

North Tyneside Council Report to Council Date: 5 March 2013

ITEM 3

Title: 2013-2015 Financial Planning and Budget Process: Consideration of any Objections to the Cabinet's Proposals

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 Full Council at this meeting needs to consider the Elected Mayor's responses to the full Council's Objections from 27 February 2013 Council meeting and approve the 2013/14 General Fund Revenue Budget, 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.
- 1.1.2 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.
- 1.1.3 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.

1.1.4 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) Note the guidance set out in this report (paragraphs 1.5.1 to 1.5.4);
- (b) Note the Elected Mayor's responses to the full Council's objections from 27 February 2013 Council meeting;
- (c) Agree the recommendations, authorisations and delegations set down in paragraph 1.5.12 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;
- (d) Agree the Elected Mayor and Cabinet's proposals for the 2013-2023 Capital Plan, (set down in paragraphs 1.5.13 to 1.5.21 below and the original reports to Council on 7 and 21 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
- (e) 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 Twenty eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 9 January 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 Council Tax requirement and Council Tax level. The statutory and constitutional requirements for preparing, considering and approving these issues drive the

timetable for the Financial Planning and Council Tax setting process of the Authority.

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

Guidance on this stage in the Process

1.5.1 The full Council, at its meeting on 27 February 2013, further considered the Financial Planning 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 4 March 2013. The outcome from the meeting of Cabinet is set out in paragraphs 1.5.5 to 1.5.7 below. The Cabinet report that was considered on 4 March 2013 is attached as **Appendix A** to this report for completeness.

1.5.3 At this meeting of full Council, where any proposal of the Council in respect of the Council Tax requirement 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 full Council a two thirds majority of the Members present, vote to impose the full Council's own proposals.

1.5.4 Full Council is recommended to consider the Elected Mayor's responses to the Council's Objections and determine the Council Tax Requirement and Council Tax for 2013/14.

Outcome of Extraordinary Cabinet Meeting held on 4 March 2013

1.5.5 This section of the report indicates the outcomes of the Cabinet meeting held on 4 March 2013.

Liberal Democrat Group Objections from Council, 21 and 27 February 2013

1.5.6 Councillor Michael Huscroft on behalf of the Liberal Democrat Group was in attendance at the Cabinet meeting to answer questions on this Notice of Objection. The outcome of the discussion held at the Cabinet meeting on 4 March

2013 in relation to the Liberal Democrat Group Notice of Objection is set out at Table 1 below:

Table 1: Outcome of Cabinet meeting on 4 March 2013 in relation to the Liberal Democrat Group Notice of Objection

Objection	Cabinet response	Reason
<p>1. Delete proposed price increases from September 2013 for School Meals (£0.053m), Meals on Wheels (£0.012m) and Childcare (£0.032m)</p>	<p>Not accepted</p>	<p>The Council needs to have a more business like approach to service delivery, which involves increasing charges to reflect inflationary pressures.</p> <p>Regarding the specific objections, we will still be providing</p> <ul style="list-style-type: none"> • Healthy, nutritious school meal to over 11,400 pupils for only £2.00 a day • On average 200 freshly cooked Meals on Wheels for a cost that is more in line with Neighbouring Authorities. This does not prohibit us undertaking a review in year which will be undertaken with the Cabinet Member for Children, Young People and Learning • High quality and in demand childcare, for an increase of on average 80p per day <p>In addition the Authority will continue to provide a number of free Childcare Places for 'Children in Need' as well as Childcare places available to the market.</p>
<p>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 years old)</p>	<p>Not accepted</p>	<p>There are already excellent services for children and young people in North Tyneside, which are supported by a significant budget.</p> <p>There is over £52.9 million available to support Primary aged school children in 2013/14 alone.</p>

Objection	Cabinet response	Reason
		<p>The Pupil Premium for Primary aged school children is expected to be £3.7 million, which is up from £2.6 million in 2012/13.</p> <p>Therefore it is not felt that an additional £150,000 would have a significant impact.</p>
<p>3. Delete review of internal accommodation based short breaks for people with a Learning Disability saving and reduce the number of beds in Bamburgh Crescent by 1 (£142k growth and £25k saving)</p>	<p>Not accepted</p>	<p>We have already undertaken a review of the three in house learning disability respite services and this has shown that there are less people accessing accommodation based respite provision.</p> <p>We know that the current respite service model and numbers of beds is not sustainable as there are reducing numbers of people accessing the services. The current services are expensive and we know we spend comparatively more on learning disability services than other local authority areas and need to reduce this area of spend and associated service costs.</p> <p>Overall the services are not delivering value for money and this proposal will help bring the service costs more in line with a high quality value for money service.</p> <p>We have a high number of accommodation based respite beds compared to other local authorities in the region</p>
<p>4. Create an Adult and Social Care Repair Fund</p>	<p>Not accepted</p>	<p>This objection is similar to one proposed last year. It was considered at that time.</p>
<p>5. Revenue effect of capital plan proposals</p>	<p>Not accepted</p>	<p>We recognise local peoples concerns about roads and pavements, which is why over the next ten years we are investing over £61 million to improve them.</p>

Objection	Cabinet response	Reason
		Considering the concerns of local people, level of need and available resources, we believe that this level of investment is a significant increase but proportionate to our financial resources
6. Loss of 2013/14 Council Tax Freeze	Not accepted	<p>The Council Tax Freeze Grant is worth £727,000 to the council. However a 1.3% increase in the council tax would cost local people £915,000.</p> <p>This means that while we would be taking £915,000 from local people we would only be improving the council's spending power by £188,000.</p>
7. Terminate contract of Interim Chief Executive from 5 April 2013	Not accepted	This objection is identical to one that was proposed last year. It was considered at that time.
8. Reduce the Mayoral Allowances	Not accepted	This objection is identical to one that was proposed last year. It was considered at that time.
9. Delete the provision of a pool car	Not accepted	This objection is identical to one that was proposed last year. It was considered at that time.
10. Cessation of all advertising in the News Guardian	Not accepted	This objection is identical to one that was proposed last year. It was considered at that time.
11. Reduce contingency provision for the increase in Members Allowances from £0.200m to £0.050m	Accepted	Will reduce the provision from £200k to £50k but recognise that it is not a saving because the contingency provision will stay the same. This will be to meet demand led pressures.
12. Increase additional highways maintenance budget by £1.000m for 10 years (EV056)	Not accepted	<p>We recognise local peoples concerns about roads and pavements, which is why over the next ten years we are investing over £61 million to improve them.</p> <p>Considering the concerns of local</p>

Objection	Cabinet response	Reason
		people, level of need and available resources, we believe that this level of investment is a significant increase but proportionate to our financial resources

Labour Group Objections from Council, 21 and 27 February 2013

- 1.5.7 Some Labour Members attended the Cabinet meeting in an observational capacity. The outcome of the discussion held at the Cabinet meeting on 4 March 2013 in relation to the Labour Group Notice of Objection is set out at Table 2 below:

Table 2: Outcome of Cabinet meeting on 4 March 2013 in relation to the Labour Group Notice of Objection

Objection	Cabinet response	Reason
<p>1. Massive Outsourcing and the consequential loss of control of vital council services, and leaving the council exposed to private company charges</p>	<p>Not accepted</p>	<p>The two strategic partnerships are now in place and are delivering the agreed performance levels. This is a tribute to all involved.</p> <p>These two partnerships will save the council over £6 million over the next three years and protect over 300 jobs.</p> <p>In addition both partners are committed to using these partnerships to grow their business, which will lead to even more opportunities for people in North Tyneside.</p>
<p>2. We believe there should be a root and branch review to ensure the remaining council services and support services accurately reflect the new role required for a modern council.</p>	<p>Not accepted</p>	<p>This review has already happened. The four year Change Efficiency and Improvement programme which began in 2011/12 followed a full review of all Council services to determine where savings could and should be made.</p> <p>As a result, the Cabinet's budget proposals are already based on a planned, long term approach rather than a short term, knee jerk reaction to budget reductions.</p>

Objection	Cabinet response	Reason
		<p>This approach has been very successful to date. We have</p> <ul style="list-style-type: none"> • successfully delivered savings to target for two years running - equivalent to 10% of the Council's net budget two years running for 2011/12 and 2012/13 • continued to protect and deliver excellent front line services for the people of North Tyneside • targeted more savings around support services, to protect front line services and facilities
<p>3. The use of consultants is costing £1.45m in 2012/13 so far. We believe that a fundamental review of the need for such a large element of consultancy reflects badly on the knowledge and the experience of the Council's own workforce. This should be reviewed and consultants only used where there is a demonstrable and short term need for external expertise.</p>	<p>Not accepted</p>	<p>The cost for consultants has already been reduced significantly since 2009.</p> <p>In 2009/10 consultants cost the council £5 million, this year up until January 2013 the cost is £1.45 million.</p>
<p>4. The use of agency staff is costing £2.43m in 2012/13 so far. We believe that a fundamental review for such a large requirement of agency staff could be better handled by a programme of retraining and redeploying existing staff. Service areas that are finding</p>	<p>Not accepted</p>	<p>The cost for agency staff has already been reduced significantly since 2009.</p> <p>For agency staff in 2009 the cost was £5.19 million while this year (2012/13) it will only be £440,000.</p> <p>However while the costs of consultants and agency staff have been reduced significantly, there will always be cases where it is better to hire a specialist for a short period of time rather than have them employed</p>

Objection	Cabinet response	Reason
<p>difficulty to recruit should be reviewed to determine why there is a large turnover in those service areas.</p>		<p>full time.</p> <p>There are other cases where agency staff are needed to cover key roles for short periods.</p>
<p>5. A modern council should not be reliant on increasing fees and charges to generate income. We believe that the increases are having a detrimental impact on individuals in the highest need areas and also those residents that are just above the benefits level, are amongst the most detrimentally impacted by these actions.</p>	<p>Not accepted</p>	<p>Any modern Council needs to strike a balance between the income that it receives from national government and local tax payers and what it raises from people who use specific facilities, such as swimming pools.</p> <p>However the Council is committed to keeping services accessible to all residents who want to use them. We are confident that everyone will be able to afford to use our services and facilities. For those who are on a lower income, we offer substantial discounts through our Ease Card scheme.</p> <p>Our prices provide great value for money and are generally in line with other local authorities, in fact our gym membership prices are in fact one of the lowest in the region.</p> <p>Regarding potential impact, we can look at what happened last year when there were increases for indoor sport and leisure facilities. This happened without having any negative effect on attendances or income. There have been 8% more visitors to indoor facilities than this time last year.</p>
<p>6. The Welfare Reforms will have a detrimental effect on the most vulnerable residents of our borough. The use of the additional grant to support existing services should be reviewed to allow additional services to be provided.</p>	<p>Not accepted</p>	<p>There is already a comprehensive approach to support people through Welfare Reforms. We are</p> <ul style="list-style-type: none"> • maximising opportunities to get people into work, including through skills, training and economic growth – the Learning and Skills Board is working on a new borough wide strategy to expand apprenticeships and skills

Objection	Cabinet response	Reason
		<p>development</p> <ul style="list-style-type: none"> • taking a proactive approach by writing directly to all people affected and having easy to understand fact sheets so that people can see how they are affected – we have also put in place additional resources so that officers can visit people to offer support • through the Welfare Reform Task and Finish group we will have a joined up and consistent approach across businesses, the voluntary and community sector and public sector partners – this will ensure that people get the support they need quickly and easily • Council has agreed a Local Council Tax Support scheme which will provide additional support to working age claimants up to 93% of their Council Tax liability – for residents who previously received 100% support they will now have to make a £1.33 contribution per week. If they are single occupiers, this drops to £1.00 per week • in March, Cabinet will consider how we will provide the replacement for the Social Care Fund (Crisis Loans and Community Care Grants) the North Tyneside Crisis Support programme – the Welfare Reform Task and Finish group will also work on this (fund allocation for this from DWP is £717,000 – a reduction from what they paid out in total last year)

Objection	Cabinet response	Reason
		<ul style="list-style-type: none"> the Discretionary Housing Payment Fund will be increased to the maximum level to support people in financial hardship and in need – the Welfare Reform Task and Finish group will make recommendations on the use of this fund front line staff have been trained to be able to deal with queries and to direct people to sources of support
<p>7. The transfer of Public Health responsibilities to the Council should have been used to increase the Council's contribution to the overall health and well-being of the residents of our borough. The use of the additional grant to support existing services should be reviewed to allow additional services to be provided</p>	<p>Not accepted</p>	<p>This year the Council will take on significant new responsibilities around Public Health. In preparation of this change we have been working with partners through a Transition Group to implement a Public Health operating model that will</p> <ul style="list-style-type: none"> Ensure that public health is integrated into every council function so all services help to improve public health Integrate the Council with statutory partners and contracted providers. <p>The Government has announced over £10 million in a public health grant for North Tyneside in 2013/14 and another £10 million in 2014/15. This is sufficient to cover the public health service contracts and staffing, and will allow the development of new healthy living services.</p> <p>This grant has been ringfenced so it can only be used on activities that contribute to improving public health in North Tyneside.</p> <p>It is true that for many years the council has taken its role in improving public health seriously. I remember</p>

Objection	Cabinet response	Reason
		<p>during my first term as Mayor working closely with health partners to try and do many of the things that the Health and Wellbeing Board are actually doing now.</p> <p>In practice this means that the council funded many activities that could have been paid for by the PCT. As we integrate Public Health with existing council services, such as Adult Social Care or Children, Young People and Learning services we can look to fund these services differently. The priority is that these services will continue to improve the health of people in North Tyneside.</p>
<p>8. We are concerned that the capital plan, again, does not reflect the greater need of the borough. The capital plan is closely linked to the borrowing and investment strategy and this is an area that needs urgent review and control. The spiralling capital financing requirement (which is debt), is continuing to grow and there are no obvious plans to reduce the amount which will stand at £603m at 31 March 2014.</p>	<p>Not accepted</p>	<p>Borrowing is not new for North Tyneside Council. If we went back as far as 1974 we would see that even then the Council was borrowing money to spend on improving services and facilities.</p> <p>The proposed increases in the capital plan reflect the current need for borrowing for existing and new schemes. These are developments that are important to local people, the economy and future development of the borough, including</p> <ul style="list-style-type: none"> ○ Road and Pavements ○ Surface water (flooding) improvements ○ Swan Hunters redevelopment ○ River Tyne Energy Innovation Centre ○ Longbenton VA schools <p>It is important to note that every borrowing decision is taken very seriously and we only take on the borrowing that we can afford.</p>

Objection	Cabinet response	Reason
		That is why we have only increased the General Fund schemes by £13 million in the last four years (2010-2013) in comparison to £67 million in the previous four years (2006-2009).

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

- 1.5.8 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.
- 1.5.9 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.
- 1.5.10 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 Metropolitan 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

- 1.5.11 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 3 below:

Table 3: 2013/14 Council Tax Requirement for North Tyneside Council

	£	£
2013/14 Budget Requirement		177,132,534
Financed by:		
Revenue Support Grant	(63,425,523)	

Retained 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		70,395,134

2013/14 Council Tax Requirement Resolution

1.5.12 Cabinet recommends that:

1. 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:

Directorate	£
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
Total	<u>158,408,949</u>

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	<u>13,142,585</u>

3. The contingency provision be set as follows:

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

4. 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 1.5.11, Table 3).
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 relevant 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.
10. 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.
11. 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.
12. 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.

13. 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.
14. 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.
15. 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.
16. 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.
17. 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

- 1.5.13 Full Council is requested to approve the proposals for the 2013-2023 Capital Plan, as set out in 21 February 2013 Report to full Council in addition to the changes set out at paragraphs 1.5.14 to 1.5.21 below.

Education Capital Grants

- 1.5.14 Capital allocations from the Department for Education were announced on 1 March 2013.
- 1.5.15 The 2013/14 allocations for Local Authority Capital Maintenance and Devolved Formula Capital and the 2013-15 Basic Need allocation are as follows:
- Local Authority Capital Maintenance (2013/14) £2.722m
 - Local Authority Devolved Formula Capital (2013/14) £0.601m
 - Basic Need (2013-15) £2.021m
- 1.5.16 Table 4 below includes the Education capital allocations.

Table 4: Summary of base Capital Plan 2013-2023 / Prudential Indicator 6

Spend	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	11,600	6,845	34	0	18,479

Learning	2,727	566	0	0	3,293
Community Services	1,600	1,000	1,000	6,000	9,600
Finance and Resources	1,500	500	500	3,000	5,500
Corporate items					
General Fund total	38,424	27,216	10,660	39,564	115,864

Capital Financing

1.5.17 Table 5 below summarises the proposed financing of the Capital Plan:

Table 5: Summary of Capital Financing 2013-2023

Resources	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/23 £000's	Total £000's
Council Contribution:					
Unsupported	6,218	11,150	8,729	27,688	53,785
Borrowing					
Capital Receipts	8,914	3,065	2,065	9,886	23,930
	15,132	14,215	10,794	37,574	77,715
Grants & Contributions	23,292	13,001	-134	1,990	38,149
Total Resources	38,424	27,216	10,660	39,564	115,864

Reserve List

1.5.18 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

1.5.19 Prudential Indicator 6 (General Fund Capital Expenditure) has been amended and is shown in Table 4 above.

1.5.20 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

- 1.5.21 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.

Response to Overview & Scrutiny Committee Recommendations

- 1.5.22 The Overview and Scrutiny Committee considered the Cabinet's 2013-2015 Financial Plan and draft budget proposals on 4 February 2013.
- 1.5.23 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.
- 1.5.24 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 full Council by the Chief Finance Officer

Background

- 1.5.25 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.
- 1.5.26 Government has a back up power to impose a minimum level of reserves on any authority that it considers is making inadequate provisions.
- 1.5.27 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

- 1.5.28 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.

1.5.29 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.

1.5.30 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.

1.5.31 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

1.5.32 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 final 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.

- 1.5.33 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.
- 1.5.34 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 1.5.12 of this report.
- 1.6.2 Full Council needs to consider the Elected Mayor's responses to the full Council Objections and determine the Budget and Council Tax level for 2013/14 and determine its Council Tax Requirement before 11 March 2013.
- 1.6.3 At this meeting of full Council, where any proposal of the full Council in respect of the Council Tax requirement 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.

1.7 Reasons for recommended option:

- 1.7.1 To make a final determination in relation to the Budget, Council Tax level and Council Tax Requirement for 2013/14 in accordance with the Authority's Constitution, statutory requirements and government guidance.

1.8 Appendices:

Appendix A: 2013-2015 Financial Planning and Budget Process:
Consideration of Any Objections to the Cabinet's
Proposals, Cabinet 4 March 2013

Appendix B (i) 2013-2023 Capital Plan

Appendices included in 21 February 2013 Report to full Council

Appendix A: Addendum Report Budget Engagement

1.9 Contact officers:

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Tel No 643 7070

Eileen Wiltshire, Chief Executive's Office
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Viv Geary, Law and Governance
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) 2013-2015 Financial Planning and Budget Process: 2013/14 Budget and Council Tax Requirement Submission to the Authority, Council 7 February 2013.
- (e) 2013-2015 Financial Planning and Budget Process: Elected Mayor and Cabinet Budget and Council Tax Requirement Resolution for 2013/14, Council 21 February 2013.
- (f) 2013-2015 Financial Planning and Budget Process: Labour Group Notice of Objection, Council 21 February 2013.
- (g) 2013-2015 Financial Planning and Budget Process: Liberal Democrat Group Notice of Objection, Council 21 February 2013.
- (h) 2013-2015 Financial Planning and Budget Process, Consideration of any Objections to the Cabinet's Proposals, Cabinet 4 March 2013.
- (i) Technical Reforms of Council Tax, Council 24 January 2013.
- (j) Local Council Tax Support Scheme, Council 30 January 2013.
- (k) Calculation of the 2013/14 Council Tax Base for North Tyneside Council, Cabinet 31 January 2013.
- (l) 2013/14 Final Local Government Finance Settlement.
- (m) Council General Fund Budget Summaries.
- (n) Localism Act 2011.
- (o) 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.
- 2.1.3 The Council must calculate its Council Tax requirement for 2013/14 before 11 March 2013.
- 2.1.4 All other financial information was contained in the main reports to full Council on 7 February 2013 and 21 February 2013, the Labour Group and Liberal Democrat Group Notices of Objection considered by full Council on 21 and 27 February 2013 and the Cabinet report of 4 March 2013.

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 Consultation/community engagement

- 2.3.1 In accordance with the Budget and Policy Framework Procedure Rules contained in the Authority's Constitution, all Cabinet Members have been consulted in relation to the full Council's objections to the Cabinet's proposals and a Cabinet meeting was held on 4 March 2013 to this effect.

2.4 Human rights

- 2.4.1 Any human rights issues were included in the main reports to full Council on 7 February 2013 and 21 February 2013.

2.5 Equalities and diversity

- 2.5.1 Any equality and diversity issues were included in the main reports to full Council on 7 February 2013 and 21 February 2013.

2.6 Risk management

- 2.6.1 Any risk management issues were included in the main reports to full Council on 7 February 2013 and 21 February 2013.

2.7 Crime and disorder

2.7.1 Any crime and disorder issues were included in the main reports to full Council on 7 February 2013 and 21 February 2013.

2.8 Environment and sustainability

2.8.1 Any environmental and sustainability issues were included in the main reports to full Council on 7 February 2013 and 21 February 2013.

PART 3 - SIGN OFF

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