

North Tyneside Council Report to Council Date: 16 February 2017

ITEM 3

Title: 2017-2020 Financial
Planning and Budget Process:
Elected Mayor and Cabinet Budget
and Council Tax Requirement
Resolution for 2017/18

Portfolios: Elected Mayor Finance and Resources	Cabinet Members: 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 2017–2020 Financial Planning and Budget Process, incorporating the 2017/18 Council Tax Requirement and the 2017/18 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 2 February 2017 report to Council.
- 1.1.2 As explained in the 25 January 2017 Cabinet report, which was subsequently included as Annex 1 to the full Council report on 2 February 2017, 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 2017/18 (recommendation 1.2.1 (t) in the original Cabinet report refers).
- 1.1.3 On 15 February 2017, 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 25 January 2017. It was noted in that letter that, as the outstanding information that has been received has been assessed, information on the Police and Fire Authority

precepts have been received by the Authority and no material changes are expected from the Final Local Government Finance Settlement, 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 2017/18 General Fund Revenue Budget and recommending the Council Tax Requirement and Council Tax level, the Treasury Management Statement and Annual Investment Strategy for 2017/18 and the 2017-2020 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 2017/18 General Fund Revenue Budget and set the 2017/18 Council Tax Requirement and the Council Tax level for 2017/18.

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 2 February 2017.

1.2 Recommendations:

1.2.1 Full Council is recommended to:-

- (a) Agree the recommendations, authorisations and delegations set down in paragraph 1.5.32 of this report in relation to the 2017/18 General Fund Revenue Account Budget, the 2017/18 Council Tax Requirement and Council Tax level for 2017/18, being the Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution.

1.3 Forward plan:

1.3.1 The report first appeared on the Forward Plan that was published on 07 February 2017.

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 2017/18 General Fund Revenue Account Budget and Council Tax Level – Final Amendments by The Elected Mayor under Authorisation Granted by Cabinet

2017/18 Financial Plan and Budget

1.5.1 Since the Cabinet meeting on 25 January 2017 and the full Council meeting on 2 February 2017, the outstanding financial information in relation to precepts, levies, grants and joint service budgets has now been received. On 15 February 2017 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 25 January 2017. 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:

1. The Final Local Government Finance Settlement announcements for 2017/18, 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 2017/18 was due to be announced on 9 February 2017, however, it has been delayed due to other priorities in the Parliamentary timetable and is not expected until 22 February 2017.

1.5.3 Historically there have been minimal changes to the North Tyneside Council financial position between the provisional and final Settlements. Currently there is no indication that this will be any different for 2017/18.

1.5.4 It is on this basis that, in the opinion of the Chief Finance Officer, the Budget can be set by the Council at the meeting on the 16 February 2017.

1.5.5 Any changes arising from the Settlement will be managed as in year changes during 2017/18 and reported as part of the financial management process.

(b) 2017-2020 Investment Plan

1.5.6 On 17 January 2017 the Authority received notification that its bid for funding, to SUEZ Communities Trust, for the installation of a new BMX Skate Park and playsite at The Parks Sports Centre, had been successful. The total cost of the project is £0.179m with contributions from SUEZ Communities Trust (£0.044m), section 106 (£0.125m) and council contribution (£0.010m) from the Local Infrastructure project. This project has been included in the draft 2017-2020 Investment Plan attached as Appendix A to this report.

Table 1 below sets out the revised 2017-2020 draft Investment Plan.

Table 1: Summary of Investment Plan 2017-2020

Spend	2017/18 £000's	2018/19 £000's	2019/20 £000's	Total £000's
General Fund	80,903	24,744	8,043	113,690
Housing	26,049	24,144	22,790	72,983
Total	106,952	48,888	30,833	186,673

A full breakdown of the plan is shown within the Appendix A to this report.

Capital Financing

- 1.5.7 Table 2 below summarises the revised financing of the draft 2017-2020 Investment Plan:

Table 2: Summary of Financing 2017-2020

Resources	2017/18 £000's	2018/19 £000's	2019/20 £000's	Total £000's
<u>General Fund</u>				
Council Contribution:				
Unsupported Borrowing	47,298	14,825	7,230	69,353
Capital Receipts	0	380	380	760
	47,298	15,205	7,610	70,113
Grants & Contributions	33,605	9,539	433	43,577
Total General Fund Resources	80,903	24,744	8,043	113,690
<u>Housing – HRA</u>				
Capital Receipts	663	2,847	2,805	6,315
Revenue Contribution	6,818	5,955	4,136	16,909
Major Repairs Reserve	14,850	15,342	15,849	46,041
House Building Fund	3,558	0	0	3,558
Grants & Contributions	160	0	0	160
Total Housing - HRA Resources	26,049	24,144	22,790	72,983
Total Resources	106,952	48,888	30,833	186,673

2017-2020 Prudential Indicators

- 1.5.8 Table 1 reflects the revised 2017-2020 Prudential Indicator for capital expenditure. All other indicators remain the same as reported to Council on the 2 February 2017.

Annual Minimum Revenue Provision (MRP) Statement

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

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

- 1.5.10 The final amendments to the Fire and Police Precepts for 2017/18 are as follows:

(a) Tyne & Wear Fire and Rescue Authority

Precept increase of **1.9840%** over the 2016/17 level was approved on 13 February 2017 and,

(b) Police and Crime Commissioner for Northumbria

Precept increase of **£5 at Band D i.e. 5.36%** over the 2016/17 level was approved on 11 February 2017.

3. 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 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.

- 1.5.12 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%

- 1.5.13 The 2017/18 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 2017/18. The NNDR1 Form for North Tyneside Council was submitted to the Department for Communities and Local Government on 30 January 2017. The final NNDR1 results are the figures shown in Table 3 below for North Tyneside Council.

Table 3: 2017/18 North Tyneside Council Business Rates Calculation

	2017/18 £m
Central Government Share	26.318
Tyne and Wear Fire and Rescue Authority Share	0.527
North Tyneside Council Retained Business Rates	25.802
Total	52.647

1.5.14 The outcome of the North Tyneside Council NNDR1 Form for 2017/18 is to result in **a reduction to resources available to the Council of £0.126m** for 2017/18, and **additional resources of £0.008m** of Section 31 grant income.

1.5.15 In addition, updated Council Tax estimates for 2017/18 result in **an increase in resources available to the Council** in 2017/18 of £0.479m.

4. Tyne and Wear Joint Service Budgets

1.5.16 There is no change to the Tyne and Wear Joint Service Budgets information since the 25 January 2017 Cabinet Budget meeting.

5. Youth Justice Board Grant Allocations

1.5.17 The Final Youth Justice Board allocations for 2017/18 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.

6. Sundry Grant Amendments

1.5.18 These amendments reflect small changes to grants and associated costs.

7. Northumberland Inshore Fisheries and Conservation Authority Levy

1.5.19 The final Northumberland Inshore Fisheries and Conservation Authority Levy for 2017/18 was £0.134m, an increase of £0.003m compared with our original estimate (based on 2016/17 levy of £0.131m).

Effect of Amendments to the 2017/18 General Fund Revenue Budget

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

Table 4: Effect of Amendments to 2017/18 General Fund Revenue Budget

Item	Change in Spending Power since 25 January 2017	Change £'000
	Spending Changes	
8.	Increase in Northumberland Inshore Fisheries and Conservation Authority Levy	+3
7.	Sundry Grant Amendments	+183
	Total Spending Changes	+186
	Resource Changes	
3.	Reduction in Resources as a result of the Final NNDR1 form for 2017/18	+126
3.	Increase in Section 31 grant as a result of the Final NNDR1 form for 2017/	-8
3.	Increase in Council Tax estimates for 2017/18	-479
	Total Resource Changes	-361
	Increase in Spending Power since 25 January 2017	-175

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

Final Proposals for the 2017/18 General Fund Revenue Budget

- 1.5.20 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 2017/18 and proposes the following:

Table 5: Final Proposals for the 2017/18 General Fund Revenue Budget

Proposals as at 16 February 2017	Mayoral Amendments £000's
Increase in Contingencies (to reflect a prudent approach as the Final Local Government Finance Settlement has not yet been received)	+175
TOTAL	+175

Council Tax Increase for 2017/18

- 1.5.21 The North Tyneside element of the Council Tax level for 2017/18 (excluding precepts) is proposed to be as set out in the report to Cabinet on 25 January 2017 i.e. a 3% “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 5.0% on Council Tax bills.

Business Community Engagement

- 1.5.22 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 20 January 2017.

Process for Consideration and Determination of the Budget

- 1.5.23 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.
- 1.5.24 At the full Council meeting on 16 February 2017, 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.
- 1.5.25 As all outstanding information that has been received has been assessed, information on the Police and Fire Authority precepts have been received by the Authority and no material changes are expected from the Final Local Government Finance Settlement, it is possible for the Council Tax Requirement to be set at this meeting.
- 1.5.26 Following the 16 February 2017 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 20 February 2017, if required, for this purpose.
- 1.5.27 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 2017/18 set. This meeting will take place on 28 February 2017 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 2017/18

- 1.5.28 The Localism Act 2011, introduced changes which impact on the council tax calculation for 2017/18 as part of the formal Budget and council tax resolution.
- 1.5.29 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.
- 1.5.30 The council tax referendum principles for 2017/18 are that any Council, excluding the Social Care Precept, who proposes to increase council tax by 2% or more for 2017/18, will be subject to a binding referendum of the local electorate.

Council Tax Requirement

- 1.5.31 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 2017/18, based on the 2017/18 Budget requirement is set out in Table 6 below:

Table 6: 2017/18 Council Tax Requirement for North Tyneside Council

	£	£
2017/18 Budget Requirement		152,360,276
Financed by:		
Revenue Support Grant	(22,595,997)	
Retained Business Rates	(25,801,913)	
Business Rates Top Up	(19,189,107)	
Council Tax Collection Fund Surplus	(370,495)	<u>(67,957,512)</u>
Council Tax Requirement		84,402,764

2017/18 Council Tax Requirement Resolution

- 1.5.32 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 £145.830m in Dedicated Schools Grant, for 2017/18:

	£
General Fund Revenue Budget	152,360,276

Total 152,360,276

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	11,375,236
Tyne Port Health Authority	46,072
Environment Agency	185,117
Northumberland Inshore Fisheries and Conservation Authority	133,793
Total	<u>11,606,425</u>

3. The contingency provision be set as follows:

	£
Contingency Provision	1,377,000
Total	<u>1,377,000</u>

4. Note that at its meeting held on 25 January 2017 Cabinet agreed the Council Tax Base for 2017/18 for the whole Authority area as 58,202 (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 2017/18 is £84,402,764 (as set down in paragraph 1.5.31, Table 6).
6. Agrees that the following amounts now calculated by the Authority for the year 2017/18 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended (the Act):
- (a) £347,450,458 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(2) of the Act.
 - (b) £263,047,694 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(3) of the Act.
 - (c) 84,402,764 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) £1,450.17 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	966.78
B	1,127.91
C	1,289.04
D	1,450.17
E	1,772.43
F	2,094.69
G	2,416.95
H	2,900.34

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 2017/18 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	65.55
B	76.48
C	87.40
D	98.33
E	120.18
F	142.03
G	163.88
H	196.66

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

Note that for the year 2017/18 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	51.75
B	60.37
C	69.00
D	77.62
E	94.87
F	112.12
G	129.37
H	155.24

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

Council Tax Band	£
A	1,084.08
B	1,264.76
C	1,445.44
D	1,626.12
E	1,987.48
F	2,348.84
G	2,710.20
H	3,252.24

7. The Authority's relevant basic amount of council tax for 2017/18 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 £1.377m as pressures incurred during 2016/17 have been recognised as part of the 2017/18 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 2 February 2017, 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, in consultation with the Elected Mayor and Head of Finance to authorise the purchase of properties, on the open market, providing value for money is demonstrated and the cost can be contained within existing financial resources of the Authority. This is to ensure the programme of delivery of affordable homes and homes at market rent is progressed in line with the Cabinet's priorities.
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.

2017-2020 Investment Plan

- 1.5.33 Full Council is requested to approve the proposals for the 2017-2020 Investment Plan, set out in sections 1.5.6 to 1.5.9 above.

Statement to Council by the Chief Finance Officer

Background

- 1.5.34 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.

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

1.5.36 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

1.5.37 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 2017-2020 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 2015/16 Statement of Accounts, presented to full Council on 22 September 2016;
- The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Authority;
- The outcome of the 2016-2020 Local Government Finance Settlement of 15 December 2016 and the Autumn Statement 2016 of 23 November 2016 and the implications for North Tyneside Council; and
- The implications of the Local Government Finance Settlement on the Authority's Financial Plan.

1.5.38 The level of contingencies will be £1.377m as pressures incurred during 2016/17 have been recognised as part of the 2017/18 Financial Planning and Budget process.

1.5.39 The Chief Finance Officer is satisfied that due attention has been given to the 2017-2020 Financial Planning and Budget process and in particular the Council Tax Requirement, and Budget setting element of that process for 2017-2020 to enable a positive statement to be made.

- 1.5.40 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 2017/18 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.
- 1.5.41 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

- 1.5.42 There is no assumed use of reserves to support the 2017/18 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 2017-2020 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.
- 1.5.43 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 2017-2020 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 2017/18 is set down in paragraph 1.5.32 of this report.
- 1.6.2 At the full Council meeting on 16 February 2017, 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 information that has been received has been assessed, information on the Police and Fire Authority precepts have been received by the Authority and no material changes are expected from the Final Local Government Finance Settlement, it is possible for the Council Tax Requirement to be set at this meeting.

1.6.4 Following the 16 February 2017 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 20 February 2017, 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 2017/18 set. This meeting will take place on 28 February 2017. 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) 2017-2020 Investment Plan

Appendix A(ii) The Prudential Indicators for 2017-2020

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) 2017-2020 Financial Planning and Budget Process: Cabinet's Draft Budget and Council Tax Requirement Proposals, Cabinet 25 January 2017.
- (d) Calculation of the 2017/18 Council Tax Base for North Tyneside Council, Cabinet 25 January 2017.
- (e) 2017/18 Provisional 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 2017/18. 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 2017-2020, 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 2017/18 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 information that has been received has been assessed, information on the Police and Fire Authority precepts have been received by the Authority and no material changes are expected from the Final Local Government Finance Settlement, 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 2017/18 Budget Engagement Strategy was agreed at Cabinet on 12 September 2016. The Authority's overall approach to engagement ensures that the public should have opportunities to have their say throughout the year. Between June and September 2016 there was an extensive programme of engagement across the Borough through the 'Big Community Conversation'. Further engagement on the Cabinet's initial Budget proposals has taken place from 29 November 2016 to 20 January 2017. The Budget proposals have been shaped in the context of 'Our North Tyneside Plan 2016 -2019.

2.3.3 The further engagement phase gave residents the opportunity to have their say online, via social media and at discussion events. There have also been meetings with key groups of stakeholders to discuss the Budget proposals.

2.3.4 Engagement feedback shows agreement with the budget proposals. Key findings are for

- Continued good quality adult social care
- Clearer definition of 'affordable housing'
- Maintaining support services for those most in need
- North Tyneside to continue to be a clean and safe borough
- Support for increased self-service but with a need to ensure we consider the implications for vulnerable people and those who have a limited income
- Greater investment in ICT
- Improvements to the Council's website
- Regular information on engagement and regeneration projects
- More information on volunteering opportunities with more publicity for the community and voluntary sector organisations across the borough
- Information on how to be a good neighbour
- More use of preventative services
- More information to help residents to understand the costs of services and how they can support more efficient use
- Support for a reduction in Council buildings

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 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, an Equality Impact Assessment has been carried out on the Budget Engagement process. The aim is to remove or minimise any disadvantage for people wishing to take part in the engagement programme. Specific proposals on how services will seek to meet budgetary requirements have been subject to EIAs. A cumulative impact assessment of all of these has been undertaken and is provided at the link included in the background papers above.

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