

# North Tyneside Council Report to Council Date: 1 March 2012

## ITEM 3

Title: 2012-2015 Council  
Strategic Plan and Budget  
Setting Process: Consideration  
of any Objections to the  
Cabinet's Proposals

|  |   |
|--|---|
| <b>Portfolios:</b> Elected Mayor<br>Cabinet Member for Finance | <b>Cabinet Members:</b> Mrs Linda Arkley<br>Cllr Judith Wallace |
| <b>Report from:</b> Elected Mayor and Cabinet                  |   |
| <b>Wards affected:</b> All                                     |   |

### 1.1 Purpose:

- 1.1.1 Council at this meeting needs to consider the Elected Mayor's responses to the Council's Objections from 21 February 2012 Council meeting and approve the 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 (excluding Housing).
- 1.1.2 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 (excluding Housing).
- 1.1.3 The purpose of this report is 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, 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.

1.1.4 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 Recommendation(s):**

1.2.1 Council is recommended to:

- (a) Note the guidance set out in this report (paragraphs 1.5.1 to 1.5.4);
- (b) Agree the Elected Mayor's responses to the Council's Objections from 21 February 2012 Council meeting;
- (c) Agree the 2012-2015 Council Strategic Plan which now takes into consideration the further comments received from the engagement process up until 31 January 2012 and the recommendations of Overview and Scrutiny Committee's Budget and Council Strategic Plan Sub Group. The 2012-2015 Council Strategic Plan is attached as Appendix A to the original 2 February 2012 Report to Council and 21 February 2012 Report to Council;
- (d) Agree the recommendations and delegations set down in paragraph 1.5.20 of this report in relation to the 2012/13 General Fund Revenue Account Budget, 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;
- (e) 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, as set out in the original 2 February 2012 Report to Council and 21 February 2012 Report to Council and Appendix J to that report. This excludes Housing which was previously agreed at Council on 15 February 2012.
- (f) 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 21 February Report to Council and Appendix L to that report;
- (g) Agree the prudential indicators for 2012/13 set down in the original report to Council on 2 February 2012 and additional indicator set down in paragraphs 1.5.9 to 1.5.12 of 21 February 2012 Report to Council, in accordance with the Chartered Institute of Public Finance & Accountancy's (CIPFA's) Prudential Framework; and,

- (h) 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 30 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**

#### **Guidance on this Stage in the Process**

- 1.5.1 The Council, at its meeting on 21 February 2012, further considered the Council Strategic Plan and budget proposals of Cabinet and approved Objections to those proposals.
- 1.5.2 The Elected Mayor is required to consult with Cabinet on any such Objections and she did so at the Cabinet meeting held on 23 February 2012. The outcome from the meeting of Cabinet is set out in paragraphs 1.5.5 to 1.5.15 below. The Cabinet report that was considered on 23 February 2012 is attached as **Appendix 1** to this report for completeness.
- 1.5.3 At this meeting of Council, where any proposal of the full Council in respect of the Budget or Council Strategic Plan does not accord with the Cabinet's proposals in that respect (including any revised proposals submitted by the Elected Mayor),

then the Cabinet's proposals will prevail unless at the meeting of the Council a two thirds majority of the Members present, vote to impose the full Council's own proposals. No new objections may be introduced at this meeting.

- 1.5.4 Council is recommended to consider the Elected Mayor's responses to the Council's Objections and determine the Budget, Council Tax Requirement, Council Tax and Council Strategic Plan for 2012/13.

### **Outcome of Extraordinary Cabinet Meeting held on 23 February 2012**

- 1.5.5 This section of the report indicates the outcomes of the Cabinet meeting held on 23 February 2012.
- 1.5.6 The Elected Mayor outlined her requirement to consult with Cabinet and the need to give due consideration to the two Notices of Objection, one from the Labour Group and one from the Liberal Democrat Group, which were approved following the Council's consideration of the 2012/13 Notices of Objection. The two Notices of Objection are set out in the report to Cabinet of 23 February 2012 which is included as **Appendix 1** to this report.
- 1.5.7 The Elected Mayor started by thanking both Political Groups for the work they had carried out and for all the officers' hard work in supporting them to develop their proposals.

### **Labour Group Objections from Council, 21 February 2012**

- 1.5.8 The Elected Mayor felt it was clear that some of the proposals put forward were not deliverable. An example in relation to the staff terms and conditions was given, citing that these were not possible without coming out of the National Agreement and that the Trades Unions had indicated their unwillingness to negotiate on this.
- 1.5.9 The Elected Mayor stated that the proposals to reduce capital spend had not been clearly thought through, stating that the proposals would not boost the local economy.
- 1.5.10 Concern was also expressed by the Elected Mayor that she felt the proposals would have the potential to damage front-line services and to lose jobs, which could be protected by pursuing the Business and Technical Packages.
- 1.5.11 Based on these disagreements, the Cabinet rejected all of the individual objection items raised in the Labour Group's Notice of Objection.

### **Liberal Democrat Objections from Council, 21 February 2012**

- 1.5.12 The Elected Mayor felt that some of the proposals put forward in the Liberal Democrat Notice of Objection are not deliverable. An example was given in relation to the proposals around changes to the terms and conditions of staff.

- 1.5.13 The Elected Mayor expressed disappointment that she felt some of the proposals put forward were ill thought through. An example was given of the Mouth of the Tyne Festival, where it is not only a showcase event for the borough but brings huge benefits to the economy. The Elected Mayor stressed that she wanted North Tyneside to be a vibrant place and for people to feel good about what they have seen and heard and to take this event away would be counter-productive.
- 1.5.14 The Elected Mayor further felt that the Objection put forward a narrow view, as evidenced, she felt, by the suggestion that all capital spending should be put into one part of the borough. The Elected Mayor stated that we should look at how the budget should be spent across the borough for each resident.
- 1.5.15 Based on these disagreements, the Cabinet rejected all of the individual objection items raised in the Liberal Democrat Group's Notice of Objection.

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

- 1.5.16 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.
- 1.5.17 Firstly, the Localism Act 2011 changes some aspects of Part 1 of the 1992 Local Government Finance Act (the 1992 Act) governing the calculation of council tax.
- 1.5.18 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

- 1.5.19 The Localism Act 2011 has made significant changes to the Local Government Finance Act 1992, and now requires billing authorities to formally 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 1 below:

**Table 1: 2012/13 Council Tax Requirement for North Tyneside Council**

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

**2012/13 Council Tax Requirement Resolution**

1.5.20 Cabinet recommends that:

- The recommended budgets of the Council by Directorate, as set down in Appendices E(i) to I(ii) of 21 February 2012 Council report, together with the associated Council Strategic Plan set down at Appendix A to 21 February 2012 Council Report, 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 1.5.21 to 1.5.27, for 2012/13:

| <b>Directorate</b>                  | £                  |
|-------------------------------------|--------------------|
| Children, Young People and Learning | 26,434,372         |
| Chief Executive's Office            | 17,237,198         |
| Community Services                  | 82,097,372         |
| Finance and Resources               | 13,399,355         |
| Corporate                           | 14,993,621         |
| Total                               | <u>154,161,918</u> |

- The following levies be included in the net budget and council tax 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 1.5.19, Table 1).
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. Note that 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 to 21 February 2012 Council Report 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 to 21 February 2012 Council Report 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**

- 1.5.21 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 Government Funded 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.

1.5.22 Since November, and in line with the agreed delegations in the 14 November 2011 Cabinet Report, 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.

1.5.23 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.

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

1.5.25 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.

1.5.26 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.

1.5.27 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**

- 1.5.28 Council is requested to approve the proposals for the 2012-2022 Capital Plan, as set out in 2 February 2012 report to Council, excluding Housing, which was previously agreed by Council on 15 February 2012.

## **Response to Overview & Scrutiny Committee Recommendations**

- 1.5.29 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.
- 1.5.30 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.
- 1.5.31 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**

- 1.5.32 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.
- 1.5.33 Government has a back up power to impose a minimum level of reserves on any authority that it considers is making inadequate provisions.
- 1.5.34 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 the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance in relation to the adequacy of reserves and balances has also been taken into account.

### **Robustness of Estimates**

- 1.5.35 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.

1.5.36 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.

1.5.37 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.

1.5.38 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**

1.5.39 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.

- 1.5.40 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.
- 1.5.41 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 Council needs to consider the Elected Mayor's responses to the Council Objections and determine the Council Strategic Plan, Budget and Council Tax level for 2012/13 and determine its Council Tax Requirement by 11 March 2012.
- 1.6.2 At this Council meeting, where any proposal of the full Council in respect of the Budget or Council Strategic Plan does not accord with the Cabinet's proposals in that respect (including any revised proposals submitted by the Elected Mayor), then the Cabinet's proposals will prevail unless at the meeting of the Council a two thirds majority of the Members present, vote to impose the full Council's own proposals. No new objections can be introduced at this meeting.

## **1.7 Reasons for recommended option:**

To make a final determination in relation to the Council Strategic Plan and Budget, Council Tax level and Council Tax Requirement for 2012/13 in accordance with the Council's Constitution, statutory requirements and government guidance.

## **1.8 Appendices:**

Appendix 1: 2012-2015 Council Strategic Plan and Budget Process: Consideration of Any Objections to the Cabinet's Proposals, Cabinet 23 February 2012

## Appendices included in 21 February 2012 Report to Council

|                         |  |
|-------------------------|--|
| 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  |

### **1.9 Contact officers:**

Fiona Rooney, Strategic Director of Finance and Resources  
Tel No 643 5724

Viv Geary, Head of Legal, Governance and Commercial Services  
Tel No 643 5339

Julia Veall, Interim Strategic Director  
Tel No 643 2005

Jon Ritchie, Head of Finance  
Tel No 643 5800

Vicki Dixon, Finance Service  
Tel No 643 5723

Geoff Huzzard, Finance Service  
Tel No 643 5716

Janice Gillespie, Finance Service  
Tel No 643 5701

Jacqueline Laughton, Chief Executive's Office  
Tel No 643 7070

Wendy Innes, Legal, Governance and Commercial Services  
Tel No 643 5466

Mary Gascoigne, Finance Service  
Tel No 643 5731

Alison Campbell, Finance Service  
Tel No 643 7038

Anthony Gollings, Finance Service  
Tel No 643 8071

Cathy Davison, Finance Service  
Tel No 643 5727

Margaret Keith, Finance Service  
Tel No 643 5747

David Brown, Legal, Governance and Commercial Services  
Tel No 643 5358

#### **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) Local Government Finance Act 1992.
- (d) Local Government Act 2000.
- (e) Local Government Act 2003.
- (f) Localism Act 2011.
- (g) 2012-2015 Council Strategic Plan and Budget Setting Process: Cabinet's Draft Council Strategic Plan and Budget Proposals, Cabinet 18 January 2012.
- (h) 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.



- (i) 2012-2015 Council Strategic Plan and Budget Setting Process: Elected Mayor and Cabinet Budget and Council Tax Requirement Resolution for 2012/13, Council 21 February 2012.
- (j) 2012-2015 Council Strategic Plan and Budget Setting Process: Labour Group Notice of Objection, Council 21 February 2012.
- (k) 2012-2015 Council Strategic Plan and Budget Setting Process: Liberal Democrat Group Notice of Objection, Council 21 February 2012.
- (l) 2012-2015 Council Strategic Plan and Budget Setting Process: Consideration of Any Objections to the Cabinet's Proposals, Cabinet 23 February 2012.

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

- 2.1.1 The Council must calculate its Council Tax requirement for 2012/13 by 11 March 2012.
- 2.1.2 All other financial information was contained in the main reports to Council on 2 February 2012 and 21 February 2012, the Labour Group and Liberal Democrat Group Notices of Objection considered by Council on 21 February 2012 and the Cabinet report of 23 February 2012.

### **2.2 Legal**

- 2.2.1 The process to be followed for the setting of the budget is set out in the Budget and Policy Framework Procedure Rules in the Council's Constitution. The rules are based upon statutory requirements and government guidance.

### **2.3 Community engagement**

- 2.3.1 In accordance with the Budget and Policy Framework Procedure Rules contained in the Council's Constitution, all Cabinet Members have been consulted in relation to the Council's objections to the Cabinet's proposals and a Cabinet meeting was held on 23 February 2012 to this effect.

### **2.4 Human rights**

- 2.4.1 Any human rights issues were included in the main reports to Council on 2 February 2012 and 21 February 2012.

### **2.5 Equalities and diversity**

- 2.5.1 Any equality and diversity issues were included in the main reports to Council on 2 February 2012 and 21 February 2012.

## **2.6 Risk management**

2.6.1 Any risk management issues were included in the main reports to Council on 2 February 2012 and 21 February 2012.

## **2.7 Crime and disorder**

2.7.1 Any crime and disorder issues were included in the main reports to Council on 2 February 2012 and 21 February 2012.

## **2.8 Environment and sustainability**

2.8.1 Any environmental and sustainability issues were included in the main reports to Council on 2 February 2012 and 21 February 2012.

### **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  X

**Report Author:** Fiona Rooney