreed figures for borrowing and other long-term liabilities, in a similar fashion to the Authorised Limit.

Any such changes will be reported to the Cabinet at its next meeting following the change.

**Table 8: Operational Boundary for External Debt**

	2012/13	2013/14	2014/15
	£000's	£000's	£000's
	Est.	Est.	Est.
Borrowing	523,602	555,210	585,777
Other Long Term Liabilities	90,000	90,000	90,000
<b>Total</b>	<b>613,602</b>	<b>645,210</b>	<b>675,777</b>

**Actual External Debt at 31 March 2011**

The Council's actual external debt at 31 March 2011 was £386.866m, comprising £330.900m borrowing and £55.966m other long-term liabilities.

It should be noted that actual external debt is not directly comparable to the Authorised Limit and Operational Boundary, since the actual external debt reflects the position at one point in time.

In taking its decisions on this budget report, Council should note that the Authorised Limit determined for 2012/13 will be the statutory limit determined under Section 3(1) of the Local Government Act 2003.

Upper limit for fixed interest rate exposure

**Council will be requested to set an upper limit on its fixed interest rate exposures for 2012/13, 2013/14 and 2014/15 of 100% of its net outstanding principal sums.**

**Council will be requested to set an upper limit on its variable interest rate exposures for 2012/13, 2013/14 and 2014/15 of 50% of its net outstanding principal sums.**

The proposals to set upper and lower limits for the maturity structure of the Council's borrowings are as follows:

**Table 9: Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.**

	Upper Limit	Lower Limit
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	25%

**Table 10: Upper limit for total principal sums invested for over 364 days**

	2012/13	2013/14	2014/15
<b>% of Investments with Maturity over 364 days</b>	25%	25%	25%

The above indicator sets the exposure of investments in excess of 364 days at no more than 25% of the portfolio.

### **Annual Minimum Revenue Provision (MRP) Statement**

The Capital Finance Regulations require the Council to agree an annual policy for the Minimum Revenue Provision.

The Minimum Revenue Provision is the amount that is set aside to provide for the prepayment of debt (principal repayment). This is the amount required to make a prudent provision and ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Revenue Support Grant (RSG), reasonably commensurate with the support provided through the RSG.

It is proposed that the Council adopts a policy for Annual Minimum Revenue Provision in line with the following principles:

- (a) Assets existing at 31 March 2007 – MRP will continue to be charged at 4% per annum;
- (b) Supported Borrowing – MRP will continue to be charged at 4%, which matches the level of Government support provided for this borrowing through the RSG;
- (c) Unsupported Borrowing – for all assets financed by unsupported borrowing, MRP will be charged over the estimated life of the assets. This will include assets financed through current PFI schemes and finance leases; and
- (d) The conversion to International Financial Reporting Standards (IFRS) may also result in some lease transactions being treated as “on balance sheet” for the Council. Where this is the case an element of the annual charge to the Council for the lease will be treated as repayment of capital (ie repayment of principal and interest). The principal element is effectively the MRP charge for the year. This MRP charge will be equal to the element of the rent/service charge that goes to write down the balance sheet liability.

The effects of the MRP policy have been built into the current revenue budget projections.



## **Council Strategic Plan Changes:**

The following paragraphs included in the 2012-2015 Council Strategic Plan are to be removed:

### **What our residents have told us, Page 135, Council 2 February 2012**

“in general, people are in favour of moving forward with a Community Based Trust, although there were some concerns to be addressed on any proposed closures. “

### **Priority 7, Page150, Council 2 February 2012**

**Making change happen, improving customer service and facing up to our financial challenges** – we must set a new direction to live within reduced financial resources and make our taxpayers' money go as far as it can to create a sustainable future. This will mean providing public services in a very different way - with fewer services being directly delivered by the council and more delivered in partnership with others as well as people taking more responsibility themselves. This priority is also about interacting with our customers in a more efficient and positive way and make it easier to access council's services.

“We will explore new ways of partnership working by exploring opportunities of developing a Community Based Trust that will protect and deliver sustainable services that are tax efficient and commercially agile, while engaging community and business expertise to help improve services.”

Project Ref	Project Title	2012/13	2013/14	2014/15	2015/22	Total	Funding Source	£000
		£000	£000	£000	£000	£000		£000
	<b>Chief Executive's Office</b>							
EV034	Local Transport Plan	3,748	3,172	3,642	0	10,562	Local Transport Plan Grant	10,562
DV048	Roads & Pavements	1,000	1,000	0	0	2,000	Capital Receipts	2,000
	Central Promenade reconstruction scheme	0	100	1,581	1,581	3,262	Council Contribution Environment Agency Northumbrian Water Limited	1,431 1,115 716
DV018	Fish Quay Environmental Improvements	409	0	0	0	409	Heritage Lottery Fund Capital Receipts Unsupported Borrowing	68 303 38
DV046	Wallsend and North Bank of the Tyne Regeneration	150	0	0	0	150	Capital Receipts	150
DV054	Coastal Development	1,350	1,000	0	0	2,350	Unsupported Borrowing	2,350
HS003	Private Sector Homes Renovation	400	400	400	2,800	4,000	Capital Receipts Unsupported Borrowing	2,940 1,060
GEN04	Widening Horizons - Area Forums	80	50	0	0	130	Capital Receipts	130
ST014	North Shields Customer First Centre	0	3,100	0	0	3,100	Unsupported Borrowing Capital Receipts	2,700 400
HS036	North Tyneside Warm Zones	938	0	0	0	938	Unsupported Borrowing Scottish Power contribution N Power	188 550 200
HS004	Disabled Facility Grants	1,145	1,145	1,145	8,309	11,744	Capital Receipts Unsupported Borrowing Disabled Facilities Grant	5,206 2,628 3,910
	Grants for Retail Units in Wallsend	1,000	0	0	0	1,000	Capital Receipts	1,000
	<b>Total: Chief Executive's Office</b>	<b>10,220</b>	<b>9,967</b>	<b>6,768</b>	<b>12,690</b>	<b>39,645</b>		<b>39,645</b>

Project Ref	Project Title	2012/13 £000	2013/14 £000	2014/15 £000	2015/22 £000	Total £000	Funding Source	£000
	<b>Children, Young People and Learning</b>							
ED075	Schools Devolved Formula Capital	1,609	0	0	0	1,609	Standards Fund Grant Capital Receipts	767 842
ED120	Schools Basic Need	4,668	0	0	0	4,668	Standards Fund Grant	4,668
ED132	Schools Capital Maintenance	2,896	0	0	0	2,896	Standards Fund Grant	2,896
ED166	Primary Capital Strategy	2,500	0	0	0	2,500	Primary Capital Grant Unsupported Borrowing	1,500 1,000
ED177	Youth Facilities	1,000	1,000	0	0	2,000	Capital Receipts Unsupported Borrowing	1,382 618
ED179	Targetted Capital Fund	0	2,750	0	0	2,750	Unsupported Borrowing	2,750
	Learning Village	4,380	4,630	7,550	11,900	28,460	Unsupported Borrowing ERDF Grant External Contribution Capital Receipt	23,580 1,000 600 3,280
	<b>Total : Children, Young People and Learning</b>	<b>17,053</b>	<b>8,380</b>	<b>7,550</b>	<b>11,900</b>	<b>44,883</b>		<b>44,883</b>
	<b>Community Services</b>							
CI008	Improve ICT in Adult Social Care	400	0	0	0	400	Social Care Grant	400
CO061	Excellent Parks	2,338	1,897	0	0	4,235	Capital Receipts Heritage Lottery Fund	2,821 1,414
CO064	Community Capacity	1,081	0	0	0	1,081	Department of Health Grant	1,081
CO062	Contact Centre Automation Project	30	60	0	0	90	Unsupported Borrowing	90
CO063	Self Service Payment Kiosk	15	0	0	0	15	Unsupported Borrowing	15
DV051	Carbon Emmissions and Energy consumption	30	0	0	0	30	Capital Receipts	30
	Wallsend Boys Club Capital Grant	1,000	0	0	0	1,000	Unsupported Borrowing Capital Receipts	280 720

Project Ref	Project Title	2012/13	2013/14	2014/15	2015/22	Total	Funding Source	£000
		£000	£000	£000	£000	£000		
	<b>Total : Community Services</b>	4,894	1,957	0	0	6,851		6,851
	<b>Finance and Resources</b>							
IT020	ICT Strategy	1,000	1,000	1,000	7,000	10,000	Capital Receipts	10,000
BS026	Health and Safety (Planned Maintenance)	1,750	2,000	2,000	14,000	19,750	Unsupported Borrowing Capital Receipts	15,000 4,750
	<b>Total: Finance and Resources</b>	2,750	3,000	3,000	21,000	29,750		29,750
	<b>Corporate Items</b>							
GEN03	Contingency Provision	1,500	1,500	500	3,500	7,000	Unsupported Borrowing Capital Receipts	5,836 1,164
	<b>Total: Corporate Items</b>	1,500	1,500	500	3,500	7,000		7,000
	<b>TOTAL: GENERAL FUND</b>	36,417	24,804	17,818	49,090	128,129		128,129
	<b>Housing</b>							
HS002	HRA Schemes	16,297	14,368	20,133	197,719	248,517	Revenue Contribution Major Repairs Reserve	102,802 145,715
	<b>Total: Housing</b>	16,297	14,368	20,133	197,719	248,517		248,517
	<b>TOTAL</b>	52,714	39,172	37,951	246,809	376,646		376,646

Project Ref	Project Title	2012/13 £000	2013/14 £000	2014/15 £000	2015/22 £000	Total £000	Funding Source	£000
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**Financing Summary**

		2012/13 £000	2013/14 £000	2014/15 £000	2015/22 £000	Total £000	
<b>General Fund</b>							
Unsuported Borrowing		4,019	12,140	9,766	34,840	60,765	
Capital Receipts		14,019	7,919	3,065	10,914	35,917	
<b>Council contribution</b>		<b>18,038</b>	<b>20,059</b>	<b>12,831</b>	<b>45,754</b>	<b>96,682</b>	
Grants and contributions		18,379	4,745	4,987	3,336	31,447	
<b>TOTAL: GENERAL FUND</b>		<b>36,417</b>	<b>24,804</b>	<b>17,818</b>	<b>49,090</b>	<b>128,129</b>	
<b>Housing</b>							
Revenue contribution		3,193	1,466	6,779	91,364	102,802	
Major Repairs Reserve		13,104	12,902	13,354	106,355	145,715	
<b>TOTAL: HOUSING</b>		<b>16,297</b>	<b>14,368</b>	<b>20,133</b>	<b>197,719</b>	<b>248,517</b>	
<b>TOTAL</b>		<b>52,714</b>	<b>39,172</b>	<b>37,951</b>	<b>246,809</b>	<b>376,646</b>	