

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

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
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	2,990,000
Total	<u>2,990,000</u>

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		£
	<u>Chief Executive's Office</u>	
	Total Chief Executive's Office	
	<u>Children, Young People and Learning</u>	
1.	Delete School Meals price increase (15p from September 2012)	178,000
	<u>Total Children, Young People and Learning</u>	178,000
	<u>Community Services</u>	
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

	Total Community Services	697,455
	<u>Finance and Resources</u>	
	Total Finance and Resources	
	<u>Corporate</u>	
8.	Let empty shops for starter businesses subject to Cabinet approval	0
	Total Corporate	0
	If All Objections are accepted the Total Growth will be	875,455

Savings

Item		£
	<u>Chief Executive's Office</u>	
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
	Total Chief Executive's Office	-36,355
	<u>Children, Young People and Learning</u>	
12.	Delete Committee Teas	-27,000
13.	Delete 'Apprenticeships (which includes support for Armed Forces return to employment)'	-84,000
	Total Children, Young People and Learning	-111,000
	<u>Community Services</u>	
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
	Total Community Services	-385,700
	<u>Finance and Resources</u>	

19.	Reduce Officer Mobile Phones by 20%	-14,400
	Total Finance and Resources	-14,400
	Corporate	
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
	Total Corporate	-328,000
	If All Objections are accepted the Total Savings will be	-875,455

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>
Council Tax Requirement		85,286,685

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	<u>1,000,000</u>
Total Additional Growth	<u>6,380,000</u>
Additional Savings:	_____
4.Defer Expenditure on North Shields Customer First Centre for 12 Months	-3,100,000
Total Additional Savings	<u>-3,100,000</u>

Resources

5.Remove some of the land sales from Wallsend	-5,000,000
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currently included in the capital plan and generate land sales from other areas.

Total Additional Resources

-5,000,000

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)

	2010/11 Actual £000's	2011/12 Est. £000's	2012/13 Est. £000's	2013/14 Est. £000's	2014/15 Est. £000's
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
Total General Fund	46,897	48,399	36,417	24,804	17,818
HRA	35,699	17,700	16,297	14,368	20,133
Total	82,596	66,099	52,714	39,172	37,951

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 (Pls 8 and 9)

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

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)

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

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

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

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
Total	613,602	645,210	675,777

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
% of Investments with Maturity over 364 days	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.”