

North Tyneside Council Report to Council Date: 18 February 2016

ITEM 3

Title: 2016-2019 Financial
Planning and Budget Process:
Elected Mayor and Cabinet Budget
and Council Tax Requirement
Resolution for 2016/17

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: Janice Gillespie, Head of Finance (Chief Finance Officer) **Tel:** 643 5701

Wards affected: All

PART 1

1.1 Executive Summary:

- 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 2016–2019 Financial Planning and Budget Process, incorporating the 2016/17 Council Tax Requirement and the 2016/17 Budget, reflects these requirements. Further details of the decision-making process are set down in paragraphs 1.5.4 to 1.5.11 of the 4 February 2016 report to Council.
- 1.1.2 As explained in the 27 January 2016 Cabinet report, which was subsequently included as Annex 1 to the full Council report on 4 February 2016, 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 2016/17 (recommendation 1.2.1 (t) in the original Cabinet report refers).
- 1.1.3 On 17 February 2016, 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 27 January 2016. 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 2016/17 General Fund Revenue Budget and recommending the Council Tax Requirement and Council Tax level, the Treasury Management Statement and Annual Investment Strategy for 2016/17 and the 2016-2019 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 2016/17 General Fund Revenue Budget and set the 2016/17 Council Tax Requirement and the Council Tax level for 2016/17.

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 4 February 2016.

1.2 Recommendations:

1.2.1 Full Council is recommended to:-

- (a) Agree the recommendations, authorisations and delegations set down in paragraph 1.5.38 of this report in relation to the 2016/17 General Fund Revenue Account Budget, the 2016/17 Council Tax Requirement and Council Tax level for 2016/17, being the Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution; and,
- (b) Agree that the refreshed Our North Tyneside Plan priorities which will form the Policy Framework for the Financial Planning and Budget Process for 2016-2019.

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 18 December 2015.

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 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 2016/17 General Fund Revenue Account Budget and Council Tax Level – Final Amendments by The Elected Mayor under Authorisation Granted by Cabinet

2016/17 Financial Plan and Budget

- 1.5.1 Since the Cabinet meeting on 27 January 2016 and the full Council meeting on 4 February 2016, the outstanding financial information in relation to precepts, levies, grants, joint service budgets and the final Local Government Finance Settlement for 2016/17 has now been received. On 17 February 2016 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 27 January 2016. 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 2016/17, 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 2016/17 was announced by the Department for Communities and Local Government (DCLG) on 8 February 2016.
- 1.5.3 The key national changes between the 2016/17 Provisional and Final Local Government Finance Settlement was the Government announced £300m of additional resources through Transition Grant funding (£150m for both 2016/17 and 2017/18). It was stated that it “was to ease the pace of reductions during the most difficult first 2 years of the Settlement for councils with the sharpest reductions in Revenue Support Grant”. The Government also announced that the Rural Services delivery grant would increase to £80.5m in 2016/17.
- 1.5.4 For North Tyneside Council, there was no change in the Settlement Funding Assessment allocations from the Provisional Local Government Finance Settlement announced on 17 December 2015.
- 1.5.5 On 29 January 2016, the Government issued the 2016/17 funding allocations for local authorities to carry out Special Educational Needs and Disabilities (SEND) reforms. The North Tyneside allocation was £0.116m. This represents an increase of £0.012m compared with the original estimate.

1.5.6 The Final 2016/17 Allocation of New Homes Bonus grant to North Tyneside Council shows a £0.102m increase compared with original estimates.

(b) 2016-2019 Investment Plan

1.5.7 The Disabled Facilities Grant (DFG) allocation was announced on 10 February 2016 as part of the Better Care Fund. The Authority will receive a total of £1.307m for 2016/17. This allocation now includes the Social Care Capital Grant that was previously allocated as separate grant. The 2016-2019 draft Investment Plan has been updated to include this revised allocation.

1.5.8 On 11 February 2016 the Education Funding Agency confirmed allocations for 2016/17 for Schools Capital Maintenance and Devolved Formula Capital. These are in line with the estimates previously included in the 2016-2019 draft Investment Plan, and so no changes are required.

1.5.9 Table 1 below sets out the revised 2016-2019 draft Investment Plan following the announcement of DFG.

Table 1: Summary of Investment Plan 2016-2019

Spend	2016/17 £000's	2017/18 £000's	2018/19 £000's	Total £000's
General Fund	67,012	32,942	17,168	117,122
Housing	24,859	23,085	23,366	71,310
Total	91,871	56,027	40,534	188,432

1.5.10 A full breakdown of the plan is shown within the Appendix A (i) of this Report.

Capital Financing

1.5.11 Table 2 below summarises the revised financing of the draft 2016-2019 Investment Plan:

Table 2: Summary of Financing 2016-2019

Resources	2016/17 £000's	2017/18 £000's	2018/19 £000's	Total £000's
<u>General Fund</u>				
Council				
Contribution:				
Unsupported	29,058	16,091	10,697	55,846
Borrowing				
Capital Receipts	1,415	0	380	1,795
Revenue contribution	66	0	0	66
	30,539	16,091	11,077	57,707
Grants &	36,473	16,851	6,091	59,415
Contributions				
Total General Fund Resources	67,012	32,942	17,168	117,122
<u>Housing – HRA</u>				
Capital Receipts	132	2,573	2,746	5,451
Revenue Contribution	5,909	4,593	5,280	15,782
Major Repairs	14,370	14,848	15,340	44,558
Reserve				
House Building Fund	3,621	1,071	0	4,692
Grants &	827	0	0	827
Contributions				
Total Housing - HRA Resources	24,859	23,085	23,366	71,310
Total Resources	91,871	56,027	40,534	188,432

2016-2019 Prudential Indicators

- 1.5.12 The amended 2016-2019 Prudential Indicators are included within Appendix A (ii) of this report.

Annual Minimum Revenue Provision (MRP) Statement

- 1.5.13 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

1.5.14 The final amendments to the Fire and Police Precepts for 2016/17 are as follows:

(a) Tyne & Wear Fire and Rescue Authority

Precept increase of **1.99%** over the 2015/16 level was approved on 15 February 2016 and,

(b) Police and Crime Commissioner for Northumbria

Precept increase of **£5 at Band D i.e. 5.66%** over the 2015/16 level was approved on 11 February 2016.

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 value of Business Rates (the Business Rates Taxbase, based on the multiplier set by Central Government) 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 2016/17 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 2016/17. The NNDR1 Form for North Tyneside Council was submitted to the Department for Communities and Local Government on 28 January 2016. The final NNDR1 results are the figures shown in Table 3 below for North Tyneside Council.

Table 3: 2016/17 North Tyneside Council Business Rates Calculation

	2016/17 £m
Central Government Share	28.921
Tyne and Wear Fire and Rescue Authority Share	0.580
North Tyneside Council Retained Business Rates	28.410
Total	57.911

- 1.5.18 The outcome of the North Tyneside Council NNDR1 Form for 2016/17 is to result in an increase in resources of £0.009m being available to the Council for 2016/17, and additional resources of £0.054m of Section 31 grant income.

Tyne and Wear Joint Service Budgets

- 1.5.19 There is no change to the Tyne and Wear Joint Service Budgets information since 27 January 2016 Cabinet Budget meeting.

Environment Agency Levy

- 1.5.20 The final Environment Agency Levy for 2016/17 was a £0.002m increase compared with the original estimate.

Public Health Grant Allocations

- 1.5.21 The final Public Health Grant Allocations for 2016/17 and indicative figures for 2017/18 were announced on 9 February 2016. For 2016/17, the North Tyneside allocation is £13.080m, which represents a reduction of £0.008m compared with the original estimate. This represents a total reduction in the Public Health Budget for 2016/17 of £0.303m, bringing the total reduction to £1.075m for 2015/16 and 2016/17.

Independent Living Fund grant allocations

- 1.5.22 The final Independent Living Fund grant allocations were announced on 9 February 2016. The 2016/17 allocation for North Tyneside Council is £0.674m, which represents an increase of £0.182m (on the Base Budget). This increase in grant will be used to fund the ongoing requirements of the responsibilities transferred to the Local Authority in 2015.

Youth Justice Board Grant Allocations

- 1.5.23 The Final Youth Justice Board allocations for 2016/17 are yet to be received. For Budget Setting purposes, these are assumed to be in line with our projections. Any material changes to this grant will be reported as part of the regular Budget monitoring process.

Council Tax Support Administration grant allocations

- 1.5.24 The Final Council Tax Support Administration grant allocations for 2016/17 are yet to be received. Any material changes to this grant will be reported as part of the regular Budget monitoring process.

Effect of Amendments to the 2016/17 General Fund Revenue Budget

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

Table 4: Effect of Amendments to 2016/17 General Fund Revenue Budget

Change in Spending Power since 27 January 2016	Change £'000
Spending Changes	
Increase in Environment Agency Levy	+2
Total Spending Changes	+2
Resource Changes	
Special Educational Needs and Disabilities (SEND) Reforms Grant	-12
New Homes Bonus Grant	-102
Increase in Resources as a result of the Final NNDR1 form for 2016/17 (Confirming Total)	-9
Increase in Section 31 grant as a result of the Final NNDR1 form for 2016/17 (Confirming Total)	-54
Reduction in Public Health Grant	+8
Independent Living Fund grant allocations	-182
Total Resource Changes	-351
Increase in Spending Power since 27 January 2016	-349

Note: Additional resources are shown as a negative (-) and reduced resources are shown as a positive (+).

Final Proposals for the 2016/17 General Fund Revenue Budget

- 1.5.26 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 2016/17 and proposes the following:

Table 5: Final Proposals for the 2016/17 General Fund Revenue Budget

Proposals as at 17 February 2016	Mayoral Amendments £000's
Special Educational Needs and Disabilities (SEND) Reforms Grant Expenditure	+12
Independent Living Fund Grant Expenditure	+182
Increase in Contingencies for the Environmental Services Review (Business Case 02)	+155
TOTAL	+349

Council Tax Increase for 2016/17

- 1.5.27 The North Tyneside element of the Council Tax level for 2016/17 (excluding precepts) is proposed to be as set out in the report to Cabinet on 27 January 2016 i.e. a 2% "Adult Social Care Precept" is proposed to fund Adult Social Care, and a general 1.998% increase in Council Tax. The total increase is rounded to 4.0% on Council Tax bills.

Business Community Engagement

- 1.5.28 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 22 January 2016.

Process for Consideration and Determination of the Budget

- 1.5.29 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.
- 1.5.30 At the full Council meeting on 18 February 2016, 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.

- 1.5.31 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.
- 1.5.32 Following the 18 February 2016 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 22 February 2016, if required, for this purpose.
- 1.5.33 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 2016/17 set. This meeting will take place on 1 March 2016 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 2016/17

- 1.5.34 The Localism Act 2011, introduced changes which impact on the council tax calculation for 2016/17 as part of the formal Budget and council tax resolution.
- 1.5.35 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.
- 1.5.36 The council tax referendum principles for 2016/17 are that any Council, excluding the Social Care Precept, who proposes to increase council tax by 2% or more for 2016/17, will be subject to a binding referendum of the local electorate.

Council Tax Requirement

- 1.5.37 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 2016/17, based on the 2016/17 Budget requirement is set out in Table 6 below:

Table 6: 2016/17 Council Tax Requirement for North Tyneside Council

	£	£
2016/17 Budget Requirement		153,944,887
Financed by:		
Revenue Support Grant	(31,183,719)	
Retained Business Rates	(28,409,666)	
Business Rates Top Up	(15,673,467)	
Council Tax Collection Fund Surplus	(24,874)	<u>(75,291,726)</u>
Council Tax Requirement		78,653,161

2016/17 Council Tax Requirement Resolution

1.5.38 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 £140.465m in Dedicated Schools Grant, for 2016/17:

	£
General Fund Revenue Budget	136,927,852
Total	<u>136,927,852</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	11,801,677
Tyne Port Health Authority	46,072
Environment Agency	181,117
Northumberland Inshore Fisheries and Conservation Authority	131,169
Total	<u>12,160,035</u>

3. The contingency provision be set as follows:

	£
Contingency Provision	4,857,000
Total	<u>4,857,000</u>

4. Note that at its meeting held on 27 January 2016 Cabinet agreed the Council Tax Base for 2016/17 for the whole Authority area as 56,948 (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 2016/17 is £78,653,161 (as set down in paragraph 1.5.37, Table 6).
6. Agrees that the following amounts now calculated by the Authority for the year 2016/17 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended (the Act):
 - (a) £356,042,770 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(2) of the Act.
 - (b) £277,389,609 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(3) of the Act.
 - (c) 78,653,161 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) £1,381.14 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	920.76
B	1,074.22
C	1,227.68
D	1,381.14
E	1,688.06
F	1,994.98
G	2,301.90
H	2,762.28

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 2016/17 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	62.22
B	72.59
C	82.96
D	93.33
E	114.07
F	134.81
G	155.55
H	186.66

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

Note that for the year 2016/17 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	50.74
B	59.20
C	67.65
D	76.11
E	93.02
F	109.94
G	126.85
H	152.22

(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 2016/17 for each part of its area and for each of the categories of dwellings shown below:

Council Tax Band	£
A	1,033.72
B	1,206.01
C	1,378.29
D	1,550.58
E	1,895.15
F	2,239.73
G	2,584.30
H	3,101.16

7. The Authority's relevant basic amount of council tax for 2016/17 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 level of contingencies will be £4.857m as pressures incurred during 2015/16 have been recognised as part of the 2016/17 Financial Planning and Budget process.

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 4 February 2016, 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 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 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.

2016-2019 Investment Plan

- 1.5.39 Full Council is requested to approve the proposals for the 2016-2019 Investment Plan, set out in sections 1.5.7 to 1.5.13 above.

Statement to Council by the Chief Finance Officer

Background

- 1.5.40 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.
- 1.5.41 Government has a back up power to impose a minimum level of reserves on any authority that it considers is making inadequate provisions.
- 1.5.42 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 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.

Statement

Robustness of Estimates

- 1.5.43 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 2016-2019 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 2014/15 Statement of Accounts, presented to full Council on 24 September 2015;

- The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Authority;
- The outcome of the Spending Review and Autumn Statement 2015 of 25 November 2015 and the implications for North Tyneside Council; and,
- The implications of the Local Government Finance Settlement on the Authority's Financial Plan.

1.5.44 The level of contingencies will be £4.857m as pressures incurred during 2015/16 have been recognised as part of the 2016/17 Financial Planning and Budget process.

1.5.45 The Chief Finance Officer is satisfied that due attention has been given to the 2016-2019 Financial Planning and Budget process and in particular the Council Tax Requirement, and Budget setting element of that process for 2016-2019 to enable a positive statement to be made.

1.5.46 The Cabinet is aware it must keep under review its medium-term Financial Strategy and three year Financial Plan, in the context of the 2016-2019 'Our North Tyneside' Plan and known key financial risks. Future pressures need to be considered and the Authority should not take 2016/17 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 three-year Investment Plan, the Financial Strategy and the global economic position prevailing at the time.

1.5.47 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

1.5.48 The 2016/17 Budget assumes the use of £2.001m of reserves to support the 2016/17 Budget. The current Financial Plan, 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 2016-2019 Financial Plan may take the level outside of this boundary and corrective action would be needed to demonstrate how the £5.000m agreed level would be restored.

1.5.49 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 2016/17 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 2016-

2019 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 2016/17 is set down in paragraph 1.5.38 of this report.
- 1.6.2 At the full Council meeting on 18 February 2016, 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 18 February 2016 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 22 February 2016, 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 2016/17 set. This meeting will take place on 1 March 2016. 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) 2016-2019 Investment Plan

Appendix A(ii) The Prudential Indicators for 2016-2019

1.9 Contact officers:

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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) 2016-2019 Financial Planning and Budget Process: Cabinet's Draft Budget and Council Tax Requirement Proposals, Cabinet 27 January 2016.
- (d) Calculation of the 2016/17 Council Tax Base for North Tyneside Council, Cabinet 27 January 2016.
- (e) 2016/17 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 2016/17. 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 2016-2019, 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 1.5.38. 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 2016/17 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 consulted on the individual proposals put forward in this report, with regular discussions held between the Chief Executive, Deputy Chief Executive, Head of Finance, Heads of Service, the Elected Mayor and Cabinet.

Community engagement

- 2.3.2 The 2016/17 'Our North Tyneside' Plan and Budget Engagement Strategy was agreed at Cabinet on 14 September 2015. The Budget proposals have been shaped in the context of the 'Our North Tyneside' Plan. This refreshed plan has been developed following engagement with a wide range of stakeholders. Engagement on the 2016-2019 'Our North Tyneside' Plan and Budget proposals took place between 15 September 2015 and 31 January 2016.
- 2.3.3 Residents views on priorities for the 'Our North Tyneside' Plan and Budget for 2016/17 have been captured in a number of ways. During the Summer of 2015 a series of Community Conversation events were held across the Borough. In addition, eight public meetings were held over a three week period during September and October, in all areas of the borough. Residents discussed and gave views on a range of potential options to enable the Authority to deliver savings. Information was also shared via social media and the Authority's website, for residents to give feedback. The State of the Area and Resident's Panel consultation events also took place.
- 2.3.4 A second phase of engagement ran from 8 December 2015 to 31 January 2016 which has again provided opportunities for residents to have their say online, via social media and at a range of events. These events have offered the opportunity for the following groups to discuss proposals for the refreshed 'Our North Tyneside' Plan and Budget proposals: North Tyneside Strategic Partnership members, political groups within the Authority, staff panel members, all residents, young people, older people and people with protected characteristics under the Equality Act.
- 2.3.5 Engagement feedback shows widespread agreement with the 'Our North Tyneside' Plan priorities and Budget proposals. Key findings highlight requests for:
- more communication about proposals for nursery childcare provision
 - a clear definition of 'affordable' housing
 - the maintenance of environmental standards and the borough's physical infrastructure
 - clarity on partner's performance and value for money
 - exploration and exploitation of external (including European) funding streams
 - Information on the implications of self-service, particularly for vulnerable people

- greater investment in ICT in order to deliver self-service
- public reporting on performance against the 'Our North Tyneside' plan
- regular reporting on engagement outcomes
- progress on regeneration initiatives
- decisions on proposed housing developments, particularly around Murton village

Participants also acknowledged the impact successful partnership working and the achievement of local schools has had on the borough.

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 strategic planning and Budget setting the Authority's aim will at all times be 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 'Our North Tyneside' Plan and Budget Engagement process. The aim is to remove or minimize any disadvantage for people wishing to take part in the engagement programme.
- Full Equality Impact Assessments have been completed as part of the business cases on all relevant Budget proposals and a cumulative impact assessment has been undertaken to ensure Cabinet make recommendations after considering all known equality implications. The impact assessments and business cases will be refined as additional information becomes available.
- The outcome of any decisions made following the community engagement on the Budget proposals will be subject to further Equality Impact Assessments and Cumulative Impact Assessment.

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 operational, strategic, corporate 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 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 the continued funding for Warm Zone. The environmental and sustainability aspects of individual proposals will be assessed in detail as and when agreed and implemented.

PART 3 - SIGN OFF

- Deputy Chief Executive
- Head(s) of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Head of Corporate Strategy