

North Tyneside Council Report to Council Date: 21 February 2012

ITEM 3

Title: 2012-2015 Council Strategic Plan and Budget Setting Process: Elected Mayor and Cabinet Budget and Council Tax Requirement Resolution for 2012/13

Portfolios: Elected Mayor
Cabinet Member for Finance

Cabinet Members: Mrs Linda Arkley
Cllr Judith Wallace

Report from: The Elected Mayor and Cabinet

Wards affected: All

PART 1

1.1 Purpose:

- 1.1.1 The Council's Constitution sets out, in its Budget and Policy Framework Procedure Rules, the process that the Council has agreed as appropriate for setting the budget. The 2012–2015 Council Strategic Plan and Budget Setting Process, incorporating the 2012/13 budget, reflects these requirements. Further details of the decision-making process were set down in paragraphs 1.5.7 to 1.5.14 of the 2 February 2012 report to this Council.
- 1.1.2 As explained in the 18 January 2012 Cabinet report, which was subsequently included as Annex 1 to the Council report on 2 February 2012, certain specific information was still outstanding at the time the report was considered. Cabinet therefore granted delegated authority to the Elected Mayor to make any final amendments to the Cabinet's proposals in relation to that information which was still outstanding, in order that due consideration could be given to the final level of Council Tax the Cabinet wishes to put forward to Council for approval for 2012/13 (recommendation 1.2.1 (v) in the original Cabinet report refers).
- 1.1.3 On 20 February 2012, a notification letter was 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 agreed by Cabinet on 18 January 2012. It was noted in that letter that pending receipt of the Northumbria Police Authority precept for 2012/13, the Council is unable to finally set the council tax level. As the Northumbria Police Authority precept will not be available until 22 February 2012 the Council Tax can therefore only be set at the Council meeting planned for 1 March 2012.

- 1.1.4 This report is now presented by the Elected Mayor and Cabinet to Council, recommending the Council's 2012-2015 Council Strategic Plan, the 2012/13 General Fund Revenue Budget, Council Tax Requirement and Council Tax level, the Treasury Management Statement and Annual Investment Strategy for 2012/13 and the 2012-2022 Capital Plan.
- 1.1.5 The purpose of this report is therefore to present, for Council's consideration and approval:
- (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 & 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.
- 1.1.6 There is also a requirement to obtain appropriate delegations as set down in this report and as received by full Council on 2 February 2012.

1.2 Recommendations:

- 1.2.1 Council is recommended to:
- (a) Agree 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. The 2012-2015 Council Strategic Plan is attached as Appendix A to this report;
 - (b) Agree, in principle, the recommendations and delegations set down in paragraph 1.5.30 of this 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) Agree 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 & Accountancy's (CIPFA's) Prudential Framework and the proposed Minimum Revenue Provision (MRP) Policy in line with capital finance regulations. This excludes Housing which was previously agreed at Council on 15 February 2012, as set out in the original 2 February 2012 Report to Council and Appendix J to this report.

- (d) Agree 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;
- (e) Agree 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; and,
- (f) Agree 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.

1.3 Forward plan:

- 1.3.1 This report was included in the Forward Plan for the period from 1 February 2012 to 31 May 2012.

1.4 Council plan and policy framework:

- 1.4.1 The Budget and Policy Framework Procedure Rules are set out in Part 4.7 of the Council's Constitution. The Council Strategic Plan is guided by Part 4.7(4), covering the process for the preparation, consideration and final approval of the plans and strategies forming part of the Council's Policy Framework, and the Budget is guided by Part 4.7(3) covering the process for the preparation, consideration and final approval of the Council's budget. The constitutional requirements for preparing, considering and approving the Council Strategic Plan and Budget ultimately drive the timetable for the Council Strategic Plan and Budget Setting Process of the Council.
- 1.4.2 The steps to be followed make the budget related timescales more demanding than those for the Council Strategic Plan. Cabinet has ensured its considerations in relation to the Council Strategic Plan have followed the same timetable as the Budget so that the objectives in the Council Strategic Plan have driven the discussion on where budget resources and any potential re-directions of resources have been allocated. The timetable set down in paragraph 1.6, Table 1 of Annex 1 of the report to Council on 2 February 2012 therefore assumed the same timeline for preparing, considering and approving the Council Strategic Plan with the Budget.

1.5 Information:

The 2012/13 General Fund Revenue Account Budget and Council Tax Level – Final Amendments by The Elected Mayor under Delegation Granted by Cabinet

Changes made to the Council Strategic Plan 2012-15 and action plan.

- 1.5.1 At Cabinet on 18 January 2012, delegated authority was 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 continued until 31 January 2012. These were presented as an addendum to the report to Council on 2 February 2012. The Elected Mayor and Cabinet 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 has been amended to include the Council's Change, Efficiency and Improvement Programme Technical Package, which covers planning, property, consumer protection and engineering services.
- 1.5.2 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 has now been received with the exception of the Northumbria Police Authority precept which is not approved until 22 February 2012. On 20 February 2012 a Notification Letter was 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 have been incorporated into the Budget and Council Tax Requirement Resolution and are repeated in Table 1 below for completeness and are as follows:

Police and Fire Precepts:

- 1.5.3 The anticipated and final amendments to the Fire and Police Precepts for 2012/13 are as follows:

(a) Tyne & Wear Fire and Rescue Authority

Precept increase of 0% over the 2012/13 level (original estimate was 0%).

(b) Northumbria Police Authority

Precept increase of 0% over the 2012/13 level (original estimate was 0%), will be considered on 22 February 2012.

Levies:

- 1.5.4 The final amendments to Levies for 2012/13 are as follows:

- (a) Tyne & Wear Integrated Transport Authority Levy – no change compared with original estimate;
- (b) Tyne Port Health Authority Levy – no change compared with original estimate;
- (c) Environment Agency Levy – £10,000 reduction below original estimate; and,

- (d) Northumberland Inshore Fisheries and Conservation Authority (IFCA) (Formerly known as Northumbria Sea Fisheries) - £4,000 reduction below original estimate.

Tyne and Wear Joint Service Budgets

- 1.5.5 There is no net change to the Tyne and Wear Joint Service Budgets information since the 18 January 2012 Cabinet meeting.

The final Local Government Finance Settlement announcement for 2012/13, including Capital announcements, Specific Grants (including Dedicated Schools Grant and Council Tax Freeze Grant) final detailed information

The Final Local Government Finance Settlement

- 1.5.6 The Final Local Government Finance Settlement for 2012/13 was announced by Communities and Local Government (CLG) on 31 January 2012. There were no changes for North Tyneside Council from those announced at the time of the Provisional Local Government Finance Settlement on 8 December 2011.

Final consideration of the impact of the economic climate on the residents of the borough and council tax payers

2012/13 Council Tax Base

- 1.5.7 The Cabinet's proposals as at 18 January 2012 were based on an assumed Council Tax Base of 64,147. Council, at its meeting on 26 January 2012 approved the 2012/13 Council Taxbase as 64,219. This has the impact of additional resources of £87,000 being available for the budget.

These changes are reflected in Table 2 below.

Collection Fund Surplus

- 1.5.8 The second change in this category is the annual statutory collection fund surplus calculation which produces a £33,000 surplus for 2012/13.

Chartered Institute of Public Finance and Accountancy (CIPFA) Consultation on proposed changes to the Prudential Code

- 1.5.9 The CIPFA consultation on proposed changes to the Prudential Code included a proposal to change the Net Debt indicator to a Gross Debt indicator to avoid any potential for the masking of borrowing for purposes other than capital. This was subsequently agreed. In order to reflect this change, Members are asked to note the additional indicator set out below:

Net Debt and the Capital Financing Requirement (PI5)

- 1.5.10 This is a key indicator for prudence and is designed to ensure that over the medium term net debt will only be for a capital purpose. Net debt 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.

1.5.11 Following recent changes to the CIPFA Prudential Code this indicator now includes all debt (Private Finance Initiative Schemes and finance leases), less investments, rather than purely borrowing. The Council's estimated net debt (debt less investments) is set out below together with the estimated Capital Financing Requirement (ie the Council's underlying need to borrow for Capital purposes) projected to 31 March 2015:

- Estimated net debt as at 31 March 2012 - £514.058m
- Capital Financing Requirement as at 31 March 2015 - £622.956m

(For information previous net borrowing figure was £462.598m).

1.5.12 CIPFA is currently consulting on introducing a further change to this indicator so that the gross debt position is shown rather than net. If agreed this change will take effect in 2012/13. With this in mind we have introduced a further local indicator to show the estimated gross debt as set out below:

- Estimated gross debt as at 31 March 2012 - £524.058m

Effect of Amendments to the 2012/13 General Fund Revenue Budget

1.5.13 The effect of the above amendments is set down in Table 1 below:

Table 1: Effect of Amendments to 2012/13 General Fund Revenue Budget

Item	Change in spending Power since 18 January 2012	Change £'000
	Spending Changes	
1.5.4 (c)	Environment Agency	-10
1.5.4 (d)	Northumberland Inshore Fisheries and Conservation Authority (IFCA)	-4
	Total Spending Changes	-14
	Resource Changes	
1.5.7	Increase in Resources as a result of Council setting the 2012/13 Council Tax Base on 26 January 2012	-87
1.5.8	Collection Fund Surplus	-33
	Total Resource Changes	-120
	Extra Spending Power since 18 January 2012	-134

Note: Additional resources are shown as a negative (-) and reduced expenditure budgets are shown as a negative (-).

Final Proposals for the 2012/13 General Fund Revenue Budget

- 1.5.14 In accordance with the delegation, the Elected Mayor has given due consideration to the impact of the change in available resources in determining the council tax level for 2012/13 and proposes the following:

Table 2: Final Proposals for the 2012/13 General Fund Revenue Budget

Proposals as at 20 February 2012	Mayoral Amendments £000's
Killingworth Lake Area – Improvements	+50
Apprenticeships (which includes support for Armed Forces return to employment)	+84
TOTAL	+134

Changes to methods of delivery of savings

- 1.5.15 Since the report to Council on 2 February 2012, there have 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

- 1.5.16 It is no longer proposed to close the Tourist Information Centre in North Shields. The saving of £15,000 is now proposed to be delivered through a remodelling of the service.

(b) Kids Club at Battle Hill

- 1.5.17 It is 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 have a borough wide remit. The Council intend to achieve the savings linked to the original Kids Club proposal through a remodelling of the service that will see all Clubs maintained but delivered on a bi-weekly instead of weekly basis.

Reserves and Balances Policy

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

Council Tax Increase for 2012/13

- 1.5.19 The council tax level for 2012/13 (including precepts) is 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.

Business Community Engagement

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

Process for Consideration and Determination of the Budget

- 1.5.21 The process for consideration of the budget is determined by statutory standing orders in the Local Authorities (Standing Orders) (England) Regulations 2001. The Council has adopted a process complying with the statutory requirements. It is set out in the Budget & Policy Framework Procedure Rules in the Council's Constitution. This part of the report provides a summary of the main points.
- 1.5.22 At the Council meeting on 21 February 2012, full Council will debate and give detailed consideration to Cabinet's Council Strategic Plan and budget estimates of amounts and council tax requirement. Full Council will consider whether it has any objections to Cabinet's proposals.
- 1.5.23 Pending receipt of the Northumbria Police Authority precept for 2012/13 the Council is unable to finally set the council tax level. As this will not be available until 22 February 2012 the Council Tax can therefore only be set at the Council meeting planned for 1 March 2012.

- 1.5.24 Following the 21 February 2012 meeting, the Elected Mayor must reconsider the Cabinet's proposals taking into account any objections of full Council. A Cabinet meeting has been scheduled for 23 February 2012, if required, for this purpose.
- 1.5.25 The Elected Mayor may then revise the proposals, or disagree with full Council and give notice accordingly to the Chief Executive to enable a further meeting of full Council to be called. This is the final meeting in the process at which the Council's budget and council tax requirement calculation will be agreed and the council tax level for 2012/13 set. This meeting will take place on 1 March 2012. At this meeting, where any proposals of full Council in respect of the budget calculations do not accord with the Cabinet's proposals, Cabinet's proposals will prevail unless at the meeting a two-thirds' majority of the members present vote to impose full Council's own proposals.

Elected Mayor and Cabinet Resolution: Setting the Council Tax 2012/13

- 1.5.26 The Localism Act 2011, which was enacted on 3 December 2011, introduced changes which impact on the council tax calculation for 2012/13 as part of the formal budget and council tax resolution.
- 1.5.27 Firstly, the Localism Act 2011 changes some aspects of Part 1 of the 1992 Local Government Finance Act 1992 (the 1992 Act) governing the calculation of council tax.
- 1.5.28 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 increases 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 were agreed by the House of Commons on 8 February 2012. These agreed principles state that for Unitary Local Authorities that any increase in its relevant basic amount of council tax for 2012/13 is deemed excessive for referendum purposes if it exceeds 3.5% compared with 2011/12. This relevant basic amount of council tax is different to the council tax requirement because it is adjusted for the levies which local authorities pay. To illustrate this, the council tax requirement for North Tyneside Council for 2012/13 is £85.287 million, whereas the relevant basic amount of council tax for referendum purposes for 2012/13 is £72.490m.

Council Tax Requirement

- 1.5.29 The Localism Act 2011 has made significant changes to the Local Government Finance Act 1992, and now requires 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 is set out in Table 3 below:

Table 3: 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>
Council Tax Requirement		85,286,685

2012/13 Council Tax Requirement Resolution

1.5.30 Cabinet recommends that:

- 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, further explained at paragraphs 1.5.31 to 1.5.37, 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
Total	<u>154,161,918</u>

- 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>

- The contingency provision be set as follows:

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

- 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”).

5. Agree that 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. 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) £370,811,577 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

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 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.

Dedicated Schools Grant

1.5.31 The School Finance Cabinet paper on 14 November 2011 outlined the expected changes (at that time) to the national funding framework for schools for 2012/13. The overall position regarding school revenue funding is:

- a) A continuation of the current methodology for funding schools early years and 4-16 provision in 2012/13 through the Dedicated Schools Grant (DSG);
- b) The overall funds available to support the DSG nationally, and for each local authority area, will be kept at flat cash per pupil for 2012/13. The guaranteed unit of funding per pupil (used to establish the DSG) for North Tyneside therefore remains at £4,905.81. The pupil numbers used to determine the total DSG for 2012/13 are taken from the January 2012 school census. The DSG for 2012/13 is currently estimated at £133.423m;
- c) Some schools will see budget reductions, either because they have fewer pupils or because of changes to funding distribution factors used in the local schools funding formula. To protect schools from significant budget reductions, a Minimum Funding Guarantee (MFG) will be employed that ensures no school sees more than a 1.5% per pupil reduction in 2012-13 budgets (excluding sixth form funding) compared to 2011-12 and before the Pupil Premium is added, i.e. a per pupil reduction of 1.5% in a school's delegated budget is the worst case funding scenario for any individual school for 2012/13;
- d) Funding for the Pupil Premium doubles to £1.25bn for 2012/13, meaning a rise to £600 per eligible pupil, though £50m will be used from the overall pot to support the Summer School programme (details yet to be announced). Eligibility for the Pupil Premium will be extended to include pupils who have been eligible for Free School Meals over the last 6 years. The Pupil Premium for Service children increases from £200 to £250. The Pupil Premium is worth £2.379m for schools and children in North Tyneside in 2011/12 and currently forecast to increase to £4.366m for 2012/13.
- e) No change to the funding formula for 16-19 provision or to the overall funding approach. Reductions for school sixth forms will therefore continue to be

affected by the convergence of funding rates (between school sixth forms and further education colleges). Individual institutional allocations will be confirmed in late spring by the Young Peoples Learning Agency (YPLA).

- f) The funding system beyond 2012/13 remains subject to the outcome of ongoing consultation by the Department for Education.

1.5.32 Since November, and in line with the agreed delegations in the 14 November 2011 paper, the local authority has been working closely with the Schools Forum and all stakeholder groups to ensure these changes are appropriately incorporated into the local funding arrangements for North Tyneside schools for 2011/12. These issues have been discussed at the Schools Forum on 14 December 2011 and 25 January 2012. Wider consultation has been conducted with all schools including a Headteacher briefing on 2 December 2011 and Governor briefing sessions on 9 and 10 of January 2012.

1.5.33 Following consultation with these groups we have agreed proposals for 2012/13 as follows:

- a) Changes in budget allocations to reflect changes in demand of Special Educational needs (including Special schools, Pupil referral unit, Additionally Resourced Provisions);
- b) Changes to the North Tyneside's Early Years education funding model following introduction of this model in 2011/12; and,
- c) Agreement that the net cost of the High Borrans outdoor education facility is to be charged to the DSG.

1.5.34 There are no further proposed changes to the local funding formula for schools for 2012/13.

1.5.35 Individual school budget delegations for 2012/13 will now be produced using data from the January 2012 school census. In line with previous years, individual school budget delegations will be available to maintained schools in mid to late March.

1.5.36 In advance of this the local authority has developed and shared a 3 year budget modelling tool for schools to employ when building their 2012/13 budget plans. All schools have been invited to a series of budget planning events in February and March.

1.5.37 Maintained schools are required to return their detailed budget plans for 2012/13 to the Local Authority, as approved by their Governing Body, by no later than 31 May 2012.

2012-2022 Capital Plan

1.5.38 Council is requested to approve the proposals for the 2012-2022 Capital Plan, excluding Housing, which was previously agreed by Council on 15 February 2012. The tables included in the report and appendices include Housing information for completeness only.

Response to Overview & Scrutiny Committee Recommendations

- 1.5.39 The Overview and Scrutiny Committee's Budget & Council Plan Study Group has considered the Cabinet's 2012-2015 draft Council Strategic Plan and initial budget proposals. The Budget & Council Plan Study Group's report was presented to Overview and Scrutiny Committee on 9 January 2012.
- 1.5.40 At its meeting on 18 January 2012 Cabinet granted delegated authority to the Elected Mayor, in consultation with the Cabinet Member for Finance, the Chief Executive and the Strategic Director of Finance and Resources, to respond to any recommendations following Overview and Scrutiny Committee's consideration of the Budget & Council Plan Study Group's report into the 2012-2015 Council Strategic Plan and Budget Setting Process.
- 1.5.41 On 2 February 2012, a report from the Elected Mayor was sent to all Members and Co-opted Members of the Council setting down the response to the Overview and Scrutiny Committee's recommendations, made under the delegated authority granted to her by Cabinet on 18 January 2012.

Statement to Council by the chief finance officer

Background

- 1.5.42 The Local Government Act 2003 imposes duties on local authorities in relation to budget setting. The Act requires that when an authority is deciding its annual budget and council tax level, members and officers must take into account a report from the chief finance officer on the robustness of the budget and the adequacy of the authority's financial reserves.
- 1.5.43 Government has a back up power to impose a minimum level of reserves on any authority that it considers is making inadequate provisions.
- 1.5.44 In making the statement the chief finance officer necessarily places reliance on information provided to her by other officers of the Council as part of the budget setting process. Due cognisance to CIPFA's guidance in relation to the adequacy of reserves and balances has also be taken into account.

Robustness of Estimates

- 1.5.45 In assessing the robustness of estimates, the chief finance officer has considered the following issues:
- (a) The general financial standing of the Council;
 - (b) The underlying budget assumptions from the financial strategy;
 - (c) Future budget pressures and growth proposals, including the impact of prudential borrowing for the 2012-2022 Capital Plan;

- (d) The adequacy of the budget monitoring and financial reporting arrangements in place;
- (e) The adequacy of the Council's internal control systems, relying on the Assurance Statements provided as part of the Annual Governance Statement for the 2010/11 Statement of Accounts, presented to the Audit Committee on 28 September 2011;
- (f) The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Council; and,
- (g) The implications of government's 2011-2015 Spending Review and the Local Government Finance Settlement on the Council's financial plan.

1.5.46 The chief finance officer is satisfied that due attention has been given to the 2012-2015 Council Strategic Plan and Budget Setting process and in particular the budget setting element of that process for 2012-2015 to enable a positive statement to be made.

1.5.47 The Cabinet is aware it must keep under review its medium-term Financial Strategy and three year Financial Plan, in the context of its Council Strategic Plan and known key financial risks. Future pressures need to be considered and the Council should not take 2012/13 in isolation to future years' needs and pressures. Each year's budget must continue to be considered within the context of the three-year Financial Plan, the ten-year Capital Plan, the Financial Strategy and delivery of the Council Strategic Plan.

1.5.48 To ensure that the Council continues to keep within its approved budget and the financial integrity of the Council is maintained, it is essential that budget holder responsibility and accountability continues to be recognised as set down in the Council's Financial Regulations and in the roles and responsibilities section of the Council's budget management handbook.

Adequacy of Financial Reserves

1.5.49 The level of reserves used to support the 2012/13 budget proposals has been set at £0.200m. The chief finance officer's view, based on Cabinet's estimates of amounts proposals is that, this figure for the use of reserves in 2012/13 is manageable within the overall financial position of the Council and the level of reserves carried in its balance sheet. For 2009/10 the budgeted use of reserves, for both revenue and capital, was £11.498m. In the 2010/11 budget this fell to £4.064m and to £3.185m in the 2011/12 budget (comprising of a contribution of £1.803m from the insurance reserve and £1.382m from the Strategic Reserve). The 2012/13 draft budget sees a further fall in the use of reserves to £0.200m (from the Strategic Reserve). These successive reductions recognise the need to reduce the reliance on reserves in balancing the Council's revenue budget.

1.5.50 The proposed 2012/13 budget includes the use of £0.200m of the Strategic Reserve to establish the CEI Fund. £1.436m is being used to replenish the reserve in 2012/13 in line with the projected budget monitoring position for 2011/12 and the use of some one-offs in that year. This maintains the Strategic Reserve at an

average level of £5.000m over the life of the financial plan in line with the Reserves and Balances Policy. Any unplanned use of the Strategic Reserve over the 2012-2015 financial plan would take the level outside of this boundary.

- 1.5.51 Guidance on Local Authority Reserves and Balances is given in Accounting Bulletin LAAP (Local Authority Accounting Practice) 77. This states that *“Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short term option”*, and so the proposed 2012/13 budget does not contradict the issued guidance. The Bulletin does then go on to say that *“It is not normally prudent for reserves to be deployed to finance current expenditure”*. The 2012-2015 financial plan has been developed so that ongoing revenue expenditure is aligned to annual income with no long term reliance on reserves.

1.6 Decision options:

- 1.6.1 The Elected Mayor and Cabinet and Budget and Council Tax Requirement Resolution for 2012/13 is set down in paragraph 1.5.30 of this report.
- 1.6.2 At the Council meeting on 21 February 2012, full Council will debate and give detailed consideration to Cabinet’s budget estimates of amounts and Council Strategic Plan. Full Council will consider whether it has any objections to Cabinet’s proposals.
- 1.6.3 Pending receipt of the Northumbria Police Authority precept for 2012/13 the Council is unable to finally set the council tax level. As this will not be available until 22 February 2012 the Council Tax can therefore only be set at the Council meeting planned for 1 March 2012.
- 1.6.4 Following the 21 February 2012 meeting, the Elected Mayor must reconsider the Cabinet’s proposals taking into account any objections of full Council. A Cabinet meeting has been scheduled for 23 February 2012, if required, for this purpose.
- 1.6.5 The Elected Mayor may then revise the proposals, or disagree with full Council and give notice accordingly to the Chief Executive to enable a further meeting of full Council to be called. This is the final meeting in the process at which the Council’s budget and council tax requirement calculation will be agreed and the council tax level for 2012/13 set. This meeting will take place on 1 March 2012. At this meeting, where any proposals of full Council in respect of the budget calculations do not accord with the Cabinet’s proposals, Cabinet’s proposals will prevail unless at the meeting a two-thirds’ majority of the members present vote to impose full Council’s own proposals.

1.7 Reasons for recommended option:

- 1.7.1 The reasons for the recommendations are mainly legal in nature, as stated in paragraphs 2.1 and 2.2 of this report.

1.8 Appendices:

Appendix A:	Widening Horizons - The Council Strategic Plan 2012-2015
Appendix B	Council Strategic Plan and Budget Engagement Summary 2012/13
Appendix C:	North Tyneside Council's Reserves & Balances Policy
Appendices D(i) - D(ii)	2012/13 General Fund Revenue Account Budget Summary by Directorate/Service Area and by Subjective
Appendices E(i) - I(ii)	2012-2015 Draft Budget Statements by Directorate/Service Area, including schedules of Reasons for Variations from 2011/12 for the General Fund Revenue Account
Appendix J(i) – J(ii)	2012-2022 Capital Plan and Reserve List of Schemes
Appendix K	North Tyneside Council's Local Prudential Code 2012-2022
Appendix L(i) - L(vi)	Treasury Management Statement and Annual Investment Strategy 2012/13
Appendix M	Glossary of Terms

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1.10 Background information:

The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

- (a) Local Authorities (Standing Orders) (England) Regulations, 2001.
- (b) North Tyneside Council's Constitution including the Budget and Policy Framework Procedure Rules.
- (c) 2012-2015 Council Strategic Plan and Budget Setting Process: Cabinet's Draft Council Strategic Plan and Budget Proposals, Cabinet 18 January 2012.
- (d) 2012-2015 Council Strategic Plan and Budget Setting Process: 2012/13 Budget Submission to the Authority (incorporating the Housing Revenue Account), Council 2 February 2012.
- (e) Localism Act 2011

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

- 2.1.1 The financial implications arising from this report are appraised as part of the decisions made about what will be included in the Council's Financial Plan,

incorporating the 2012/13 budget setting process. Decisions on the budget in relation to the general fund, housing revenue account, schools' funding, treasury management statement and annual investment strategy and capital investment need to be made within the overall context of the resources available to the Council and within the legal framework for setting budgets, and the statutory council requirement.

- 2.1.2 Council need to have due regard to the chief finance officer's advice in relation to the robustness of the estimates used and to the levels of reserves and balances proposed as part of the three-year financial plan for 2012-2015, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in November 2008.

2.2 Legal

- 2.2.1 The Local Government Finance Act 1992 (Section 32: Calculation of Budget Requirement) requires the Council to set a balanced budget in the context of the resources available, including central government grants, business rates and council tax income. The Localism Act 2011 inserts a new Section 31 into the Local Government Finance Act 1992, which requires the calculation of a council tax requirement by billing authorities, rather than a budget requirement calculation, as previously, as set out in paragraph 1.5.29. The Localism Act 2011 also abolished council tax capping in England. It instead introduced new provisions into the 1992 Act, making provision for council tax referendums to be held in England if an authority increases its council tax by an amount exceeding the principles determined by the Secretary of State and agreed by the House of Commons.
- 2.2.2 The Local Government Act 2003 imposes duties on local authorities in relation to budget and council tax setting. The Act requires that, when an authority is deciding its annual budget and council tax level, members and officers must take into account a report from the chief finance officer on the robustness of the budget and the adequacy of the authority's financial reserves. The Government has a back-up power to impose a minimum level of reserves on an authority that it considers to be making inadequate provisions.
- 2.2.3 The 2012/13 Council Strategic Plan and Budget Setting Process has been prepared to comply with the time-scales required within the Budget & Policy Framework Procedure Rules contained in the Council's Constitution.
- 2.2.4 Pursuant to the Local Government Finance Act 1992 S30(7) the Council is only able to set the Council tax either following receipt of the precepts from major precepting authorities or 1 March in any year, whichever is earlier. The budget must however be set before 11 March in the relevant year. Pending receipt of the Northumbria Police Authority precept for 2012/13 the Council is unable to finally set the council tax level. As this will not be available until 22 February 2012 the Council Tax can therefore only be set at the Council meeting planned for 1 March 2012.

2.3 Consultation/community engagement

Internal consultation

- 2.3.1 Each Cabinet Member has been involved in the development of the proposals put forward in this report, with regular discussions held between the Chief Executive, Strategic Directors, the Elected Mayor, the Cabinet Member for Finance and all other Cabinet Members. The Senior Leadership Team and their Directorate Leadership Teams have been fully engaged in the process and in the proposals set down in this report.
- 2.3.2 A specific Trades Union briefing on the Council Strategic Plan and Budget was held on 15 December 2011 and attended by Senior Officers. In addition, consultation has taken place with staff both generally and on specific proposals.

Community engagement

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

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

- Gold Ticket and Mini Gold Ticket Events
 - Involved tenants meetings
 - Tenants Investment Panel
 - Overview Panel
- Users of Sure Start centres;
 - Staff Panel;
 - Residents Panel;
 - Faith groups; and,
 - Disability groups.

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

2.4 Human rights

2.4.1 All actions and spending plans contained within the Council Strategic Plan and Budget are fully compliant with national and international Human Rights Law. For example, Article 10 of the European Convention on Human Rights guarantees freedom of expression, including the freedom to 'hold opinions and to receive and impart information and ideas'. Article 8 of the Convention guarantees the right to respect for private and family life.

2.5 Equalities and diversity

2.5.1 In undertaking the process of the Council Strategic Plan and Budget the Council's aim has been at all times to secure compliance with its responsibilities under the Equality Act 2010 and in particular the public sector equality duty under that Act.

To achieve this we have taken a phased approach:

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

and Budget proposals for 2012/13 for consideration at the Cabinet meeting on 28 November 2011. Full Equality Impact Assessments were in place for proposals going forward for consideration by Cabinet at the 18 January 2012 meeting.

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

2.6 Risk management

- 2.6.1 Individual projects within the Council Strategic Plan are subject to full risk reviews. For larger projects, individual project risk registers are established as part of the Council's agreed approach to project management. Risks will be entered into the appropriate directorate, corporate/strategic or project risk register(s) and will be subject to ongoing management to reduce the likelihood and impact of each risk.

2.7 Crime and disorder


- 2.7.1 Projects within the Council Strategic Plan will promote the reduction of crime and disorder within the borough. Under the 1998 Crime and Disorder Act, local authorities have a statutory duty to work with partners on the reduction of crime and disorder. One of our seven Council Strategic Plan priorities is "creating safe and secure communities".

2.8 Environment and sustainability

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

PART 3 - SIGN OFF

- Strategic Director (s) X
- Mayor/Cabinet Member(s) X
- Chief finance officer X
- Monitoring Officer X

- Strategic Director with responsibility for Community Engagement 

Report Author: Fiona Rooney