

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

## ITEM 3

Title: 2013-2015 Financial Planning and Budget Process: Elected Mayor and Cabinet Budget and Council Tax Requirement Resolution for 2013/14

Portfolios: Elected Mayor  
Cabinet Member for Finance

Cabinet Members: Mrs Linda Arkley  
Cllr Judith Wallace

Report from: The Elected Mayor and Cabinet

Wards affected: All

### PART 1

#### 1.1 Purpose:

- 1.1.1 The Authority's Constitution sets out, in its Budget and Policy Framework Procedure Rules, the process that the Authority has agreed as appropriate for setting the budget. The 2013–2015 Financial Planning and Budget Process, incorporating the 2013/14 Council Tax Requirement and the 2013/14 budget, reflects these requirements. Further details of the decision-making process were set down in paragraphs 1.5.6 to 1.5.13 of the 7 February 2013 report to this Council.
- 1.1.2 As explained in the 28 January 2013 Cabinet report, which was subsequently included as Annex 1 to the full Council report on 7 February 2013, certain specific information was still outstanding at the time the report was considered. Cabinet therefore authorised the Elected Mayor to make any final amendments to the Cabinet's proposals in relation to that information which was still outstanding, in order that due consideration could be given to the final level of Council Tax the Cabinet wishes to put forward to full Council for approval for 2013/14 (recommendation 1.2.1 (s) in the original Cabinet report refers).
- 1.1.3 On 20 February 2013, a notification letter was sent to all Members and Co-opted Members of the Council, setting down the final amendments made by the Elected Mayor under the authorisation agreed by Cabinet on 28 January 2013. It was noted in that letter that as all outstanding information has been assessed and information on the Police and Fire Authority precepts have been received by the Authority, it is possible for the Council Tax Requirement to be set at this meeting.

- 1.1.4 This report is now presented by the Elected Mayor and Cabinet to full Council, providing the Authority's 2013/14 General Fund Revenue Budget and recommending the Council Tax Requirement and Council Tax level, the Treasury Management Statement and Annual Investment Strategy for 2013/14 and the 2013-2023 Capital Plan including the proposed prudential indicators.
- 1.1.5 The purpose of this report is therefore to present, for full Council's consideration and appropriate approval:
- (a) The Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution in order to finalise the 2013/14 General Fund Revenue Budget and set the 2013/14 Council Tax Requirement and the Council Tax level for 2013/14;
  - (b) The Elected Mayor and Cabinet's proposals for the 2013-2023 Capital Plan, including prudential indicators for 2013/14 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,
  - (c) The Elected Mayor and Cabinet's proposals for the Treasury Management Statement and Annual Investment Strategy for 2013/14.
- 1.1.6 There is also a requirement to obtain appropriate authorisations and delegations as set down in this report and as received by full Council on 7 February 2013.

## **1.2 Recommendations:**

- 1.2.1 Full Council is recommended to:
- (a) Agree the recommendations, authorisations and delegations set down in paragraph 1.5.42 of this report in relation to the 2013/14 General Fund Revenue Account Budget, the 2013/14 Council Tax Requirement and Council Tax level for 2013/14, being the Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution;
  - (b) Agree the Elected Mayor and Cabinet's proposals for the 2013-2023 Capital Plan, (set down in paragraphs 1.5.13 to 1.5.22 below, Appendix B and in the original report to full Council on 7 February 2013) which includes prudential indicators for 2013/14 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
  - (c) Agree the Elected Mayor and Cabinet's proposals for the Treasury Management Statement and Annual Investment Strategy for 2013/14 as detailed in the original report to full Council on 7 February 2013.

### **1.3 Forward plan:**

- 1.3.1 This report was included in the Forward Plan for the period from 1 February 2013 to 31 May 2013.

### **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 Authority's Constitution. The Budget is guided by paragraph 4.7.3 covering the process for the preparation, consideration and final approval of the Authority's budget. The statutory and constitutional requirements for preparing, considering and approving the Budget drive the timetable for the Financial Planning and Budget process.
- 1.4.2 The development of the Financial Plan and Budget has followed the same timetable as in previous years. The priorities in the Sustainable Community Strategy provide the strategic framework within which budget resources are allocated. Cabinet have also had due regard for the Council Strategic Plan 2012/15 which covers the period for the 2013/14 Financial Plan and Budget.
- 1.4.3 The Financial Planning and Budget process is a fundamental part of the overall governance and assurance framework of the Authority. This in turn provides assurance that is considered as part of preparing the Annual Governance Statement each year.

### **1.5 Information:**

#### **The 2013/14 General Fund Revenue Account Budget and Council Tax Level – Final Amendments by The Elected Mayor under Authorisation Granted by Cabinet**

#### **Budget Engagement**

- 1.5.1 At Cabinet on 28 January 2013, authorisation was granted to the Elected Mayor to consider any additional comments received from residents, after the drafting of that Cabinet report but before 12 February 2013, as the Budget Engagement process continued until 12 February 2013. These were presented as an addendum to the report to full Council on 7 February 2013 and this meeting of full Council (Appendix A). The Elected Mayor and Cabinet considered the comments received, along with the recommendations received from the Overview and Scrutiny Committee following its meeting on 4 February 2013 in formulating these final proposals.

#### **2013/14 Financial Plan and Budget**

- 1.5.2 Since the Cabinet meeting on 28 January 2013 and the full Council meeting on 7 February 2013, the outstanding financial information in relation to precepts, levies, joint service budgets and the final Local Government Finance Settlement for

2013/14 has now been received. On 20 February 2013 a Notification Letter was sent to all Members and Co-opted Members of the Council setting down the final amendments made by the Elected Mayor, under the authorisation granted to her by Cabinet on 28 January 2013. Those amendments have been incorporated into the Budget and Council Tax Requirement Resolution and are repeated in Table 4 below for completeness and are as follows:

### **Police and Fire Precepts:**

1.5.3 The final amendments to the Fire and Police Precepts for 2013/14 are as follows:

(a) Tyne & Wear Fire and Rescue Authority

Precept increase of 0% over the 2013/14 level was approved on 18 February 2013 and,

(b) Police and Crime Commissioner for Northumbria (formerly known as the Northumbria Police Authority)

Precept increase of 3.5% over the 2013/14 level was approved on 6 February 2013.

### **Levies**

1.5.4 The final amendments to Levies for 2013/14 are as follows:

(a) Tyne & Wear Integrated Transport Authority Levy

As part of the overall 0% increase, there will be an increase in the levy of £0.346m for North Tyneside for 2013/14 due to the increase in our population. In order to mitigate the impact on authorities, Nexus Reserves of £2.000m are being released back to councils in Tyne and Wear for both 2013/14 and 2014/15, to be distributed on the same population basis as the levy. North Tyneside's share of this will be £0.364m in 2013/14 (2014/15 indicative amount is £0.365m). The 2013-2023 Capital Plan has been updated to reflect these additional amounts.

(b) Tyne Port Health Authority Levy

A £0.001m reduction compared with the original estimate;

(c) Environment Agency Levy

No change compared with the original estimate; and,

(d) Northumberland Inshore Fisheries and Conservation Authority (IFCA) (Formerly known as Northumbria Sea Fisheries)

No change compared with the original estimate.

## **Tyne and Wear Joint Service Budgets**

- 1.5.5 We are not aware of any further amendments to the Tyne and Wear Joint Service Budgets information since the 28 January 2013 Cabinet meeting.

### **The final Local Government Finance Settlement announcement for 2013/14, including Capital announcements, Specific Grants (including Dedicated Schools Grant and Council Tax Freeze Grant) final detailed information**

#### **(a) The Final Local Government Finance Settlement**

- 1.5.6 The Final Local Government Finance Settlement for 2013/14 was announced by Communities and Local Government (CLG) on 4 February 2013. In relation to the 2013/14 Settlement, the Settlement contained a number of changes since the Provisional Settlement was announced on 19 December 2012.
- 1.5.7 The Final Local Government Finance Settlement for 2013/14 also included new calculations for the "Spending Power" of individual local authorities, both including and excluding the Public Health Grant. The North Tyneside Council loss of Spending Power is 2.2% for 2013/14 excluding the Public Health Grant, but including the Public Health Grant, this then reduces to a 1.8% reduction. Our loss of Spending Power in 2014/15 is 4.6% excluding the Public Health Grant, including the Public Health Grant, this then reduces to a 4.2% reduction.

#### New Homes Bonus Adjustment Grant

- 1.5.8 The 2013/14 Local Government Finance Settlement issued on 4 February 2013, included a new grant called the "New Homes Bonus Adjustment grant". This is the distribution of the national "top slice" amount total of £81.7m and the allocation for North Tyneside Council in 2013/14 is £0.358m.

#### Start Up Funding Assessment

- 1.5.9 There were minor changes to the Start Up Funding Assessment (SUFA) for North Tyneside Council between the Provisional and Final Settlement with SUFA reducing by £0.001m for 2013/14, but increasing by £0.052m for 2014/15.

#### Council Tax Freeze Grant

- 1.5.10 Council Tax Freeze grant allocations for 2013/14 and 2014/15 were unchanged from the Provisional Local Government Finance Settlement allocations. However, as these allocations are based on Tax Bases before the adoption of the new localised Council Tax Support schemes, by default these grant allocations are overstated. Our indicative allocations represent approximately 1.25% of council tax funding, which it is anticipated may well reduce to about 1% of council tax when final allocations are determined in March 2013. It is therefore prudent to allow £0.130m in contingences for the likely reduction in grant.

#### Education Services Grant

- 1.5.11 The final allocations for the Education Services Grant (ESG) are not expected to be announced until March 2013. This grant is a replacement of the Formula Grant adjustment for Central Education Services within Local Authority Central Spend Equivalent Grant (LACSEG). The anticipated Education Services grant for 2013/14 is estimated to be £3.769m, which is an anticipated shortfall in funding of £0.228m compared with the Formula Grant adjustment. If this pressure were not to materialise, then the underspend would be transferred to contingencies.

North Tyneside Council Business Rates Baseline

- 1.5.12 As noted in the 28 January 2013 Report to Cabinet on the 2013-2015 Financial Planning and Budget Process, it is now an obligation for the Authority to formally calculate the estimated level of Business Rates (the Business Rates Taxbase / Business Rates Baseline) it anticipates collecting for 2013/14. The Business Rates Baseline is dependent on the information included in the NNDR1 form for each local authority. The final NNDR1 form for 2013/14 for North Tyneside Council estimates that the business rates collected by the Authority will be £57.800m in 2013/14. The split between the amount retained by the Council and that to be paid over to Central Government and the Tyne and Wear Fire and Rescue Authority are set out in Table 1 below. The result for the Council is a retained share of £28.322m for 2013/14 which is £1.088m above Baseline.

**Table 1: 2013/14 North Tyneside Council Business Rates Baseline / Business Rates Taxbase**

	2013/14 £m
2013/14 North Tyneside Business Rates Baseline / Business Rates Taxbase	57.800
North Tyneside Council Retained Local Share (50%)	28.900
Of the Local Share:	
Amount Retained by North Tyneside Council (98%)	28.322
Amount Paid to the Tyne and Wear Fire and Rescue Authority (2%)	0.578
Amount Retained by North Tyneside Council	28.322
Business Rates Baseline for North Tyneside Council	27.234
Amount above Baseline	1.088

**(b) 2013-2013 Capital Plan**

Coastal Communities Grant

- 1.5.13 As recently announced, the Authority has been successful in bidding for Coastal Communities Fund grant funding. Funding of £1.991m has been awarded. Although final details have not yet been received, it is expected that £1.731m of the award will be for capital works and £0.260m revenue. The capital spend of £1.731m is expected to take place during 2012/13 (£0.070m) and 2013/14 (£1.661m). The 2013-2023 Capital Plan has been updated to reflect this.

### Integrated Transport Authority

- 1.5.14 As noted in section 1.5.4 above, the Integrated Transport Authority (ITA) has agreed a payment will be made from the ITA to the districts for transport activities, North Tyneside's share of this will be £0.364m in 2013/14 (2014/15 indicative amount £0.365m). Also, £0.120m has been allocated for Public Transport schemes. The 2013-2023 Capital Plan has been updated to reflect these additional amounts.

### River Tyne Energy Innovation project

- 1.5.15 A refinement of the details of the River Tyne Energy Innovation project in consultation with the Department for Communities and Local Government (DCLG) has resulted in a reduction in the planned lettable floor space and subsequently a reduction in the European Regional Development Fund (ERDF) bid of £0.500m to £2.250m. This change has been reflected in the 2013-2023 Capital Plan.

### Education Capital Grants

- 1.5.16 Capital allocations from the Department for Education remain outstanding. An announcement is expected in late February 2013.
- 1.5.17 The revised Capital Plan is shown in Table 2 below: An updated schedule of individual projects is set out at Appendix B(i) to this Report to Council. The revenue implications of these schemes have been included in the revenue budget.

**Table 2: Summary of base Capital Plan 2013-2023 / Prudential Indicator 6**

<b>Spend</b>	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/23 £000's	Total £000's
Chief Executive's Office	20,997	18,305	9,126	30,564	78,992
Children, Young People and Learning	7,367	5,835	34	0	13,236
Community Services	2,727	566	0	0	3,293
Finance and Resources	1,600	1,000	1,000	6,000	9,600
Corporate items	1,500	500	500	3,000	5,500
<b>General Fund total</b>	<b>34,191</b>	<b>26,206</b>	<b>10,660</b>	<b>39,564</b>	<b>110,621</b>

## Capital Financing

1.5.18 Table 3 below summarises the proposed financing of the Capital Plan:

**Table 3: Summary of Capital Financing 2013-2023**

<b>Resources</b>	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/23 £000's	Total £000's
<b>Council Contribution:</b>					
Unsupported	6,218	11,150	8,729	27,688	53,785
Borrowing					
Capital Receipts	8,914	3,065	2,065	9,886	23,930
	<b>15,132</b>	<b>14,215</b>	<b>10,794</b>	<b>37,574</b>	<b>77,715</b>
Grants & Contributions	19,059	11,991	-134	1,990	32,906
<b>Total Resources</b>	<b>34,191</b>	<b>26,206</b>	<b>10,660</b>	<b>39,564</b>	<b>110,621</b>

## Reserve List

1.5.19 No changes are proposed to the Reserve list previously presented. Appendix B(ii) to the 7 February 2013 Council Report lists bids received but not included in the proposed 2013-2023 Capital Plan plus those schemes remaining following a review of the 2012/13 Reserve List. A prioritisation process would be applied to release a reserve project from the list.

## Prudential Indicators

1.5.20 Prudential Indicator 6 has been amended and is shown in Table 2 above.

1.5.21 There are no other changes to Prudential Indicators which are included as Appendix B(iii) to 7 February 2013 Report to Council.

## Annual Minimum Revenue Provision (MRP) Statement

1.5.22 No changes are proposed to the Annual Minimum Revenue Provision (MRP) Statement previously presented in the Report to full Council on the 7 February 2013.



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

### **(a) Localised Council Tax Support Scheme**

- 1.5.23 Full Council, at its meeting on 30 January 2013, agreed the Localised Council Tax Support scheme for North Tyneside to be adopted for the financial year 2013/14. This scheme was agreed, using the additional funding available including from Exemptions and Discount changes, to increase support for working age claimants of up to 93% of their Council Tax liability. This scheme therefore qualifies for the Council Tax Support Transitional Grant scheme, which is available to any local authority who adopts a scheme resulting in increases of between zero and 8.5% of individuals council tax liability. This transitional grant is estimated as £0.386m for North Tyneside Council in 2013/14.
- 1.5.24 It was agreed that the remaining additional funding generated from increases to Exemptions and Discounts be used to increase provision within the Discretionary Housing Payment (DHP) Fund to the maximum permitted level, to support residents impacted by reductions in Housing Benefit support due to changes in under-occupancy rules. The impact of this change is £0.498m for North Tyneside Council in 2013/14. Another change in this context is the Discretionary Housing Payment grant of £0.331m with offsetting grant expenditure.

### **(b) 2013/14 Council Tax Base**

- 1.5.25 The Cabinet's proposals as at 28 January 2013 were based on an assumed Council Tax Base of 53,034. Cabinet, at its meeting on 31 January 2013 approved the 2013/14 Council Taxbase as 53,006, reflecting the decisions made by full Council in agreeing the changes to Exemptions and Discounts and the Localised Council Tax Support Scheme to be adopted for 2013/14. This has the impact of a reduction in resources of £0.037m being available for the budget.

### **(c) Collection Fund Surplus**

- 1.5.26 The final change in this category is the annual statutory collection fund surplus calculation which produces a £0.029m surplus for 2013/14.
- 1.5.27 The above mentioned changes are reflected in Table 4 below.

## **Effect of Amendments to the 2013/14 General Fund Revenue Budget**

- 1.5.28 The effect of the above amendments are set down in Table 4 below:

**Table 4: Effect of Amendments to 2013/14 General Fund Revenue Budget**

<b>Item</b>	<b>Change in Spending Power since 28 January 2013</b>	<b>Change £'000</b>
	<b>Spending Changes</b>	
2.(a)	Tyne and Wear Integrated Transport Authority Levy	+346
2.(b)	Tyne Port Health Authority Levy	-1
4.(a)	Increase in Contingencies for Council Tax Freeze grant allocations	+130
4.(b)	Coastal Communities Grant Expenditure	+260
5.(a)	Discretionary Housing Payment (DHP) Fund	+498
5.(a)	Discretionary Housing Payment Fund Grant Expenditure	+331
	<b>Total Spending Changes</b>	<b>+1,564</b>
	<b>Resource Changes</b>	
4.(a)	Reduction in Start Up Funding Assessment (SUFA)	+1
4.(a)	New Homes Bonus "Top Slice" Grant	-358
4.(a)	Education Services Grant 2013/14	+228
4.(a)	Anticipated Business Rates Income for 2013/14 – Business Rates Baseline	-1,088
4.(b)	Coastal Communities Grant – Revenue	-260
5.(a)	Council Tax Support Scheme Transitional Grant	-386
5.(a)	Discretionary Housing Payment Fund Grant Income	-331
5.(b)	Reduction in Resources as a result of Council setting the 2013/14 Council Tax Base on 31 January 2013	+37
5.(c)	Collection Fund Surplus	-29
	<b>Total Resource Changes</b>	<b>-2,186</b>
	<b>Increase in Spending Power since 28 January 2013</b>	<b>-622</b>

Note: Additional resources are shown as a negative (-) and reduced expenditure budgets are shown as a negative (-). Reductions in resources are shown as a positive (+) and increases in expenditure budgets are shown as a positive (+).

## Final Proposals for the 2013/14 General Fund Revenue Budget

- 1.5.29 In accordance with the authorisation, the Elected Mayor has given due consideration to the impact of the change in available resources in determining the council tax level for 2013/14 and proposes the following:

**Table 5: Final Proposals for the 2013/14 General Fund Revenue Budget**

<b>Proposals as at 19 February 2013</b>	<b>Mayoral Amendments £000's</b>
New Homes Bonus Expenditure (See Note 1)	+358
Increase in Contingencies for potential shortfall in Business Rates Growth	+264
<b>TOTAL</b>	<b>+622</b>

Note 1 – This additional resource will in the first instance be considered to support the Tynemouth Volunteer Life Brigade in improving their building facilities.

### Council Tax Increase for 2013/14

- 1.5.30 The North Tyneside element of the council tax level for 2013/14 (excluding precepts) is therefore proposed to be unchanged from 2012/13 i.e. a 0% increase, as previously proposed in the report to Cabinet on 28 January 2013.
- 1.5.31 The 3.50% increase in the Police and Crime Commissioner Precept for 2013/14 impacts on the overall Council Tax bill for North Tyneside, leading to an overall increase in council tax bills for 2013/14 of approximately 0.20% compared with 2012/13.

### Business Community Engagement

- 1.5.32 In accordance with the Non-Domestic Ratepayers (Consultation) Regulations 1992, which requires local authorities to carry out budget engagement with the business community by 25 February each year, the initial meeting with the business community was held on 10 January 2013, with the statutory budget engagement meeting being carried out on 1 February 2013.

### Process for Consideration and Determination of the Budget

- 1.5.33 The process for consideration of the budget is determined by statutory standing orders in the Local Authorities (Standing Orders) (England) Regulations 2001. The Authority has adopted a process complying with the statutory requirements. It is set out in the Budget & Policy Framework Procedure Rules in the Authority's Constitution. This part of the report provides a summary of the main points.
- 1.5.34 At the full Council meeting on 21 February 2013, full Council will debate and give detailed consideration to Cabinet's budget estimates of amounts and council tax

requirement. Full Council will consider whether it has any objections to Cabinet's proposals.

- 1.5.35 As all outstanding information has been assessed and information on the Police and Fire Authority precepts have been received by the Authority, it is possible for the Council Tax Requirement to be set at this meeting.
- 1.5.36 Following the 21 February 2013 meeting, the Elected Mayor must reconsider the Cabinet's proposals taking into account any objections of full Council. A Cabinet meeting has been scheduled for 25 February 2013, if required, for this purpose.
- 1.5.37 The Elected Mayor may then revise the proposals, or disagree with full Council and give notice accordingly to the Chief Executive to enable a further meeting of full Council to be called. This is the final meeting in the process at which the Authority's budget and council tax requirement calculation will be agreed and the council tax level for 2013/14 set. This meeting will take place on 5 March 2013. At this meeting, where any proposals of full Council in respect of the budget calculations do not accord with the Cabinet's proposals, Cabinet's proposals will prevail unless at the meeting a two-thirds' majority of the members present vote to impose full Council's own proposals.

#### **Elected Mayor and Cabinet Resolution: Setting the Council Tax 2013/14**

- 1.5.38 The Localism Act 2011, which was enacted on 3 December 2011, introduced changes which impact on the council tax calculation for 2013/14 as part of the formal budget and council tax resolution.
- 1.5.39 Firstly, the Localism Act 2011 changed some aspects of Part 1 of the 1992 Local Government Finance Act 1992 (the 1992 Act) governing the calculation of council tax.
- 1.5.40 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 2013/14 for Unitary Local Authorities are that any increase in its relevant basic amount of council tax for 2013/14 is deemed excessive for referendum purposes if it exceeds 2.0% compared with 2012/13. This is a reduction on last year whereby a 3.5% limit applied. 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 2013/14 is £70.395m, whereas the relevant basic amount of council tax for referendum purposes for 2013/14 is £57.252m.

#### **Council Tax Requirement**

- 1.5.41 The Localism Act 2011 has made significant changes to the Local Government Finance Act 1992, and now requires billing authorities to calculate a council tax requirement for the year, not its budget requirement as previously. The calculation

of the council tax requirement for North Tyneside Council for 2013/14, based on the 2013/14 budget requirement is set out in Table 6 below:

**Table 6: 2013/14 Council Tax Requirement for North Tyneside Council**

	£	£
2013/14 Budget Requirement		177,132,534
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>
<b>Council Tax Requirement</b>		<b>70,395,134</b>

**2013/14 Council Tax Requirement Resolution**

1.5.42 Cabinet recommends that:

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

<b>Directorate</b>	£
Children, Young People and Learning	28,525,687
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
<b>Total</b>	<b><u>158,408,949</u></b>

- 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
<b>Total</b>	<b><u>13,142,585</u></b>

- The contingency provision be set as follows:

	£
Contingency Provision	5,581,000
<b>Total</b>	<b><u>5,581,000</u></b>

- 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.

5. Agree that the Council Tax requirement for the Authority’s own purposes for 2013/14 is £70,395,134 (as set down in paragraph 1.5.41, Table 6).
6. 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) £348,571,553 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(2) of the Act.
  - (b) £278,176,419 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(3) of the Act.
  - (c) £70,395,134 Being the amount by which the aggregate at 6(a) above exceeds the aggregate at 6(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) £1,328.06 Being the amount at 6(c) above (Item R), all divided by Item T (4 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
£	£	£	£	£	£	£	£
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 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 6(e), 6(f) and 6(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
£	£	£	£	£	£	£	£
991.88	1,157.20	1,322.52	1,487.83	1,818.46	2,149.09	2,479.71	2,975.66

7. 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.
8. The Authority's Financial Regulations will apply to the financial management of this budget.
9. It is proposed to increase the level of contingencies by £2.796m to £5.581m 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.

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.

10. 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.
11. 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.
12. 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.
13. 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.
14. 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.
15. 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.
16. 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.

### **2013-2023 Capital Plan**

- 1.5.43 Full Council is requested to approve the proposals for the 2013-2023 Capital Plan, set out in sections 1.5.13 to 1.5.22 above, Appendix B and the Report to full Council on the 7 February 2013.

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

- 1.5.44 The Overview and Scrutiny Committee considered the Cabinet's 2013-2015 Financial Plan and draft budget proposals on 4 February 2013.
- 1.5.45 At its meeting on 28 January 2013 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 2013-2015 Financial Planning and Budget Process.



- 1.5.46 On 20 February 2013, 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 28 January 2013.

### **Statement to Council by the chief finance officer**

#### **Background**

- 1.5.47 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.
- 1.5.48 Government has a back up power to impose a minimum level of reserves on any authority that it considers is making inadequate provisions.
- 1.5.49 In making the statement the chief finance officer necessarily places reliance on information provided to her by other officers of the Authority as part of the budget setting process. Due cognisance to CIPFA's guidance in relation to the adequacy of reserves and balances has also been taken into account.

#### **Robustness of Estimates**

- 1.5.50 In assessing the robustness of estimates, the chief finance officer has considered the following issues:
- The general financial standing of the Authority;
  - The underlying budget assumptions from the financial strategy;
  - Future budget pressures and growth proposals, including the impact of prudential borrowing for the 2013-2023 Capital Plan;
  - The adequacy of the budget monitoring and financial reporting arrangements in place;
  - The adequacy of the Authority's internal control systems, relying on the Assurance Statements provided as part of the Annual Governance Statement for the 2011/12 Statement of Accounts, presented to full Council on 27 September 2012;
  - The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Authority;
  - The implications of government's 2011–2015 Spending Review and the Local Government Finance Settlement on the Authority's financial plan; and,
  - The proposal to increase the level of contingencies by £2.796m to £5.581m 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.

- 1.5.51 The chief finance officer is satisfied that due attention has been given to the 2013-2015 Financial Planning and Budget process and in particular the Council Tax Requirement and budget setting element of that process for 2013-2015 to enable a positive statement to be made.
- 1.5.52 The Cabinet is aware it must keep under review its medium-term Financial Strategy and two year Financial Plan, in the context of the Sustainable Community Strategy and known key financial risks. Future pressures need to be considered and the Authority should not take 2013/14 in isolation to future years' needs and pressures. Each year's budget must continue to be considered within the context of the two-year Financial Plan, the ten-year Capital Plan, the Financial Strategy and the global economic position prevailing at the time.
- 1.5.53 To ensure that the Authority continues to keep within its approved budget and the financial integrity of the Authority is maintained, it is essential that budget holder responsibility and accountability continues to be recognised as set down in the Authority's Financial Regulations and in the roles and responsibilities section of the Authority's Budget Management Handbook.

#### **Adequacy of Financial Reserves**

- 1.5.54 The level of reserves used to support the 2013/14 budget proposals has been set at £1.295m. The chief finance officer's view, based on Cabinet's estimates of amounts proposals is that, this figure for the use of reserves in 2013/14 is manageable within the overall financial position of the Authority and the overall level of reserves and balances 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 budget approved at full Council on the 1 March 2012 included the use of £0.200m of the Strategic Reserve to establish the CEI Fund and £1.436m to replenish the reserve in 2012/13. The successive reductions recognise the need to reduce the reliance on reserves in balancing the Authority's revenue budget.
- 1.5.55 The proposed budget for 2013/14 includes the use of £1.295m of the Strategic Reserve to support the phasing of some CEI savings that may necessarily be a part year effect only in that year. This use, together with the planned replenishment in the Financial Plan for 2014/15, maintains the Strategic Reserve at at least the planned level of £5.000m over the life of the financial plan. This is in line with the Authority's agreed Reserves and Balances Policy. Any unplanned use of the Strategic Reserve over the 2013-2015 financial plan would take the level outside of this boundary and corrective action would be needed to demonstrate how the £5.000m agreed level would be restored.
- 1.5.56 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 2013/14 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 2013-2015 financial plan has been developed so that ongoing revenue expenditure is aligned to annual income with no long term reliance on reserves.*

## **1.6 Decision options:**

- 1.6.1 The Elected Mayor and Cabinet’s Budget and Council Tax Requirement Resolution for 2013/14 is set down in paragraph 1.5.42 of this report.
- 1.6.2 At the full Council meeting on 21 February 2013, full Council will debate and give detailed consideration to Cabinet’s budget estimates of amounts and Council Tax Requirement. Full Council will consider whether it has any objections to Cabinet’s proposals.
- 1.6.3 As all outstanding information has been assessed and information on the Police and Fire Authority precepts have been received by the Authority, it is possible for the Council Tax Requirement to be set at this meeting.
- 1.6.4 Following the 21 February 2013 meeting, the Elected Mayor must reconsider the Cabinet’s proposals taking into account any objections of full Council. A Cabinet meeting has been scheduled for 25 February 2013, if required, for this purpose.
- 1.6.5 The Elected Mayor may then revise the proposals, or disagree with full Council and give notice accordingly to the Chief Executive to enable a further meeting of full Council to be called. This is the final meeting in the process at which the Council’s budget and council tax requirement calculation will be agreed and the council tax level for 2013/14 set. This meeting will take place on 5 March 2013. At this meeting, where any proposals of full Council in respect of the budget calculations do not accord with the Cabinet’s proposals, Cabinet’s proposals will prevail unless at the meeting a two-thirds’ majority of the members present vote to impose full Council’s own proposals.

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

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

## **1.8 Appendices:**

Appendix A: Addendum Report Budget Engagement

Appendix B (i) 2013-2023 Capital Plan

## **1.9 Contact officers:**

Janice Gillespie, Finance Service  
Tel No 643 5800

Vicki Dixon, Finance Service  
Tel No 643 5723

Geoff Huzzard, Finance Service  
Tel No 643 5716

Cathy Davison, Finance Service  
Tel No 643 5727

Margaret Keith, Finance Service  
Tel No 643 5747

Anthony Gollings, Finance Service  
Tel No 643 8071

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

Eileen Wiltshire, Chief Executive's Office  
Tel No 643 5620

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

#### **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) 2013-2015 Financial Planning and Budget Process: Cabinet's Draft Budget and Council Tax Requirement Proposals, Cabinet 28 January 2013.
- (d) Technical Reforms of Council Tax, Council 24 January 2013.
- (e) Local Council Tax Support Scheme, Council 30 January 2013.
- (f) Calculation of the 2013/14 Council Tax base for North Tyneside Council, Cabinet 31 January 2013.
- (g) 2013/14 Final Local Government Finance Settlement.

- (h) Council General Fund Budget Summaries.
- (i) Localism Act 2011.
- (j) Local Government (Finance) Act 1992.

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

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

- 2.1.1 The financial implications arising from this report are appraised as part of the decisions made about what will be included in the Authority's Budget and Council Tax requirement for 2013/14. Decisions on the budget in relation to the general fund, schools' funding, treasury management statement and annual investment strategy and capital investment need to be made within the overall context of the resources available to the Authority and within the legal framework for setting budgets, and the statutory Authority requirement.
- 2.1.2 Full Council need to have due regard to the chief finance officer's advice in relation to the robustness of the estimates used and to the levels of reserves and balances proposed as part of the two-year financial plan for 2013-2015, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in November 2008.

### **2.2 Legal**

- 2.2.1 The Local Government Finance Act 1992 (Section 32: Calculation of Budget Requirement) requires the Authority to set a balanced budget in the context of the resources available, including central government grants, business rates and council tax income. The Localism Act 2011 inserted a new Section 31 into the Local Government Finance Act 1992, which requires the calculation of a council tax requirement by billing authorities, rather than a budget requirement calculation, as previously, as set out in paragraph 1.5.41. The Localism Act 2011 also abolished council tax capping in England. It instead introduced new provisions into the 1992 Act, making provision for council tax referendums to be held in England if an authority increases its council tax by an amount exceeding the principles determined by the Secretary of State and agreed by the House of Commons.
- 2.2.2 The Local Government Act 2003 imposes duties on local authorities in relation to budget and council tax setting. The Act requires that, when an authority is deciding its annual budget and council tax level, members and officers must take into account a report from the chief finance officer on the robustness of the budget and the adequacy of the authority's financial reserves. The Government has a back-up power to impose a minimum level of reserves on an authority that it considers to be making inadequate provisions.
- 2.2.3 The 2013/14 Financial Planning and Budget Process has been prepared to comply with the time-scales required within the Budget & Policy Framework Procedure Rules contained in the Authority's Constitution.

2.2.4 Pursuant to the Local Government Finance Act 1992 S30(7) the Authority is only able to set the Council tax either following receipt of the precepts from major precepting authorities or 1 March in any year, whichever is earlier. The budget must however be set before 11 March in the relevant year. As all outstanding information has been assessed and information on the Police and Fire Authority precepts have been received by the Authority, it is possible for the Council Tax Requirement to be set at this meeting.

## **2.3 Consultation/community engagement**

### **Internal consultation**

2.3.1 Each Cabinet Member has been involved in the development of the proposals put forward in this report, with regular discussions held between the Chief Executive, Strategic Directors, the Elected Mayor, the Cabinet Member for Finance and all other Cabinet Members. The Senior Leadership Team and their Directorate Leadership Teams have been fully engaged in the process and in the proposals set down in this report.

2.3.2 A specific Trades Union briefing on the Financial Plan and Budget was held on 17 October 2012 and attended by Senior Officers. In addition, consultation has taken place with staff both generally and on specific proposals.

### **Community engagement**

2.3.3 The 2013/14 Budget Engagement Strategy was agreed at Cabinet on 10 September 2012. This committed the Authority to engaging with a wide range of individuals and groups, in addition to Elected Members, to capture a diverse range of views. Groups that have been consulted include:

- Children's and Young People;
- Adults and Families;
- Older People;
- North Tyneside Strategic Partnership (NTSP);
- Business Community;
- Schools Forum / Schools Governors / Headteachers Convenors;
- Voluntary and Community Sector, including Faith Groups;
- Staff; and,
- Trade Unions.

- 2.3.4 At Cabinet on 28 January 2013, delegated authority was granted to the Elected Mayor, in consultation with the Cabinet Member for Finance, the Chief Executive and the Strategic Director of Finance and Resources to consider any further comments received from residents after the drafting of that Cabinet report but before 13 February 2013, as the Budget Engagement process will continue until 12 February 2013. These will be presented as an addendum to the report to full Council at this meeting.

## **2.4 Human rights**

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

## **2.5 Equalities and diversity**

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

To achieve this we have taken a phased approach:

- An equalities impact assessment has been carried out on the Budget Engagement Strategy process. The aim is to remove or minimize any disadvantage for people wishing to take part in the engagement programme.
- Equality Impact Assessments were completed as part of the business cases on all relevant budget proposals ensuring the Cabinet make recommendations after considering all known equality implications.

## **2.6 Risk management**

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

## **2.7 Crime and disorder**

2.7.1 Projects within the Financial Plan and Budget will promote the reduction of crime and disorder within the borough. Under the 1998 Crime and Disorder Act, local authorities have a statutory duty to work with partners on the reduction of crime and disorder.

## 2.8 Environment and sustainability

2.8.1 The Sustainable Community Strategy includes the aim to, “Reduce carbon emissions and ensure that the borough is prepared for the effects of climate change.” A number of the proposals will contribute directly to this including those to reduce the Council’s energy consumption. The environmental and sustainability aspects of individual proposals will be assessed in detail as and when agreed and implemented.

### PART 3 - SIGN OFF

- Strategic Director (s)
- Mayor/Cabinet Member(s)
- Chief finance officer
- Monitoring Officer
- Strategic Manager,  
Policy and Partnerships