

North Tyneside Council Report to Council Date: 19 February 2015

ITEM 3

**Title: 2015-2018 Financial
Planning and Budget Process:
Elected Mayor and Cabinet Budget
and Council Tax Requirement
Resolution for 2015/16**

Portfolios: Elected Mayor Finance and Resources	Cabinet Members: Mrs Norma Redfearn Councillor Ray Glindon
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Report from: Senior Leadership Team

Report Author: Patrick Melia, Chief Executive (Chief Finance Officer) Tel: 643 2000

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 for setting the Authority's budget. The 2015–2018 Financial Planning and Budget Process, incorporating the 2015/16 Council Tax Requirement and the 2015/16 budget, reflects these requirements. Further details of the decision-making process are set down in paragraphs 1.5.5 to 1.5.12 of the 5 February 2015 report to Council.
- 1.1.2 As explained in the 28 January 2015 Cabinet report, which was subsequently included as Annex 1 to the full Council report on 5 February 2015, 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 2015/16 (recommendation 1.2.1 (t) in the original Cabinet report refers).
- 1.1.3 On 18 February 2015, 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 2015. 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 2015/16 General Fund Revenue Budget and recommending the Council Tax Requirement and Council Tax level, the Treasury Management Statement and Annual Investment Strategy for 2015/16 and the 2015-2019 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:-

the Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution in order to finalise the 2015/16 General Fund Revenue Budget and set the 2015/16 Council Tax Requirement and the Council Tax level for 2015/16.

1.1.6 There is also a requirement to obtain appropriate authorisations and delegations as set down in this report and as previously received by full Council on 5 February 2015.

1.2 Recommendations:

1.2.1 Full Council is recommended to:-

agree the recommendations, authorisations and delegations set down in paragraph 1.5.35 of this report in relation to the 2015/16 General Fund Revenue Account Budget, the 2015/16 Council Tax Requirement and Council Tax level for 2015/16, being the Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution;

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 22 December 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 setting process is particularly described in paragraph 4.7.3 covering 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.
- 1.4.4 Feedback through the Annual Governance Statement and the Overview and Scrutiny Committee's report into the 2014-2018 Financial Planning and Budget process has been used to inform this year's process.

1.5 Information:

The 2015/16 General Fund Revenue Account Budget and Council Tax Level – Final Amendments by The Elected Mayor under Authorisation Granted by Cabinet

2015/16 Financial Plan and Budget

- 1.5.1 Since the Cabinet meeting on 28 January 2015 and the full Council meeting on 5 February 2015, the outstanding financial information in relation to precepts, levies, joint service budgets and the final Local Government Finance Settlement for 2015/16 has now been received. On 18 February 2015 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 2015. Those amendments have been incorporated into the Budget and Council Tax Requirement Resolution and are repeated in Table 5 below for completeness and are as follows:

The Final Local Government Finance Settlement announcements for 2015/16, including Capital announcements and Specific Grants (including the Dedicated Schools Grant (DSG) final detailed information

(a) The Final Local Government Finance Settlement

- 1.5.2 The Final Local Government Finance Settlement for 2015/16 was announced by the Department for Communities and Local Government (DCLG) on 3 February 2015. The Government within this announcement confirmed a Council Tax Referendum limit of 2% for 2015/16.
- 1.5.3 The key change between the 2015/16 Provisional and Final Local Government Finance Settlement was a national increase of £74m in the amount allocated to Local Government.
- 1.5.4 For North Tyneside Council between the 2015/16 Provisional and Final Settlement, the increase in our Settlement Funding Assessment income was £0.348m. This additional allocation is to be distributed to the Authority as upper tier funding, with the entire increase in allocation coming to the Authority as Revenue Support Grant. The only other change in the 2015/16 Settlement directly impacting on our Resources was a reduction in our New Homes Bonus grant for 2015/16 by £0.001m from £2.646m to £2.645m.

(b) 2015-2019 Investment Plan

- 1.5.5 The School Condition Funding: Capital Allocations for 2015-2018 were announced by the Education Funding Agency on 9 February 2015. The allocations for North Tyneside are as set out in Table 1 below:

Table 1: School Condition Funding: Capital Allocations for 2015-2018

Spend	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	Total £000's
Devolved Formula Capital	589	589	589	0	1,767
School Capital Allocation	3,612	3,612	3,612	0	10,836
Total	4,201	4,201	4,201	0	12,603

- 1.5.6 The draft 2015-2019 Investment Plan has been revised to include this funding.

- 1.5.7 Table 2 below shows the revised 2015-2019 Investment Plan. A full breakdown of the plan is shown within the Appendix (A) (i) of this Report.

Table 2: Summary of Investment Plan 2015-2019

Spend	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	Total £000's
General Fund	54,484	39,392	22,339	8,817	125,032
Housing	29,268	24,530	24,963	26,544	105,305
Total	83,752	63,922	47,302	35,361	230,337

Capital Financing

- 1.5.8 Table 3 below summarises the revised financing of the draft 2015-2019 Investment Plan:

Table 3: Summary of Financing 2015-2019

Resources	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	Total £000's
<u>General Fund</u>					
Council					
Contribution:					
Unsupported	15,276	12,818	8,244	5,753	42,091
Borrowing					
Capital Receipts	3,869	0	0	0	3,869
Revenue	50	0	0	0	50
contribution					
	19,195	12,818	8,244	5,753	46,010
Grants & Contributions	35,289	26,574	14,095	3,064	79,022
Total General Fund Resources	54,484	39,392	22,339	8,817	125,032
<u>Housing – HRA</u>					
Capital Receipts	4,429	1,439	1,050	1,061	7,979
Revenue	8,236	7,359	7,972	9,481	33,048
Contribution					
Major Repairs	13,982	14,661	14,870	14,931	58,444
Reserve					
House Building	1,500	1,071	1,071	1,071	4,713
Fund					
Grants & Contributions	1,121	0	0	0	1,121
Total Housing - HRA Resources	29,268	24,530	24,963	26,544	105,305
Total Resources	83,752	63,922	47,302	35,361	230,337

2015-2018 Prudential Indicators

- 1.5.9 The amended 2015-2018 Prudential Indicators are included within Appendix (A) (ii) of 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.

Police and Crime Commissioner for Northumbria and Tyne and Wear Fire and Rescue Authority Precepts

1.5.11 The final amendments to the Fire and Police Precepts for 2015/16 are as follows:

(a) Tyne & Wear Fire and Rescue Authority

Precept increase of **1.9956%** over the 2014/15 level was approved on 16 February 2015 and,

(b) Police and Crime Commissioner for Northumbria

Precept increase of **1.99%** over the 2014/15 level was approved on 6 February 2015.

Levies:

1.5.12 The final amendments to Levies for 2015/16 are as follows:

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

(b) Northumberland Inshore Fisheries and Conservation Authority (IFCA) – **£0.003m** increase compared with original estimate.

Tyne and Wear Joint Service Budgets

1.5.13 There is no change to the Tyne and Wear Joint Service Budgets information since 28 January 2015 Cabinet Budget meeting.

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

2015/16 Council Tax Base

1.5.14 Cabinet, at its meeting on 28 January 2015, approved the 2015/16 Council Taxbase as 56,424 Band D equivalent properties.

The Assessment of the Final Business Rates Position of the Authority

North Tyneside Council Business Rates Taxbase

1.5.15 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 collecting each year and pass this information to the Government and 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.

- 1.5.16 Under the Business Rates Retention Scheme, the percentage share of Business Rates for North Tyneside Council is as follows:

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

- 1.5.17 The 2015/16 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 2015/16. The NNDR1 Form for North Tyneside Council was submitted to the Department for Communities and Local Government on 30 January 2015. The final NNDR1 results are the figures shown in Table 4 below for North Tyneside Council.

Table 4: 2015/16 North Tyneside Council Business Rates Calculation

	2015/16 £m
Central Government Share	26.653
Tyne and Wear Fire and Rescue Authority Share	0.533
North Tyneside Council Retained Business Rates	26.411
Total	53.597

- 1.5.18 The outcome of the North Tyneside Council NNDR1 Form for 2015/16 is to result in a reduction in re-calculated resources of **£2.064m** being available to the Council for 2015/16.
- 1.5.19 Due to the degree of uncertainty associated with the timing and value of the settlement of rating appeals and the potential impact on future resources, an Appeals Reserve was created as part of the 2013/14 Final Accounts process. The authority has recently been advised of the outcome of a series of rating appeals associated with the supply of office space across the borough and the impact has been significant. The consequential impact into 2015/16 on the Business Rates resource is such that the Appeals reserve is required to be released in 2015/16 to mitigate the reduction in resources. This release of the Business Rates Reserve is to be **£1.766m**.

- 1.5.20 The Autumn Statement 2014, on 3 December 2014 included a number of specific announcements in relation to business rates, these being:

Autumn Statement 2014 Business Rates Announcements

Area	Details
Business Rate increases	The 2% cap on the Retail Price Index increase in the business rates multiplier is being extended a further year from April 2015 to April 2016.
Small Business Rate Relief (SBBR)	The Government has announced the extending the doubling of Small Business Rate Relief one further year from April 2015 to April 2016. It is expected that around 385,000 of the smallest businesses will continue to receive 100% relief from business rates until April 2016, with around a further 190,000 benefiting from tapering relief.
Business Rates Discounts	Autumn Statement 2013 announced a new £1,000 business rate discount for retail premises from shops, pubs, cafes and restaurants with a rateable value of £50,000 or below due to end in 2015/16. This system will still end at that point, but for the next year the £1,000 discount will be increased to £1,500. This is expected to benefit 300,000 properties.
Business rates: transitional arrangements	The government will extend the transitional arrangements for properties with a rateable value of £50,000 and below facing significant bill increases due to the ending of Transitional Rate Relief from 1 April 2015 to 31 March 2017.

- 1.5.21 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 2015/16 has now been calculated from the NNDR 1 Form for 2015/16, and these total **£1.887m**. This leads to additional resources being available for the 2015/16 Budget of **£0.376m**.

Effect of Amendments to the 2015/16 General Fund Revenue Budget

- 1.5.22 The effect of the above amendments is set down in Table 5 below:

Table 5: Effect of Amendments to 2015/16 General Fund Revenue Budget

	Change in Spending Power since 28 January 2015	Change £'000
	Spending Changes	
	Reduction in Tyne Port Health Authority Levy	-5
	Increase in Northumberland Inshore Fisheries and Conservation Authority Levy	+3
	Increase in property pressures	+80
	Release of Business Rates Reserve	-1,766
	Total Spending Changes	-1,688
	Resource Changes	
	2015/16 Final Local Government Settlement – Increase in Settlement Funding Assessment	-348
	Reduction in New Homes Bonus Grant	+1
	Reduction in Resources as a result of the final NNDR1 Form for 2015/16	+2,064
	Increase in Final Section 31 Grant to compensate Local Authorities for the cost of changes to the Business Rates system announced in the 2014 Autumn Statement	-376
	Total Resource Changes	+1,341
	Increase in Spending Power since 28 January 2015	-347

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

Final Proposals for the 2015/16 General Fund Revenue Budget

1.5.23 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 2015/16 and proposes the following:

Table 6: Final Proposals for the 2015/16 General Fund Revenue Budget

Proposals as at 18 February 2015	Mayoral Amendments £000's
Additional Contribution to the Strategic Reserve	+347
TOTAL	+347

Council Tax Increase for 2015/16

- 1.5.24 The North Tyneside element of the council tax level for 2015/16 (excluding precepts) is therefore proposed to be unchanged from 2014/15 i.e. a 0% increase, as previously proposed in the report to Cabinet on 28 January 2015.

Business Community Engagement

- 1.5.25 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 statutory budget engagement meeting was carried out on 23 January 2015.

Process for Consideration and Determination of the Budget

- 1.5.26 The process for consideration of the budget is determined by legislation, including the Local Government (Finance) Act 1992 and 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.
- 1.5.27 At the full Council meeting on 19 February 2015, 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.
- 1.5.28 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.
- 1.5.29 Following the 19 February 2015 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 23 February 2015, if required, for this purpose.

- 1.5.30 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 2015/16 set. This meeting will take place on 3 March 2015 if required. 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 2015/16

- 1.5.31 The Localism Act 2011, introduced changes which impact on the council tax calculation for 2015/16 as part of the formal budget and council tax resolution.
- 1.5.32 Firstly, some aspects of Part 1 of the 1992 Local Government Finance Act (the 1992 Act) were changed and this impacted on the calculation of council tax. Secondly, council tax capping was abolished in England. Instead provision was made for council tax referendums to be held in England if an authority increased its council tax by an amount exceeding the principles determined by the Secretary of State and agreed by Parliament.
- 1.5.33 The council tax referendum principles for 2015/16 are that any council who proposes to increase council tax by 2% or more for 2015/16, will be subject to a binding referendum of the local electorate. Any such referendum has to be held by no later than 7 May 2015.

Council Tax Requirement

- 1.5.34 Since the Local Government Finance Act 1992 was amended by the Localism Act 2011, billing authorities have been required to calculate a council tax requirement for the year. The calculation of the council tax requirement for North Tyneside Council for 2015/16, based on the 2015/16 budget requirement is set out in Table 7 below:

Table 7: 2015/16 Council Tax Requirement for North Tyneside Council

	£	£
2015/16 Budget Requirement		156,757,233
Financed by:		
Revenue Support Grant	(39,832,036)	
Retained Business Rates	(26,410,771)	
Business Rates Top Up	(15,543,934)	
Council Tax Collection Fund Surplus	(37,163)	<u>(81,823,904)</u>
Council Tax Requirement		74,933,329

2015/16 Council Tax Requirement Resolution

1.5.35 Cabinet recommends that:

1. The recommended budgets of the Authority, be approved as noted below subject to the variations listed in paragraphs 2 and 3 below and notes the estimated allocation of £137.823m in Dedicated Schools Grant, for 2015/16:

General Fund Revenue Budget	£
	142,951,563
Total	<u>142,951,563</u>

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

	£
The Tyne and Wear element of the Durham, Gateshead, Newcastle Upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority Transport Levy	12,199,080
Tyne Port Health Authority	46,072
Environment Agency	179,349
Northumberland Inshore Fisheries and Conservation Authority	131,169
Total	<u>12,555,670</u>

3. The contingency provision be set as follows:

Contingency Provision	£
	1,250,000
Total	<u>1,250,000</u>

4. Note that at its meeting held on 28 January 2015 Cabinet agreed the Council Tax Base for 2015/16 for the whole Authority area as 56,424 (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 2015/16 is £74,933,329 (as set down in paragraph 1.5.34, Table 7).
6. Agrees that the following amounts now calculated by the Authority for the year 2015/16 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended (the Act):
 - (a) £364,335,231 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(2) of the Act.
 - (b) £289,401,902 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(3) of the Act.

- (c) £74,933,329 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

Council Tax Band	£
A	885.36
B	1,032.92
C	1,180.48
D	1,328.04
E	1,623.15
F	1,918.28
G	2,213.40
H	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 2015/16 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:

Council Tax Band	£
A	58.89
B	68.70
C	78.52
D	88.33
E	107.96
F	127.59
G	147.22
H	176.66

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

Note that for the year 2015/16 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:

Council Tax Band	£
A	49.75
B	58.04
C	66.33
D	74.62
E	91.20
F	107.78
G	124.37
H	149.24

(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 2015/16 for each part of its area and for each of the categories of dwellings shown below:

Council Tax Band	£
A	994.00
B	1,159.66
C	1,325.33
D	1,490.99
E	1,822.31
F	2,153.65
G	2,484.99
H	2,981.98

7. The Authority's relevant basic amount of council tax for 2015/16 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 2014/15 was £1.955m. Taken with the 2015/16 pay award of £0.917m, this means that £2.872m has been permanently allocated into service base budgets. These budget proposals set the Contingency base budget at £1.250m to reflect ongoing demand led pressures for Corporate Parenting and provision for potential other pressures.

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 5 February 2015, 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 and the Senior Leadership Team to manage the overall Creating a Brighter Future Programme and note that decisions made under this delegated authority will be reported to Cabinet as part of the regular budget monitoring information provided.
12. The Chief Executive (as 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.
13. The Chief Executive (as 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.

14. 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.
15. 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.

2015-2019 Investment Plan

- 1.5.36 Full Council is requested to approve the proposals for the 2015-2019 Investment Plan, set out in sections 1.5.5 to 1.5.10 above.

Statement to Council by the Chief Finance Officer

Background

- 1.5.37 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.
- 1.5.38 Government has a back up power to impose a minimum level of reserves on any authority that it considers is making inadequate provisions.
- 1.5.39 In making the statement the Chief Finance Officer necessarily places reliance on information provided to him by other officers of the Authority as part of the Financial Planning and Budget process. Due cognisance to CIPFA's guidance in relation to the adequacy of reserves and balances will also be taken into account.

Provisional Statement

Robustness of Estimates

- 1.5.40 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 2015-2019 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 2013/14 Statement of Accounts, presented to full Council on 25 September 2014;
- The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Authority; and,
- The implications of the Local Government Finance Settlement on the Authority's financial plan.

1.5.41 The general Contingency Budget for 2014/15 was £1.955m. Taken with the 2015/16 pay award of £0.917m, this means that £2.872m has been permanently allocated into service base budgets. These budget proposals set the Contingency base budget at £1.250m to reflect ongoing demand led pressures for Corporate Parenting and provision for potential other pressures.

1.5.42 The Chief Finance Officer is satisfied that due attention has been given to the 2015-2018 Financial Planning and Budget process and in particular the Council Tax Requirement, and budget setting element of that process for 2015-2018 to enable a positive statement to be made.

1.5.43 The Cabinet is aware it must keep under review its medium-term Financial Strategy and three year Financial Plan, in the context of the 2014-2018 'Our North Tyneside' Plan and known key financial risks. Future pressures need to be considered and the Authority should not take 2015/16 in isolation to future years' needs and pressures. Each year's budget must continue to be considered within the context of the three-year Financial Plan, the four-year Investment Plan, the Financial Strategy and the global economic position prevailing at the time.

1.5.44 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

1.5.45 This use of the Appeals Reserve in the 2015/16 Budget reflects the impact of a specific set of appeals and is a one-off event. This budget includes a contribution to the Strategic Reserve, a prudent provision to support any potential financial risks faced by the Authority. The Strategic Reserve will be maintained at least at the planned level of £5m 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 2015-2018 financial plan may take the level outside of this boundary and corrective action would be needed to demonstrate how the £5m agreed level would be restored.

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”*, and so the proposed 2015/16 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 2015-2018 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 2015/16 is set down in paragraph 1.5.35 of this report.

1.6.2 At the full Council meeting on 19 February 2015, 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 19 February 2015 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 23 February 2015, 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 2015/16 set. This meeting will take place on 3 March 2015. 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(i) 2015-2019 Investment Plan

Appendix A(ii) The Prudential Indicators for 2015-2018

1.9 Contact officers:

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Viv Geary, Law and Governance
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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) 2015-2018 Financial Planning and Budget Process: Cabinet's Draft Budget and Council Tax Requirement Proposals, Cabinet 28 January 2015.
- (d) Calculation of the 2015/16 Council Tax Base for North Tyneside Council, Cabinet 28 January 2015.
- (e) 2015/16 Final Local Government Finance Settlement.
- (f) Council General Fund Budget Summaries.
- (g) Localism Act 2011.
- (h) Local Government (Finance) Act 1992.
- (i) 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 2015/16. 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 three-year financial plan for 2015-2018, 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. Section 31 of the 1992 Act, requires the calculation of a council tax requirement by billing authorities, as set out in paragraph 1.5.34. The Act also makes 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 Parliament.
- 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 2015/16 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 section 30(7) of the 1992 Act 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, Heads of Service, the Elected Mayor, the Deputy Mayor, the Cabinet Member for Finance and Resources and all other Cabinet Members. The Senior Leadership Team and their 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 14 January 2015 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 2015/16 Budget Engagement Strategy was agreed at Cabinet on 8 September 2014. 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. Engagement on the budget proposals took place between 25 November 2014 and 29 January 2015.
- 2.3.4 At Cabinet on 28 January 2015, delegated authority was granted to the Elected Mayor, in consultation with the Deputy Mayor, the Cabinet Member for Finance and Resources, the Chief Executive and the Strategic Manager Finance to consider any further comments received from residents after the drafting of that Cabinet report but before 5 February 2015, as the Budget Engagement process was due to continue until 29 January 2015. This was presented as an addendum to the report to full Council on 5 February 2015 (Annex 1, Section 1).

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 Equality Impact Assessment has been carried out on the Budget Engagement Strategy process. The aim was to remove or minimise any

potential 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 that Cabinet made recommendations after considering all known potential equality implications.
- The outcome of any decisions made following the community engagement on the Budget Process will be subject to further Equality Impact Assessments.

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 service, 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 Crime and Disorder Act 1998, 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 Our North Tyneside plan states that "We will reduce the carbon footprint of our operations and will work with partners to reduce the Boroughs carbon footprint." A number of the proposals will contribute 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
- Head of Corporate Strategy