

# North Tyneside Council Report to Council Date: 20 February 2014

## ITEM 3

Title: 2014-2018 Financial Planning and Budget Process: Elected Mayor and Cabinet Budget and Council Tax Requirement Resolution for 2014/15

<b>Portfolios:</b> Elected Mayor  Cabinet Member for Finance and Resources	<b>Cabinet Members:</b> Mrs Norma Redfearn  Cllr Ray Glindon
<b>Report from:</b> The Elected Mayor and Cabinet	
<b>Wards affected:</b> 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 2014–2018 Financial Planning and Budget Process, incorporating the 2014/15 Council Tax Requirement and the 2014/15 budget, reflects these requirements. Further details of the decision-making process were set down in paragraphs 1.5.5 to 1.5.12 of the 6 February 2014 report to this Council.
- 1.1.2 As explained in the 15 January 2014 Cabinet report, which was subsequently included as Annex 1 to the full Council report on 6 February 2014, 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 2014/15 (recommendation 1.2.1 (aa) in the original Cabinet report refers).
- 1.1.3 On 19 February 2014, 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 15 January 2014. 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 2014/15 General Fund Revenue Budget and recommending the Council Tax Requirement and Council Tax level, the Treasury Management Statement and Annual Investment Strategy for 2014/15 and the 2014-2018 Investment 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 2014/15 General Fund Revenue Budget and set the 2014/15 Council Tax Requirement and the Council Tax level for 2014/15;
  - (b) The Elected Mayor and Cabinet's proposals for the 2014-2018 Investment Plan, including prudential indicators for 2014/15 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 2014/15.
- 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 6 February 2014.

## **1.2 Recommendations:**

- 1.2.1 Full Council is recommended to:
- (a) Agree the recommendations, authorisations and delegations set down in paragraph 1.5.34 of this report in relation to the 2014/15 General Fund Revenue Account Budget, the 2014/15 Council Tax Requirement and Council Tax level for 2014/15, being the Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution;
  - (b) Agree the Elected Mayor and Cabinet's proposals for the 2014-2018 Investment Plan, (set down in paragraphs 1.5.6 to 1.5.7 below, Appendices B (i) and B (ii) to this report which includes prudential indicators for 2014/15 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 2014/15 as detailed in the original report to full Council on 6 February 2014.

### **1.3 Forward plan:**

- 1.3.1 This report was included in the Forward Plan for the period from 1 February 2014 to 31 May 2014.

### **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 2014-2018 Council Plan – 'Our North Tyneside' provides the strategic framework within which budget resources are allocated.
- 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 2014/15 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 15 January 2014, authorisation was granted to the Elected Mayor to consider any additional comments received from residents, after the drafting of that Cabinet report but before 07 February 2014, as the Budget Engagement process continued until 07 February 2014. These were presented as an addendum to the report to full Council on 6 February 2014 and a further addendum report is attached as Appendix A to this report.

#### **2014/15 Financial Plan and Budget**

- 1.5.2 Since the Cabinet meeting on 15 January 2014 and the full Council meeting on 6 February 2014, the outstanding financial information in relation to precepts, levies, joint service budgets and the final Local Government Finance Settlement for 2014/15 has now been received. On 19 February 2014 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 15 January 2014. 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:

**The Final Local Government Finance Settlement announcements for 2014/15, including Capital announcements and Specific Grants (including the Dedicated Schools Grant (DSG)) final detailed information**

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

- 1.5.3 The Final Local Government Finance Settlement for 2014/15 was announced by the Department for Communities and Local Government (DCLG) on 4 February 2014. The Government within this announcement confirmed a Council Tax Referendum limit of 2% for 2014/15. In relation to the actual Settlement, this contained a number of minor changes since the Provisional Settlement was announced on 18 December 2013.

2014/15

- 1.5.4 The 2014/15 Settlement Funding Assessment income for North Tyneside Council increased by **£0.013m** between the Provisional and Final Settlement. The only other change in the 2014/15 Settlement directly impacting on our Resources was a reduction in our New Homes Bonus grant for 2014/15 by **£0.003m** from £2.088m to £2.085m.

2015/16

- 1.5.5 The 2015/16 Settlement Funding Assessment income for North Tyneside Council is unchanged at £82.600m between the Provisional and Final Settlement. The 2015/16 sees a further marginal reduction to our New Homes Bonus grant of £0.007m.

**(b) 2014-2018 Investment Plan**

Education Capital Grants

- 1.5.6 Capital allocations from the Department for Education have been received. These include the Devolved Formula Capital £0.587m, and Schools Capital Maintenance £2.730m.
- 1.5.7 The revised Investment 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 1: Summary of Base Investment Plan 2014-2018 / Prudential Indicator 6**

<b>Spend</b>	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	Total £000's
Our People	13,857	1,718	1,486	1,083	18,144
Our Places	17,701	13,674	11,161	5,125	47,661
Our Economy	17,627	0	0	0	17,627
Corporate	6,298	5,294	5,273	3,950	20,815
<b>General Fund total</b>	<b>55,483</b>	<b>20,686</b>	<b>17,920</b>	<b>10,158</b>	<b>104,247</b>
<b>Housing - HRA</b>	<b>23,936</b>	<b>25,427</b>	<b>24,303</b>	<b>24,731</b>	<b>98,397</b>
<b>Total</b>	<b>79,419</b>	<b>46,113</b>	<b>42,223</b>	<b>34,889</b>	<b>202,644</b>

### Capital Financing

Table 2 below summarises the proposed financing of the Investment Plan:

**Table 2: Summary of Capital Financing 2014-2018**

<b>Resources</b>	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	Total £000's
<b><u>General Fund</u></b>					
<b><u>Council</u></b>					
<b><u>Contribution:</u></b>					
Unsupported	18,870	14,415	10,552	9,515	53,352
Borrowing					
Capital Receipts	5,540	0	0	0	5,540
	<b>24,410</b>	<b>14,415</b>	<b>10,552</b>	<b>9,515</b>	<b>58,892</b>
Grants & Contributions	31,073	6,271	7,368	643	45,355
<b>Total General Fund Resources</b>	<b>55,483</b>	<b>20,686</b>	<b>17,920</b>	<b>10,158</b>	<b>104,247</b>
<b><u>Housing - HRA</u></b>					
Capital Receipts	2,574	1,489	868	544	5,475
Revenue Contribution	6,913	9,351	8,309	8,937	33,510
Major Repairs	13,399	13,870	14,409	14,533	56,211
Reserve					
House Building Fund	1,050	717	717	717	3,201
<b>Total Housing - HRA</b>	<b>23,936</b>	<b>25,427</b>	<b>24,303</b>	<b>24,731</b>	<b>98,397</b>

<b>Resources</b>					
<b>TOTAL RESOURCES</b>	<b>79,419</b>	<b>46,113</b>	<b>42,223</b>	<b>34,889</b>	<b>202,644</b>

### Reserve List

- 1.5.8 No changes are proposed to the Reserve List previously presented. Appendix B(ii) to the 6 February 2014 Council Report lists bids received but not included in the proposed 2014-2018 Investment Plan. A prioritisation process would be applied to release a reserve project from the list.

### Prudential Indicators

- 1.5.9 The indicators are changed to reflect the change in the Net Budget and the additional Education Capital grants and are set out in Appendix B (ii) to this Report.

### Annual Minimum Revenue Provision (MRP) Statement

- 1.5.10 No changes are proposed to the Annual Minimum Revenue Provision (MRP) Statement previously presented.

### The Assessment of the Final Business Rates Position of the Authority

#### North Tyneside Council Business Rates Taxbase

- 1.5.11 Under the Business Rates Retention Scheme, from 1 April 2013 each local authority retains a percentage of the rates it collects locally. It is now an obligation for the authority to formally calculate the estimated level of Business Rates (the Business Rates Taxbase) it anticipates in collecting each year and pass this information to precepting authorities by 31 January each year. The Business Rates Taxbase is dependent on the information included in the final National Non-Domestic Rates (NNDR1) Form for each local authority.
- 1.5.12 Under the Business Rates Retention Scheme, the percentage share of Business Rates for North Tyneside Council is as follows:

	<b>Share</b>
Share to Central Government	50%
Distribution to the Tyne and Wear Fire and Rescue Authority	1%
Retained by North Tyneside Council	49%

- 1.5.13 The 2014/15 NNDR1 Form for North Tyneside Council ultimately calculates the total amounts due to be retained by the billing authority, its major precepting authorities and central government in 2014/15. The NNDR1 Form for North Tyneside Council was submitted to the Department for Communities and Local Government on 31 January 2014. The final NNDR1 results are the figures shown in Table 3 below for North Tyneside Council.

**Table 3: 2014/15 North Tyneside Council Business Rates Calculation**

	<b>2014/15 £m</b>
Central Government Share	26.753
Tyne and Wear Fire and Rescue Authority Share	0.535
North Tyneside Council Retained Business Rates	26.467
<b>Total</b>	<b>53.755</b>

1.5.14 The outcome of the North Tyneside Council NNDR1 Form for 2014/15 is to result in re-calculated resources of **£0.547m** being available to the Council for 2014/15.

1.5.15 As outlined in the 15 January 2014 Cabinet Budget Report, the Autumn Statement of 5 December 2013 announced a significant number of business rate changes including:

- Business rates increases - Business Rates were originally intended to increase by 3.2% from 1 April 2014, will be capped at an increase of 1.95% for one year.
- Business rates: discount - The government will introduce a business rates discount of £1,000 for retail and food and drink premises with a rateable value below £50,000 for 2 years up to the state aid limits from 1 April 2014.
- Business rates: reoccupation relief – The government will introduce a 50% business rates relief for 18 months up to the state aid limits for businesses that move into retail premises that have been empty for a year or more. Businesses which move into empty premises between 1 April 2014 and 31 March 2016 will be eligible for the relief.
- Small Business Rate Relief (SBRR) – The government will extend the doubling of SBRR for a further year from 1 April 2014.
- Small Business Rate Relief on second properties – The government will relax the SBRR rules to allow businesses in receipt of SBRR taking on an additional property to retain SBRR on the first property for 1 year, with effect from 1 April 2014.
- Business rates: payment – The government will allow businesses to pay business rates over 12 months rather than 10 months, with effect from 1 April 2014. North Tyneside Council currently allows businesses to pay over 12 months, so there is no impact from this announcement.
- Business rates: appeals – The government will consult on reforms to the business rates appeals process and will commit to clear 95% of the September 2013 backlog of appeals before July 2015.

- 1.5.16 The Government outlined their intention to fully refund local authorities for these changes and to pay this money back to local authorities via Section 31 grants. The anticipated level of these grants that the Council will receive in 2014/15 has now been calculated from the NNDR 1 Form for 2014/15, and these total **£1.511m**.

### **Police and Fire Precepts**

- 1.5.17 The final amendments to the Fire and Police Precepts for 2014/15 are as follows:

(a) Tyne & Wear Fire and Rescue Authority

Precept increase of **0%** over the 2014/15 level was approved on 17 February 2014 and,

(b) Police and Crime Commissioner for Northumbria

Precept increase of **0%** over the 2014/15 level was approved on 13 February 2014.

### **Levies**

- 1.5.18 The final amendments to Levies for 2014/15 are as follows:

(a) Tyne Port Health Authority Levy – **£0.005m** reduction compared with original estimate;

(b) Environment Agency Levy – **£0.012m** increase compared with original estimate; and,

(c) Northumberland Inshore Fisheries and Conservation Authority (IFCA) – **£0.008m** reduction compared with original estimate.

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

- 1.5.19 There is no change to the Tyne and Wear Joint Service Budgets information since 15 January 2014 Cabinet Budget meeting.

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

#### 2014/15 Council Tax Base

- 1.5.20 Cabinet, at its meeting on 30 January 2014, approved the 2014/15 Council Taxbase as 55,400 Band D equivalent properties.



## Effect of Amendments to the 2014/15 General Fund Revenue Budget

1.5.21 The effect of the above amendments is set down in Table 4 below:

**Table 4: Effect of Amendments to 2014/15 General Fund Revenue Budget**

Item	Change in Spending Power since 15 January 2014	Change £'000
	<b>Spending Changes</b>	
4. (a)	Tyne Port Health Authority Levy	-5
4. (b)	Environment Agency Levy	+12
4. (c)	Northumberland Inshore Fisheries and Conservation Authority Levy	-8
6.	Pension Fund Deficit Contribution and the increase in the Employers Superannuation Rate	-91
	<b>Total Spending Changes</b>	<b>-92</b>
	<b>Resource Changes</b>	
1.	Final Settlement Funding Assessment	-13
1.	Reduction in New Homes Bonus Grant	+3
2.	Final Section 31 Grant to compensate Local Authorities for the cost of changes to the Business Rates system announced in the 2013 Autumn Statement – Cumulative 2014/15 Change	-1,511
2.	Re-calculated Resources as a result of the final NNDR1 Form for 2014/15	-547
	<b>Total Resource Changes</b>	<b>-2,068</b>
	<b>Increase in Spending Power since 15 January 2014</b>	<b>-2,160</b>

Note: Additional resources are shown as a negative (-) and reduced expenditure budgets are shown as a negative (-).

## Final Proposals for the 2014/15 General Fund Revenue Budget

- 1.5.22 In accordance with the delegation, the Elected Mayor has given due consideration to the impact of the change in available resources in determining the council tax level for 2014/15 and proposes the following:

**Table 5: Final Proposals for the 2014/15 General Fund Revenue Budget**

<b>Proposals as at 19 February 2014</b>	<b>Mayoral Amendments £000's</b>
Committed Revenue Contribution to Pinch Point from ITA Levy Reduction	+365
Making the Service Improvement Fund a permanent budget	+500
Removal of the use of Strategic Reserve 2014/15	+1,295
<b>TOTAL</b>	<b>+2,160</b>

## Council Tax Increase for 2014/15

- 1.5.23 The North Tyneside element of the council tax level for 2014/15 (excluding precepts) is therefore proposed to be unchanged from 2013/14 i.e. a 0% increase, as previously proposed in the report to Cabinet on 15 January 2014.

## Business Community Engagement

- 1.5.24 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 16 December 2013, with the statutory budget engagement meeting being carried out on 31 January 2014.

## Process for Consideration and Determination of the Budget

- 1.5.25 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.
- 1.5.26 At the full Council meeting on 20 February 2014, 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.
- 1.5.27 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.

- 1.5.28 Following the 20 February 2014 meeting, the Elected Mayor must reconsider the Cabinet's proposals taking into account any objections agreed by full Council. A Cabinet meeting has been scheduled for 24 February 2014, if required, for this purpose.
- 1.5.29 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 2014/15 set. This meeting will take place on 4 March 2014. 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 2014/15**

- 1.5.30 The Localism Act 2011, which was enacted on 3 December 2011, introduced changes which impact on the council tax calculation for 2014/15 as part of the formal budget and council tax resolution.
- 1.5.31 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. 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.
- 1.5.32 The council tax referendum principles for 2014/15 are that any council who proposes to increase council tax by 2% or more for 2014/15, will be subject to a binding referendum of the local electorate. Any such referendum has to be held by no later than 22 May 2014.

### Council Tax Requirement

- 1.5.33 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 2014/15, based on the 2014/15 budget requirement is set out in Table 6 below:

**Table 6: 2014/15 Council Tax Requirement for North Tyneside Council**

	£	£
2014/15 Budget Requirement		168,395,438
Financed by:		
Revenue Support Grant	(53,093,771)	
Retained Business Rates	(26,467,371)	
Business Rates Top Up	(15,252,485)	
Council Tax Collection Fund Surplus	<u>(8,395)</u>	<u>(94,822,022)</u>
<b>Council Tax Requirement</b>		<b>73,573,416</b>

**2014/15 Council Tax Requirement Resolution**

1.5.34 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 £139.696m in Dedicated Schools Grant, for 2014/15:

<b>Directorate</b>	£
Chief Executive's Office	22,056,321
Deputy Chief Executive's Office	119,348,811
Corporate	12,281,675
Total	<u>153,686,807</u>

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

	£
Tyne & Wear Integrated Transport Authority	12,398,399
Tyne Port Health Authority	51,191
Environment Agency	175,444
Northumberland Inshore Fisheries and Conservation Authority	128,597
Total	<u>12,753,631</u>

3. The contingency provision be set as follows:

	£
Contingency Provision	1,955,000
Total	<u>1,955,000</u>

4. Note that at its meeting held on 30 January 2014 Cabinet agreed the Council Tax Base for 2014/15 for the whole Authority area as 55,400 (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 2014/15 is £73,573,416 (as set down in paragraph 1.5.33, Table 6).
6. Agrees that the following amounts now calculated by the Authority for the year 2014/15 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended (the Act):
  - (a) £359,068,155 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(2) of the Act.
  - (b) £285,494,739 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(3) of the Act.
  - (c) £73,573,416 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) £1,328.04 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
£	£	£	£	£	£	£	£
885.36	1,032.92	1,180.48	1,328.04	1,623.15	1,918.28	2,213.40	2,656.08

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 Valuation Bands

Note that for the year 2014/15 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 2014/15 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 2014/15 for each part of its area and for each of the categories of dwellings shown below:

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
991.87	1,157.18	1,322.50	1,487.81	1,818.43	2,149.06	2,479.68	2,975.62

7. The Authority's relevant basic amount of council tax for 2014/15 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. The general Contingency Budget for 2013/14 was £5.581m. Of this, £4.392m has been permanently allocated into service base budgets, resulting in a revised Contingency base budget of £1.189m for 2014/15. These budget proposals increase the Contingency base budget by £0.766m to reflect ongoing demand led pressures for Adults and Children's Social Care and provision for a potential pay award in 2014/15.

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 6 February 2014, is adopted as set down and is subject to review at least annually.
11. The Chief Executive, in consultation with the Elected Mayor, Deputy Mayor, Cabinet Member for Finance and Resources, the Head of Finance and Commercial Services 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 Investment Programme Board be granted delegated authority to keep under review the proposed Reserve List of Schemes, within the 2014-2018 Investment 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 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.

### **2014-2018 Investment Plan**

- 1.5.35 Full Council is requested to approve the proposals for the 2014-2018 Investment Plan, set out in sections 1.5.6 to 1.5.7 above.

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

- 1.5.36 The Overview and Scrutiny Committee considered the Cabinet's 2014-2018 Financial Plan and draft budget proposals on 6 January 2014.
- 1.5.37 At its meeting on 15 January 2014 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 2014-2018 Financial Planning and Budget Process.
- 1.5.38 On 5 February 2014, 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 15 January 2014.

## **Statement to Council by the Chief Finance Officer**

### **Background**

- 1.5.39 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.
- 1.5.40 Government has a back up power to impose a minimum level of reserves on any authority that it considers is making inadequate provisions.
- 1.5.41 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**

- 1.5.42 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 2014-2018 Investment 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 2012/13 Statement of Accounts, presented to full Council on 26 September 2013;
  - The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Authority;
  - The implications of government's Local Government Finance Settlement on the Authority's financial plan; and,
  - The general Contingency Budget for 2013/14 was £5.581m. Of this, £4.392m has been permanently allocated into service base budgets, resulting in a revised Contingency base budget of £1.189m for 2014/15. These budget proposals increase the Contingency base budget by £0.766m to reflect ongoing demand led pressures for Adults and Children's Social Care and provision for a potential pay award in 2014/15.



- 1.5.43 The chief finance officer is satisfied that due attention has been given to the 2014-2018 Financial Planning and Budget process and in particular the Council Tax Requirement and budget setting element of that process for 2014-2018 to enable a positive statement to be made.
- 1.5.44 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 2014/15 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 four-year Investment Plan, the Financial Strategy and the global economic position prevailing at the time.
- 1.5.45 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**

- 1.5.46 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."* The Authority has in previous years relied on this option to support delivery of its services. The Bulletin does then go on to say *that "It is not normally prudent for reserves to be deployed to finance current expenditure."* The 2014/15 budget is now proposed without the use of the Strategic Reserve. This proposal maintains the Strategic Reserve at the average level of £5.000m over the life of the 2014-2018 Financial Plan, in line with the Reserves and Balances Policy. Any unplanned use of the Strategic Reserve over the 2014-2018 period would require proposals to replenish the Strategic Reserve over that same period.

### **1.6 Decision options:**

- 1.6.1 The Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution for 2014/15 is set down in paragraph 1.5.34 of this report.
- 1.6.2 At the full Council meeting on 20 February 2014, 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 20 February 2014 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 24 February 2014, 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 2014/15 set. This meeting will take place on 4 March 2014. 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)	2014-2018 Investment Plan
Appendix B(ii)	The Prudential Indicators for 2014-2018

**1.9 Contact officers:**

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

## **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) 2014-2018 Financial Planning and Budget Process: Cabinet's Draft Budget and Council Tax Requirement Proposals, Cabinet 15 January 2014.
- (d) Local Council Tax Support Scheme, Council 23 January 2014.
- (e) Calculation of the 2014/15 Council Tax Base for North Tyneside Council, Cabinet 30 January 2014.
- (f) 2014/15 Final Local Government Finance Settlement.
- (g) Council General Fund Budget Summaries.
- (h) Localism Act 2011.
- (i) Local Government (Finance) Act 1992.
- (j) Local Audit and Accountability Act 2014

## **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 2014/15. 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 2014-2018, 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 1.5.33. 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 2014/15 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 19 November 2013 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 2014/15 Budget Engagement Strategy was agreed at Cabinet on 9 September 2013. The budget proposals have been shaped in the context of Our North Tyneside Plan 2014-2018. This plan was developed following engagement with a wide range of stakeholders.

2.3.4 At Cabinet on 15 January 2014, delegated authority was granted to the Elected Mayor, in consultation with the Cabinet Member for Finance, the Chief Executive and the Head of Finance and Commercial Services to consider any further comments received from residents after the drafting of that Cabinet report but before 8 February 2014, as the Budget Engagement process continued until 7 February 2014. This is being presented as an addendum at Appendix A to this report to full Council.

## **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

- Chief Executive
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Strategic Manager,  
Policy Partnerships,  
Performance and  
Communications