

**North Tyneside Council
Report to Council
Date: 21 February 2013**

**Title: 2013-2015 Financial
Planning 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 2013/14 General Fund Revenue Budget, the proposed Council Tax Level for 2013/14, the Capital Plan for 2013-2023 and the Treasury Management Statement and Annual Investment Strategy for 2013/14

1.0 Introduction

The Liberal Democrat Group have submitted objections to the Elected Mayor's budget to ensure that the Authority concentrates on protecting services, especially services for vulnerable adults and services for children.

We believe at a time when people are continuing to face economic uncertainty, it is essential that the Authority prioritises and cuts out waste.

The Liberal Democrat Group does not believe there is any tangible benefit to the people of North Tyneside to continue to freeze Council Tax while a moderate increase may well help to protect service delivery.

We believe all parties should be prepared to work together and there should be an all party group monitoring the budget especially any areas of high risk, we believe it is essential to have strict budgetary control, to keep financial stability and concentrate on providing the quality services residents deserve.

This budget proposes a Council Tax increase of 1.30% (Council element only) and an increase of 1.36% (including precepts).

2.0 Liberal Democrat Group Resolution: Setting the Council Tax 2013/14

2013/14 Council Tax Requirement Resolution

2.1 The Liberal Democrat Group recommends that:

1. The recommended budgets of the Authority by Directorate, be approved as noted below subject to the variations listed in paragraphs 2, 3 and 4 below and notes the estimated allocation of £136.798m in Dedicated Schools Grant, for 2013/14:

Directorate	£
Children, Young People and Learning	28,675,687

Appendix 2

Chief Executive's Office	18,869,528
Community Services	84,685,689
Finance and Resources	13,224,761
Public Health	0
Corporate	13,103,284
Total	158,558,949

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

	£
Tyne & Wear Integrated Transport Authority	12,793,836
Tyne Port Health Authority	56,879
Environment Agency	163,273
Northumberland Inshore Fisheries and Conservation Authority	128,597
Total	13,142,585

3. The contingency provision be set as follows:

	£
Contingency Provision	5,431,000
Total	5,431,000

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

Growth

Item		£
	<u>Chief Executive's Office</u>	
	Total Chief Executive's Office	0
	<u>Children, Young People and Learning</u>	
1.	Delete proposed price increases from September 2013 for School Meals (£0.053m), Meals on Wheels (£0.012m) and Childcare (£0.032m)	97,000
2.	Create a fund for the use of children and young people. This fund is to ensure the delivery of services within Children, Young People and Learning, especially in early years (pre birth – 10 year olds)	150,000
	Total Children, Young People and Learning	247,000
	<u>Community Services</u>	
3.	Delete review of internal accommodation based short breaks services for people with a Learning Disability saving and reduce the number of beds in Bamburgh Crescent by 1 (£142k growth and £25k saving)	117,000
4.	Create an Adult and Social Care Repair Fund	100,000

	Total Community Services	217,000
	<u>Finance and Resources</u>	
	Total Finance and Resources	0
	<u>Corporate</u>	
5.	Revenue effect of capital plan proposals	23,000
6.	Loss of 2013/14 Council Tax Freeze Grant	727,000
	Total Corporate	750,000
	If All Objections are accepted the Total Growth will be	1,214,000

Savings

Item		£
	<u>Chief Executive's Office</u>	
7.	Terminate contract for Interim Chief Executive from 5 April 2013	-102,000
8.	Reduce the Mayoral Allowance	-10,000
	Total Chief Executive's Office	-112,000
	<u>Children, Young People and Learning</u>	
	Total Children, Young People and Learning	0
	<u>Community Services</u>	
9.	Delete the provision of a pool car	-5,000
	Total Community Services	-5,000
	<u>Finance and Resources</u>	
	Total Finance and Resources	0
	<u>Corporate</u>	
10.	Cessation of all advertising in the News Guardian	-32,000
11.	Reduce contingency provision for the increase in Members Allowances from £0.200m to £0.050m	-150,000
	Total Corporate	-182,000
	If All Objections are accepted the Total Savings will be	-299,000

5. Note that at its meeting held on 31 January 2013 Cabinet agreed the Council Tax Base for 2013/14 for the whole Authority area as 53,006 (Item T) in the Formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act") and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
6. Agree that the Council Tax requirement for the Authority's own purposes for 2013/14 is £71,310,134, as set out below:

2013/14 Council Tax Requirement for North Tyneside Council

	£	£
2013/14 Budget Requirement		178,047,534
Financed by:		
Revenue Support Grant	(63,425,523)	
Business Rates Baseline	(28,321,763)	
Business Rates Top Up	(14,961,035)	
Collection Fund Surplus	<u>(29,079)</u>	<u>(106,737,400)</u>
Council Tax Requirement		71,310,134

7. Agrees that the following amounts now calculated by the Authority for the year 2013/14 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended (the Act):
 - (a) £348,656,553 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(2) of the Act.
 - (b) £277,346,419 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(3) of the Act.
 - (c) £71,310,134 Being the amount by which the aggregate at 7(a) above exceeds the aggregate at 7(b) above, calculated by the Authority 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) £1,345.32 Being the amount at 7(c) above (Item R), all divided by Item T (5 above), calculated by the Authority, 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
£	£	£	£	£	£	£	£
896.88	1,046.37	1,195.84	1,345.32	1,644.28	1,943.24	2,242.20	2,690.64

being the amounts given by multiplying the amount at 7(e) above by the number which, in the proportion set out in Section 5(1) of the Act 1992, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Authority, 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) Police and Crime Commissioner for Northumbria (formally known as Northumbria Police Authority) Valuation Bands

Note that for the year 2013/14 the Police and Crime Commissioner for Northumbria have issued the following amounts in precepts to the Authority, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings in the Authority's area as indicated below:

A £	B £	C £	D £	E £	F £	G £	H £
57.74	67.36	76.99	86.61	105.86	125.10	144.35	173.22

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

Note that for the year 2013/14 the Tyne and Wear Fire and Rescue Authority have issued the following amounts in precepts to the Authority, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings in the Authority's area as indicated below:

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

(h) Total Valuation Bands

That, having calculated the aggregate in each case of the amounts at 7(e), 7(f) and 7(g) above, the Authority, 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 2013/14 for each part of its area and for each of the categories of dwellings shown below:

A £	B £	C £	D £	E £	F £	G £	H £
1,003.39	1,170.63	1,337.86	1,505.09	1,839.56	2,174.02	2,508.48	3,010.18

8. The Authority's basic amount of council tax for 2013/14 is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992, as amended.
9. The Authority's Financial Regulations will apply to the financial management of this budget.
10. It is proposed to increase the level of contingencies by £2.646m to £5.431m to

recognise a number of areas, including any increase in Levies and/or Inflation, Members' Allowances, Flooding, changes in specific government grants as yet unknown and demand-led pressures particularly in Adults' and Children's Social Care areas.

11. It is proposed that virement levels and approvals for virement shall be in accordance with the rules set down in the Authority's Financial Regulations in force at the time.
12. The Reserves and Balances Policy as set out in the report to full Council on 7 February 2013, is adopted as set down and is subject to review at least annually.
13. The Chief Executive, in consultation with the Elected Mayor, Cabinet Member for Finance, the Strategic Director of Finance and Resources and the Senior Leadership Team is authorised to manage the overall Change, Efficiency and Improvement Programme and note that decisions made under this authorisation will be reported to Cabinet as part of the regular budget monitoring information provided.
14. The Elected Mayor in consultation with the Major Projects Group, be granted delegated authority to keep under review the proposed Reserve List of Schemes, within the 2013-2023 Capital Plan.
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 Authority 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 Authority as required for the lawful discharge of the Authority's functions.
17. Agree that the Police and Crime Commissioner for Northumbria (formerly 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 Authority's General Fund in 12 equal instalments on the last working day of each month.

3.0 CAPITAL PLAN 2013/14 – 2022/23

- 3.1 The Liberal Democrat Group recommends that the following amendments be incorporated within the 2013/14 – 2022/23 Capital Plan:

Additional Growth:	£
1. Increase Additional Highways Maintenance budget by £1.000m per year for 10 years (EV056)	10,000,000

Total Additional Growth	10,000,000
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Additional Savings:

Total Additional Savings	0
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The Capital Plan for 2013/14-2022/23 including these changes is attached as Appendix A.

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 following sets down the draft Prudential Indicators as calculated and proposed for North Tyneside Council for 2013–2016.

3.3 Indicators of Affordability

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

3.4 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 proposed 2013-23 Capital Plan.

The actual figures for 2011/12 are also set out in Table 1 below:

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

	2011/12	2012/13	2013/14	2014/15	2015/16
	Actual	Est.	Est.	Est.	Est.
General Fund	14.00%	14.42%	15.91%	17.27%	16.08%
HRA	17.14%	27.63%	31.11%	28.47%	30.74%

The above indicator shows costs for all borrowing, both supported and unsupported. It also includes the financing costs of PFI schemes and leases. 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 (PIs 1 and 2)

	2011/12	2012/13	2013/14	2014/15	2015/16
	Actual	Est.	Est.	Est.	Est.
General Fund	6.18%	7.16%	7.79%	8.46%	8.50%
HRA	4.04%	8.18%	10.20%	4.47%	4.96%

3.5 Impact on Council Tax and Housing Rents (PIs 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.

This indicator has been calculated based on the current level of Council Tax and Housing.

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

	2013/14 £	2014/15 £	2015/16 £
For the Band D Council Tax	3.43	20.31	45.00
	2013/14 £	2014/15 £	2015/16 £
For average weekly housing rents	-2.67	7.09	3.73

3.6 Gross Debt and the Capital Financing Requirement (PI 5)

This is a key indicator for prudence and is designed to ensure that, over the medium term, gross debt will only be for capital purposes. Gross 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.

Following changes to the CIPFA Prudential Code this indicator now includes all debt (PFI schemes and finance leases) rather than purely borrowing. The Authority's gross debt is set out below together with the estimated capital financing requirement (ie the authority's underlying need to borrow for capital purposes) projected to 31 March 2016.

- Estimated gross debt as at 31 March 2014 - £570.070m
- Capital Financing Requirement as at 31 March 2016 - £643.469m

3.7 Capital Expenditure (PIs 6 and 7)

The actual capital expenditure that was incurred in 2011/12 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)

	2011/12 Actual £000's	2012/13 Est. £000's	2013/14 Est. £000's	2014/15 Est. £000's	2015/16 Est. £000's
Chief Executive's Office	13,124	13,819	21,997	19,305	10,126
Children, Young People and Learning Community Services	7,355	12,294	7,367	5,835	34
Finance and Resources	2,417	10,737	2,727	566	0
Corporate items	3,146	2,424	1,600	1,000	1,000
	8,761	1,237	1,500	500	500
Total General Fund	34,803	40,511	35,191	27,206	11,660
HRA	13,660	19,681	17,425	22,451	25,101
Total	48,463	60,192	52,616	49,657	36,761

3.8 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 the authority does not associate borrowing with particular items or types of expenditure.

The actual external debt of the authority may be lower than the CFR as the authority 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 2012, the Authority's overall CFR (excluding PFI and leases) was £530.910m. Actual external debt was £446.111m giving an unfunded element (or internal borrowing) of £84.799m.

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 2012 are set out in Table 5 below:

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

	2011/12 Actual £000's	2012/13 Est. £000's	2013/14 Est. £000's	2014/15 Est. £000's	2015/16 Est. £000's
General Fund	291,547	301,816	295,716	294,463	290,805
HRA	290,824	288,324	309,025	340,457	352,664
Total	582,371	590,140	604,741	634,920	643,469

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

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

	2011/12 Actual £000's	2012/13 Est. £000's	2013/14 Est. £000's	2014/15 Est. £000's	2015/16 Est. £000's
General Fund	124,094	134,003	134,563	139,690	141,717
HRA	47,406	44,906	41,006	40,256	38,756
Total	171,500	178,909	175,569	179,946	180,473

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

The Authority 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 Authority's Treasury Management Strategy. The Authority's 2013/14 Treasury Management Strategy is reported to Cabinet as part of this report.

3.10 External Debt

In respect of its external debt, it is recommended that the full 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.

Full 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 Authority.

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

Table 7: Authorised Limit for External Debt

	2013/14 £000's Est.	2014/15 £000's Est.	2015/16 £000's Est.
Borrowing	1,071,000	1,062,000	1,053,000
Other Long Term Liabilities	110,000	140,000	150,000
Total	1,181,000	1,202,000	1,203,000

The Chief Finance Officer reports that these Authorised Limits are consistent with the authority's current commitments, existing plans and the proposals in this 2013/14 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.

Full 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. Full 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

	2013/14	2014/15	2015/16
	£000's	£000's	£000's
	Est.	Est.	Est.
Borrowing	536,000	532,000	528,000
Other Long Term Liabilities	90,000	120,000	130,000
Total	626,000	652,000	658,000

3.11 Upper limit for fixed interest rate exposure

Full Council will be requested to set an upper limit on its fixed interest rate exposures for 2013/14, 2014/15 and 2015/16 of 100% of its net outstanding principal sums.

Full Council will be requested to set an upper limit on its variable interest rate exposures for 2013/14, 2014/15 and 2015/16 of 50% of its net outstanding principal sums.

The proposals to set upper and lower limits for the maturity structure of the Authority'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

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.

3.12 Annual Minimum Revenue Provision (MRP) Statement

The Capital Finance Regulations require the full 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 full Council adopts a policy for Annual Minimum Revenue Provision in line with the following principles:

- (a) Existing assets pre 1 April 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) Lease transactions treated as “on balance sheet” - an element of the annual charge to the Authority 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.