ANNEX 1

North Tyneside Council

2013-2015 Financial Planning and Budget Process:

Cabinet's Initial Budget Proposals

26 November 2012

widening horizons

www.northtyneside.gov.uk

Contents

Part I

Part II

*Please note the page numbers above refer to those in the bottom left hand corner this Annex.

PART I

Section 1.0
The 2013-2015 Financial Planning and Budget Process

1.1 Introduction

At its meeting on 10 September 2012, Cabinet approved the process and timetable to be adopted for the preparation of the draft Financial Plan, 2013/14 revenue budgets in respect of the general fund, dedicated schools grant (DSG) and housing revenue account (HRA), and the 2013-2023 capital plan, as part of the overall Financial Planning and Budget process for 2013-2015. Cabinet also approved the budget engagement strategy at that meeting.

Cabinet is advised that the level of CEI projects that were already included in the Financial Plan are sufficient to cover existing committed plans, commercial activities and some allowance for contingencies. Given that the 2013-2015 Provisional Local Government Finance Settlement, which will include details of the new Business Rates Retention Scheme, is not anticipated to be received until mid December 2012, these budget proposals are necessarily draft at this stage. Until further information on the financial position of the Authority are known from Central Government, it is not possible to quantify with any certainty the level of further savings that are required to be achieved in 2013-2015 through the Change, Efficiency and Improvement (CEI) Programme.

On this basis, it is proposed that the timetable agreed by Cabinet on the 10 September 2012 is amended to allow further time for the details of the Provisional Local Government Finance Settlement to be fully analysed and the implications for North Tyneside Council to be assessed, during which time, further CEI savings that may be required will be more fully developed before updated proposals are brought before Cabinet on 28 January 2013. In addition, it is proposed that the Budget Engagement Strategy is also amended in line with the proposed updated timetable.

The amended 2013/14 Financial Planning and Budget Timetable of Key Decision Milestones is set out in Section 1.6 of this report.

This year the Voice your Choice programme has formed our budget engagement strategy. The first phase ran from 8 October 2012 to 28 October 2012. Information from this phase has fed into Cabinet's initial budget proposals.

There will be a further phase of engagement on Cabinet's initial proposals. The Authority are intending to use a similar approach to last year. The focus will be on seeking views through a web based exercise and targeted service led engagement with groups potentially impacted by the proposals. The exercise will be promoted through the media and the Authority's website.

A report will be placed on the Authority website in advance of the final Budget and Council Tax setting meeting for 2013/14 on the outcomes of the whole budget engagement exercise.

This document includes details of Cabinet's initial budget proposals, in accordance with the time-scales set down in the Authority's Constitution and Budget & Policy Framework Procedure Rules. The Senior Leadership Team has been fully involved in the financial planning and budget process to date.

The proposals cover a two-year planning period from 2013-2015 to align with the Spending Review, except the Capital Plan which continues to be set within a ten-year planning horizon.

Cabinet's initial budget proposals are presented here based upon available information and judgements at the time of writing. There are a number of assumptions and judgements built into the figures presented here that lie mainly outside the control of the Authority and need to be finalised. The initial budget proposals will therefore need to be subject to further review before they can be confirmed. The information to be assessed and finalised is:

(a) Northumbria Police Authority and Tyne and Wear Fire and Rescue Authority Precepts (due 6 February 2013 and 18 February 2013 respectively);

(b) Levies, including the Tyne and Wear Integrated Transport Authority (ITA) (due January / February 2013);

(c) Tyne and Wear Joint Service Budgets (due January / February 2013);

(d) The Final Local Government Finance Settlement announcements for 2013/14, including Capital announcements and Specific Grants (including the Dedicated Schools Grant (DSG), Council Tax Freeze Grant and Council Tax Support funding) final detailed information (due late January 2013/ February 2013); and

(e) Consideration of the impact of the economic climate on the residents of the borough and council tax payers.

1.2 Budget and Policy Framework Procedure Rules in relation to the Authority's Budget

The Budget and Policy Framework Procedure Rules are set out in Part 4.7 of the Authority's Constitution. The Budget is guided by paragraph 4.7.3 covering the process for the preparation, consideration and final approval of the Authority's Budget. The constitutional requirements for preparing, considering and approving the Budget drive the timetable for the Financial Planning and Budget process.

The development of the Budget proposals is following broadly the same timetable as in previous years. The priorities in the Sustainable Community Strategy provide the strategic framework within which budget resources are allocated. The timetable is set out in Section 1.6 of this report.

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.

1.3 The Financial Planning and Budget Process for the 2013–2015 planning period

In order to meet the significant and challenging levels of savings introduced by the four year Spending Review, North Tyneside Council introduced its new Service and Spending Review Process for 2011/12. This process enabled the Authority to continue to deliver effective and efficient services to the residents of North Tyneside, while at the same time achieving the required levels of savings. The required changes have been developed and managed through the Change, Efficiency and Improvement Programme (CEIP).

The Authority has already made, and has plans in place to make significant efficiency savings. The agreed Authority Budgets for 2011/12 and 2012/13 have included savings equivalent to 10% of the North Tyneside Council net budget for each of these two years.

For this year, the Authority are looking at a two year financial planning process, in line with the planning horizon of the current Spending Review. A new, and what is expected to be, a 2 year Local Government Finance Settlement will be in place from 2013/14 onwards. This will be based on a revised needs-based Formula Grant system, the details and funding for which have yet to be confirmed. Combined with this, the 1 April 2013 sees fundamental local government finance changes in relation to Business Rates and Council Tax, as a result of 3 main developments:

- Business Rates Retention Scheme;
- Localised Council Tax Support Scheme; and,
- Technical reforms of Council Tax.

The scale of these changes, and the fact that a substantial amount of detail has yet to be released, makes the accurate forward projection of financial resources inherently difficult at the present time.

1.4 Strategic Planning

The North Tyneside Strategic Partnership's Sustainable Community Strategy 2010 - 2013 provides the overarching policy direction, vision and delivery priorities for the Authority. Cabinet will also have due regard for the Council Strategic Plan 2012/15 agreed at full Council on 1 March 2012 which covers the period for the 2013/14 Financial Plan and Budget.

The Authority's Performance Framework identifies the key actions the Authority is taking under the themes in the Sustainable Community Strategy:

- Regeneration;
- Quality of life;
- Best start in life; and,
- Sense of place.

The Performance Framework includes an additional theme “21st Century Council” which relates to how the Authority operates to deliver services and how it involves residents and others in its decision making process.

1.5 Defining our Financial Strategy

Best practice highlights the need for medium-term planning horizons. The Authority’s two-year planning timeframe will assist in ensuring there is a clear demonstration of sustainability in its plans for the future. The key drivers for change and the improvement focus in resource planning continue to include the need for:

(a) Medium term planning horizons – for workforce, assets, finance;

(b) Financial flexibility;

(c) Driving value for money and efficiency gains;

(d) Joined-up performance management;

(e) Strong financial awareness and budget holder responsibility;

(f) Effective risk management;

(g) More rapid accounts closure;

(h) Continuous forecasting and in-year reporting; and,

(i) Effective use of technology.

The approach to resource planning for 2013-2015 will continue to concentrate on ensuring that all of the above drivers are embedded into the decision-making process for the allocation and re-direction of the Authority’s finite resources, financial and otherwise. In addition, there will be the annual detailed review of the current financial plan forecasts and commitments for revenue, capital investment and housing finance. The Financial Strategy will be subject to an annual review.

Schools revenue funding is mainly directed through the Dedicated Schools Grant (DSG), however, the Authority have ensured appropriate consultation and inclusion of schools and young people within the Financial Planning and Budget process.

1.6 2013/14 Financial Planning and Budget Timetable of Key Future Decision Milestones

Key aspects of the 2013/14 Financial Planning and Budget timetable remaining are summarised in Table 1 below. This highlights key decision milestones in the process. This information has been supplemented by a detailed operational timetable for 2013/14.

Table 1: 2013/14 Financial Planning and Budget Process Timetable of Key Milestones

Date / Meeting	**Detail**
26 November 2012 **Cabinet**	Cabinet considers its 2013-2015 initial budget proposals in relation to general fund, schools, housing revenue account, treasury management strategy & Capital Plan.
27 November 2012	Notice of Objection Process for the 2013/14 Budget Commences.
27 November 2012 to early February 2013	Budget Engagement – Phase 2
29 November 2012 **Full Council**	Report to full Council on the Local Council Tax Support Scheme for approval of the recommended scheme
January 2013 **Scrutiny Process**	Scrutiny of the 2013-2015 Financial Planning and Budget Process.
5 December 2012	Chancellor's Autumn Statement.
10 December 2012 **Cabinet**	Local Council Tax Support Scheme recommendations from 29 November 2012 full Council meeting considered by Cabinet.
Mid December 2012 (Estimated Date)	Estimate date of the 2013/14 Provisional Local Government Finance Settlement.
End of December 2012	Equality Impact Assessments and Business cases (Revenue and Capital) revised, if required, to reflect the outcome of Engagement undertaken.
7 January 2013 **Overview and Scrutiny**	Overview and Scrutiny Committee consider the 2013-2015 Financial Planning and Budget proposals in relation to the Housing Revenue Account.
16 January 2013	Cabinet considers its draft budget proposals for

Cabinet	2013-2015 in relation to the housing revenue account and associated Business Plan. Annual housing rent increase for 2013/14 approved by Cabinet.
16 January 2013 **Cabinet**	Cabinet considers the outcome of consultation on the Local Council Tax Support Scheme
24 January 2013 **Full Council**	Full Council approves the Local Council Tax Support Scheme
28 January 2013 **Cabinet**	Cabinet considers its draft budget proposals for 2013-2015 in relation to general fund revenue, schools, treasury management strategy & Capital Plan.
30 January 2013 **Overview and Scrutiny**	Overview and Scrutiny Committee consider the 2013-2015 Financial Planning and Budget proposals in relation to the general fund revenue, schools, treasury management strategy & Capital Plan.
7 February 2013 **Full Council**	Cabinet submits to full Council its estimates of amounts for the 2013-2015 Financial Plan and 2013/14 Budget & council tax levels.
21 February 2013 **Full Council**	Reconvened full Council meeting to consider Cabinet's estimates of amounts for the 2013-2015 Financial Planning and Budget process & council tax levels. Consideration of any Notices of Objection.
25 February 2013 (if required) **Cabinet**	Cabinet Meeting to consider any objections to Cabinet's Budget proposals
5 March 2013 (if required) **Full Council**	Full Council meeting to agree the general fund revenue budget for 2013/14; the council tax level for 2013/14, treasury management strategy & Capital Plan for 2013-2023

1.7 Managing our Risks

The Authority has used the information that it holds in relation to strategic risks as part of managing its business and has looked to implement strategies to minimise financial and other risks by deploying resources appropriately. The 2013–2015 Financial Planning and Budget process has included specific consideration of how to address key business risks faced by the Authority. Services are continuing to consider ways in which to minimise or eliminate risk from business decisions, particularly in relation to capital investment schemes and major Change, Efficiency and Improvement (CEI) projects.

1.8 Outstanding Information

As most external announcements are still to be received, it is recommended that Cabinet authorises the Elected Mayor, in conjunction with the Cabinet Member for Finance and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of these proposals.

Section 2.0
Strategic Planning

2.1 Policy Framework for the 2013/14 Financial Planning and Budget Process

The North Tyneside Strategic Partnership's Sustainable Community Strategy 2010-2013 provides the overarching policy direction, vision and delivery priorities for the Authority. There is no intention to refresh the Council Strategic Plan this year, and Cabinet will have due regard for the Council Strategic Plan 2012/15 agreed at full Council on 1 March 2012 which covers the period for the 2013/14 Budget.

Following the Government's Comprehensive Spending Review in 2010 the Authority established its Change, Efficiency and Improvement Programme 2011 - 2015 to ensure the Authority could both meet its financial challenges and improve services and outcomes for residents and employees. The proposals for the 2013 – 2015 Financial Planning and Budget process outline how the Authority will deliver year three of this programme.

2.2 Sustainable Community Strategy 2010 - 2013

The priorities of the Sustainable Community Strategy are:

- Regeneration;
- Quality of life;
- Best start in life; and,
- Sense of place.

Regeneration

North Tyneside is business friendly. The Authority wants to attract and support more business and to help create sustainable employment. The North Bank of the Tyne offers opportunities as an area of global significance in renewable and marine industries. The Authority wants the borough to be well connected, to minimise congestion and promote healthy means of travel. It wants neighbourhoods to be safe, to offer a range of housing, with easily accessible town centres providing a range of shops and services.

Quality of life

The Authority aims to reduce inequalities in the quality of life experienced by residents. It seeks to promote independence, healthy living and the ability to play a full part in the community for all our residents, by supporting and protecting vulnerable children and families and the personalisation of adult social care.

The Authority is working towards mitigating the impact of climate change and continues to reduce its CO^2 omissions both as an organisation and in conjunction with our partners through the North Tyneside Strategic Partnership.

Best start in life

Our aim is to ensure that the youngest children are ready for school when they enrol; provide age appropriate and affordable activities for people aged 8-19 and equip children and young people with the education and skills they will need to prosper in their adult life, in an increasingly competitive and global jobs market.

Sense of place

The Authority is continuing to enhance the coastal strip and make progress with plans for the regeneration of the Spanish City Island. There is an annual programme of cultural activities, which builds on the borough's heritage.

The Authority delivers a clean and attractive local environment and has put in place a programme of improvements to public parks across the borough.

North Tyneside is a place where residents tell us they feel safe, and the Authority are continuing to build on success in reducing crime within the borough.

21st Century Council

The Authority's Performance Framework which outlines progress against the Sustainable Community Strategy and the Council Strategic Plan includes a fifth theme "21st Century Council" which relates to how the Authority operates to deliver services and how it involves residents and others in its decision making process.

To ensure the Authority can meet its financial challenges, improve services and outcomes for residents and employees it has continued to develop partnerships with other organisations and is now exploring ways it might improve income through trading services.

The Authority works with local people and organisations to help them to influence the decisions which affect their lives and shape service delivery. It will also continue to encourage residents to fully participate in the democratic processes by maximising registration to vote and encouraging high voter turnout at all elections.

The following table identifies the key priorities the Authority is addressing under these themes. Further information on the actions being taken to deliver each priority can be found in the How we are performing section on the Authority web site. It is proposed that these priorities continue during 2013/14.

Table 2: Authority activity 2012 - 2014

Regeneration	Economic Growth Inward Investment North Bank of the Tyne Infrastructure Small Medium Enterprise Development Town Centres Housing Strategy
Quality of life	Welfare Reform Adults personalisation and independence Health and Wellbeing Housing (tenant services) Co2 Public protection
Best start in life	Education and Development Youth Provision Early intervention and Prevention Youth Employment Decreasing youth offending Helping Vulnerable Children, Families
Sense of place	Coastal Development Street Scene Culture, parks and heritage Crime and disorder
21st Century Council	Structure and shape and form of organisation Enabling Democracy Traded Services Budget saving Year 2-4 Change, Efficiency and Improvement Programme Demographics and future proofing Excellent intelligence Customer First

2.3 What our residents have told us

The Authority puts residents at the centre of the services it delivers and engagement with residents takes place throughout the year in a number of different ways. For example through the North Tyneside Homes Annual Gold Ticket Event for tenants and through the Young Mayor and Young Cabinet.

Each year the Authority do focussed budget engagement to ensure residents' views are considered during the Financial Planning and Budget process and each year the Authority try to improve the process. This year the Voice your Choice programme has formed the heart of the specific budget engagement. This started on 8 October 2012 and will continue into early 2013.

During the first phase of Voice your Choice a themed approach was used across three weeks. Each week focused on one of the three Change Efficiency and Improvement Programme themes as set out below:-

- Week 1 - 8 October 2012 : Choices for our people
- Week 2 - 15 October 2012 : Choices for services
- Week 3 - 22 October 2012 : Choices for places

Throughout the three week period, people were able to contribute their views through a number of different ways, including through email and Facebook, through talking to Authority staff out and about in the borough over the three weeks and via a questionnaire. To date, over 1,400 questionnaires have been returned. This is a higher level of budget engagement compared to previous years.

2.4 Engagement outcomes

Choices for our people

There were two questionnaires on choices for the people theme. One focused on early years and family support services and the second focussed on adult social care.

In total, 431 questionnaires on early years and family support services were returned, and some of the key findings from the responses were:

- Respondents value the following services (with the most frequently mentioned first): play facilities and activities (including Play and Stay), childcare (including nursery and crèche), baby groups, family and parent support, family/holiday activities, training and employment.

- Almost half of all respondents think it would be reasonable to charge for some early years and family support services, such as play facilities and activities, and fun activities for families.

- When asked ‘how the Council could improve the use of early years and family support services’ many respondents said no improvements were necessary. However, those who did make suggestions, proposed the provision of more or new services and activities (for example play groups and holiday activities), better/more advertising and communication about the services available, and changing the time of day an activity or service is provided.

- Some respondents also shared their ideas about how the Authority might work with local people to shape and deliver early years and family support services. They suggested more consultation with users and, more advertising and information.

On Social Care people were asked for their views on statements on prevention, personalisation and protection. In total, 136 questionnaires were returned and some of the key findings were:

- More than three-quarters of respondents agreed with the statements contained in the questionnaire about prevention – defined as 'investing in actions that help prevent the need for further services or that delay or reduce social care needs'.

- Respondents who had agreed with the statements were asked what people could do to live long and happy lives. Their comments focused on a combination of healthy living (including low cost or free social and leisure activities), personal responsibility/independence, a good social/family life (resulting in a sense of belonging and self-worth), financial security and decent accommodation.

- More than four-fifths of respondents agreed with the statements on personalisation, described as 'offering as much choice and control to people in a way that is affordable now and in the future'.

- Respondents who had agreed with the statements were asked to suggest ways in which the Authority could allocate the resources it has available to provide adult social care while ensuring fairness and targeting of those most in need. They highlighted the need for: a fair and transparent process for allocating resources; needs assessment; a rigorous approach to working with providers; and the importance of partnership working.

- Almost all respondents agreed with the statements about protection, explained as 'balancing risk to give people choice and control over their lives whilst protecting those who might be vulnerable or at risk of abuse'.

- Those who did agree with the statements were asked to describe how individuals, families and communities can look after themselves. They identified a need for community capacity building, joined up services and access to information and support. However some were uncertain whether families would always help and others pointed out that not everyone can look after themselves even with support from family and community.

The results of this survey will be considered alongside other consultation and engagement work carried out by Adult Social care with service users, their carers and the public. Brief information on some examples of this work is provided in Section 2.5. Feedback from all our Adult Social Care activity and engagement with partners is brought together into an annual statement called the Local Account - Local Account May 2012.

Choices for services

For this theme the Authority sought views on how to shape future Cultural Services. In total, 433 questionnaires were returned and some of the key findings were:

- Over 90% of respondents consider libraries, parks and indoor sport/leisure to be the most important cultural and leisure services.

- When respondents were asked how far they think it is reasonable for people in North Tyneside to travel to visit or attend cultural services, there was a mix of responses. These responses were spread across 1-5 miles in terms of how far the majority of respondents believe it is reasonable to travel.

- The majority of respondents believe the charges for North Tyneside's cultural and leisure services are 'about right'. A fifth believe them to be 'too high' with only 3% believing the charges to be 'too low'.

- Over four fifths of respondents believe it is not reasonable to charge for services that are currently provided free of charge, whereas around one in six respondents believe it is reasonable to charge.

The results of this survey will be considered alongside the other engagement and consultation work carried out on these services. Brief information is provided in Section 2.5.

Choices for places

The questionnaire for this final theme focussed on carbon reduction and environmental standards. 453 questionnaires were returned and some of the key findings were:

- 52% of respondents were more concerned about climate change than 12 months ago.

- Over 90% agreed with the Council taking actions to reduce its energy use.

- Litter free streets, enforcement (including fines) and well maintained green spaces were ranked as the most important environmental services.

- Well maintained waggonways and rights of way, weed control and floral displays were ranked as least important.

- Parks, town centres and the coast were the most important areas where flowers should be planted. Roundabouts, key focal points / smaller shopping areas and housing estates were the least important areas.

- 45% said that the current level of four weed spraying treatments a year was acceptable, with 55% favouring either one, two or three.

- Just under half said that 12 to 16 grass cuts a year was acceptable, compared to the current level of 16. Just over half said that between 1-6 or 7-11 cuts were acceptable.

- 82% said that there should not be a charge for garden waste.

The results of this survey will be considered alongside the other engagement and consultation work carried out by Environmental Services. Brief information is provided in Section 2.5**.**

The Authority envisage the publication of further information on the responses to each questionnaire.

2.5 Examples of service specific engagement undertaken through out the year

This section provides examples of the range of other engagement carried out by the Authority during 2012 that are relevant for consideration as part of the Financial Planning and Budget process.

In Children, Young People and Learning, updates on the current position for the CEI Programme and the current financial position are provided through regular meetings with service managers and leads within the Directorate as well as the Schools Forum, School Governors, Association Secretaries and Head Teacher Briefings.

In Adult Social Care, since April 2012 the Authority have engaged and consulted with a wide range of service users, their carers and the public to discuss experiences of existing services and priorities for the future. This has been carried out though experience surveys, established focus groups and forums and short-term or one off events that are linked to specific service or national policy changes. Feedback from all of this activity is brought together into an annual statement called the Local Account, which was published in May this year - Local Account May 2012.

In addition to an annual statutory user survey, 3,500 Adult Social Care service users were also contacted through a postal survey to ask about their experiences of services and wider issues around community safety and wellbeing that could inform the work of the joint commissioning boards and the Health and Wellbeing Strategy.

The Carer Personalisation Reference Group, a small group of around 10 carers of people who have a learning disability, was also established early in 2012. It helps to communicate planned services changes resulting from personal budgets and changes to services as a result of last year's budget plans.

The Learning Disability Respite Group – a short term working group of commissioners and carers of people with a learning disability was established in 2011/12 to oversee the review of in house learning disability services.

Other examples, include a consultation in May 2012, with Adult Social Care service users to inform the re-commissioning of existing domiciliary care contracts in 2013 and a consultation in June and July 2012, with focus groups on how the Care Call Service will be delivered in 2013 and beyond.

Individual services within Cultural Services capture visitor information and views on how the Authority can improve what is offered through out the year. Consultation and engagement with Sport and Leisure customers includes the annual evaluation of the Healthy 4 Life Programme which assesses the effects of the full year programme.

There are a number of high profile cultural events in the Borough which are used to gain customer views and comments, for example the 10K Road Race survey and Mouth of the Tyne Festival visitor survey. A Visitor survey and the Tourism Business survey are also delivered annually.

Park Visitor Surveys are delivered throughout the year across the 12 parks managed by Cultural Services. The survey captures visitor information and feedback on the overall standard of individual parks and how improvements could be made. There is also on-going consultation on the regeneration of the parks as part of the Excellent Parks project and ‘Friends of’ groups have been established.

A user satisfaction survey is currently being developed for Libraries, Community Centres and Tourist Information Centres. The survey will be of a similar format to the ‘What Matters to You’ survey which helped to inform the North Tyneside Libraries Strategy 2011-2016 (agreed by Cabinet in November 2011).

Throughout the last year and into next year the Authority has been working with residents and partners to develop the next Waste Strategy for 2013-2030 which will shape service delivery. This has included collecting views on recycling and general waste issues as well as a bid to the government’s Weekly Collection Support Scheme. Methods used include a questionnaire on the website as well as attending the North Shields Housing Forum, the Housing Gold Ticket event and the Residents Panel. Further consultation to shape waste reduction and recycling targets is planned with Area Forums in November / December before publishing the draft Waste Strategy in the New Year for consultation.

2.6 Housing

Since April 2012 the Authority has engaged with over 300 tenants and leaseholders in relation to the Housing Revenue Account (HRA) Budget changes as the Authority have moved into the self financing housing revenue account. Other topics covered include the rent setting process, where money is spent and priorities for the budget moving forward.

Activities include briefings to the North Shields and North West Area Housing Forums on the housing budget and the Annual Gold Ticket Event in July 2012 where the HRA budget priorities and challenges for the year ahead were discussed with 140 tenants. Tenants are also being involved in the review and development of a new housing asset management strategy which sets the key priorities for investment in the housing stock.

In October 2012 a presentation was provided to the Housing Overview Panel made up of representatives from service development groups of tenants on the budget for 2013/14. This included progress on the budget savings for 2012/13, the rent setting process for 2013/14, potential rent increase and service charges for 2013/14, proposals relating to growth in the budget relating to financial inclusion, bad debt provision, right to buy changes, proposals for new build, inflationary pressures and changes arising out of the welfare reform changes. Mini Gold ticket events are being held in different parts of the borough during the autumn/ early winter covering the same information.

The key issues arising from the consultation on Housing so far include:

- Support for building new council homes;
- Pressures on advice services arising from the Government's welfare reform changes;
- The cumulative impact of welfare reform on tenants of working age, on benefits and on tenants currently under occupying their homes; and
- Support for our proposals to make it easier for tenants to move home.

Further details of the Council Tax Support Scheme including the recent consultation exercise are included in Section 3 of the report.

Section 3.0
Local Government Finance

3.1 Overview

The forthcoming year, 2013/14, represents the third year of the four year Government Spending Review announced in October 2010. The current two-year Local Government Finance Settlement ends this financial year and therefore a new 'Settlement' will be needed to cover the last two years of the current Spending Review period.

Related to this, from 1 April 2013 there will be a significant number of changes to the current system of Local Government Finance. The most significant strands to these changes are:

1. Business Rates Retention Scheme
2. Localised Council Tax Support Scheme
3. Technical Reforms of Council Tax

Since 1990, Business Rates income collected by local authorities each year have been pooled nationally and redistributed back to local authorities as central government grant. This has been combined with Revenue Support Grant and distributed based on a series of complex formulae. As a local authority with a historically relatively low business rates base, North Tyneside Council have benefitted from the current methodology of Business Rates distribution since it was introduced.

From 1 April 2013 this system will change with Local Authorities in future retaining business rate income collected locally effectively up to their current baseline level of spend. The aim of the scheme is therefore to provide an incentive effect by allowing local authorities to retain an element of income. Once the system has been set for 2013/14 the Government does not intend to do a reset of the system until April 2020.

The proposals will see no change to the arrangements for business ratepayers. However on a related issue it was announced by Communities and Local Government (CLG) on 18 October 2012 that the 5 yearly Business rates revaluation due to take place in 2015 will now instead take place in 2017. A written ministerial was provided on this on 12 November 2012 outlining that Primary legislation for this will be brought forward through the Growth and Infrastructure Bill which will shortly be laid before Parliament.

3.2 Business Rates Retention Scheme (BRRS)

The Government have been consulting for sometime on changes they intend to make in relation to the Business Rates Retention scheme. The key consultations that have so far been undertaken are set out in Table 3 below:

Table 3: Key BRRS Government Consultations

Consultation	Date Issued
Local Government Resource Review: Proposals for Business Rates Retention: Consultation	18 July 2011
Local Government Resource Review: Proposals for Business Rates Retention: Technical paper 1: Establishing the baseline	19 August 2011
Local Government Resource Review: Proposals for Business Rates Retention: Technical paper 2: Measuring business rates	19 August 2011
Local Government Resource Review: Proposals for Business Rates Retention: Technical paper 3: Non-billing authorities	19 August 2011
Local Government Resource Review: Proposals for Business Rates Retention: Technical paper 4: Business Rates administration	19 August 2011
Local Government Resource Review: Proposals for Business Rates Retention: Technical paper 5: Tariff, top up and levy options	19 August 2011
Local Government Resource Review: Proposals for Business Rates Retention: Technical paper 6: Volatility	19 August 2011
Local Government Resource Review: Proposals for Business Rates Retention: Technical paper 7: Revaluation and transition	19 August 2011
Local Government Resource Review: Proposals for Business Rates Retention: Technical paper 8: Renewable energy	19 August 2011
Local Government Resource Review - Proposals for Business Rate Retention – Consultation: Government response	19 December 2011
Business Rates Retention Scheme: The central and local shares of business rates: A Statement of Intent	17 May 2012
Business Rates Retention Scheme: The Safety Net and Levy: A Statement of Intent	17 May 2012
Business Rates Retention Scheme: Renewable Energy Projects: A Statement of Intent	17 May 2012
Business Rates Retention Scheme: Pooling Prospectus	17 May 2012
Business Rates Retention Scheme: The economic benefits of local business rates retention	17 May 2012
Business Rates Retention Scheme: Technical Consultation	18 July 2012
Business Rates Retention Scheme: Consultation on Draft Regulations	25 October 2012

Perhaps the most significant of the recent consultations was the Business Rates Retention Technical Consultation issued on 18 July 2012 which closed on 24 September 2012. This 251 page consultation paper contained 85 specific questions and sought views on a number of detailed technical issues in relation to the transition from the current Formula Grant system to the implementation of the Business Rates Retention system from 1 April 2013 onwards. The consultation noted that the transition to the new scheme inevitably means that there is a degree of complexity to the set-up of the new scheme. The Government response to this Consultation paper is still awaited.

The latest Consultation on the Business Rates Retention Draft Regulations which was issued on 25 October 2012 closes on 23 November 2012.

The New System Explained

The Business Rates Retention Technical Consultation paper issued over the summer of 2012 contains information on the potential detailed operation of the new scheme. However, some of the crucial financial detail is still outstanding. As such making a detailed financial assessment of the exact implications for North Tyneside Council is extremely difficult at this stage. It may be the case that more detailed information can be derived from the Chancellor's Autumn Statement on 5 December 2012. However, it is only when the 2013/14 Provisional Local Government Finance Settlement is issued, which is expected to be in mid December 2012, that the exact implications for North Tyneside Council will be able to be fully assessed.

The new system comes with a number of fundamental changes to the current Local Government Finance system, which are set out below:

Baseline
At the outset of the scheme the Government will set each local authority a business rates baseline for 2013/14 to ensure a stable base starting point to the system. Baseline funding will be increased through increases in the Retail Price Index (RPI) each year.

Local Share
From 1 April 2013 each local authority will retain a percentage of the rates it collects locally. This "local share" rate has been set as 50%, the rest being paid to central government and also a share being paid to major preceptors. As setting the local share at 50% means the "local share" for England is less than the Departmental Expenditure Limits (DEL) then the Government will have to supplement each authorities Business Rates to bring them up to their DEL through a Revenue Support Grant (RSG) adjustment. RSG is likely to remain in the system for some time, albeit at reducing levels. Setting of the "Local Share" will be based on the 2013/14 National Non Domestic Rates (NNDR1) Return for each local authority. This needs to be approved by 31 January 2013 in order that this information can be provided to Central Government and to major Preceptors. The Government will then use this information to re-calculate top up, tariff and safety net payments for local authorities in February 2013.

Top Up and Tariff
To ensure fairness within the new system, the Government will calculate a tariff or top up for each authority. For any Council with a business rates income below their level of baseline funding requirement they will receive a top up amount, while conversely for any Council whose business rates income is greater than their baseline funding level then they will have to pay a tariff to the Government. North Tyneside Council will be a Top up authority under this system.

Safety Net
For any authority which experiences a decline in their business rates base, they will receive some protection with the introduction of a safety net. If the income of a local authority falls below a pre-determined percentage of its baseline funding level it will receive safety net payments. The safety net has been proposed to be set in the range of 7.5% to 10.0%, meaning that authorities would receive payments if their business rate share falls by 7.5% or more in one year. However, any loss of Business Rates income under 7.5% in a given year would have to be managed by the Authority.

Levy
In order to fund the safety net, the Government intend to introduce a levy on any authorities who stand to gain from a "disproportionate increase" in their business rates income. This levy rate is proposed to be set as 1:1 meaning that for every 1% increase in an authority's business rates base that they would see no more than a corresponding 1% increase in income as measured against their spending baseline. The formula for calculating an individual authority's levy rate is:

$$1 - \left(\frac{\text{Spending baseline}}{\text{Business Rates base}}\right)$$

Grants within the Business Rates Retention Scheme
The Business Rates Retention Technical Consultation which closed on 24 September 2012 outlined that the following grants are anticipated to be included within the Business Rates Retention Scheme:

- 2011/12 Council Tax Freeze Grant - excluding the amount paid to Local Policing bodies direct
- Council Tax Support Grant – excluding the amount paid to Local Policing bodies direct
- Early Intervention Grant – excluding funding for free education for two year olds, announced by the Chancellor in the 2010 Spending Review and Autumn Statement
- Greater London Authority General Grant
- A proportion of the Greater London Authority Transport Grant
- Homelessness Prevention Grant
- A proportion of Lead Local Flood Authorities Grant
- Department of Health Learning Disability and Health Reform Grant
- A proportion of Sustainable Drainage Systems Maintenance Costs Grant

Pooling
As part of the new system, Authorities have been given the option of voluntarily coming together to pool their business rates and collaborate on economic growth. Any authority wishing to undertake pooling arrangements had until 27 July 2012 to express an interest to the Government. No local authority in the North East of England expressed an interest in forming a pool.

3.3 Localised Council Tax Support Scheme

At the present time Council Tax Benefit is administered by local government but funded centrally by Central Government who set the eligibility and fund any increase in costs. Spending Review 2010 outlined that a localised system would be introduced from 1 April 2013 in conjunction with a 10% reduction, generating in the region of £490m per year.

As part of the new scheme billing authorities must devise and operate a council tax discount scheme which must protect pensioner age claimants. This scheme must be consulted on locally with the public and major precepting bodies. Billing authorities will receive a share of an unringfenced support grant replacing benefit which reduces by 10% from the first year. The support grant once determined for 2013/14 will become fixed other than for indexation.

On 17 May 2012 CLG issued two further papers:

- Localising support for Council Tax – A statement of intent
- Localising support for Council Tax – Funding arrangements for consultation

These papers outlined that the fundamentals of the proposals for the scheme remain unchanged. Authorities need to have a new localised council tax benefit scheme in place by 31 January 2013 and to have carried out the prescribed consultation.

A report on the proposed Localised Council Tax Support Scheme was presented to Cabinet on 12 September 2012. This set out proposals for our Council Tax Support Scheme which would form the basis of consultation. This consultation commenced on 24 August 2012 and lasted for eight weeks.

A further report will be presented to Council on 29 November 2012. This will outline the outcomes from the consultation exercise, consider the options for providing a Localised Council Tax Support Scheme and agree a scheme that will replace Council Tax Benefit from April 2013.

3.4 Technical Reforms of Council Tax

On the 31 October 2011 the Government issued a Consultation Paper on proposed technical reform to Council Tax, also to take effect from 1 April 2013. The Authority responded to this consultation in December 2011. Communities and Local Government (CLG) produced a response to this consultation on 28 May 2012. This outlined that local authorities will have some further options to make changes to council tax. These options include:

- Allowing billing authorities to levy up to full council tax on second homes
- The abolishment of Class A exemptions (vacant dwellings undergoing major repair or in need of alteration) allowing billing authorities to give a discount at 100% or a lower percentage
- The abolishment of Class C exemptions (Properties that are new or become vacant are exempt for up to six months if unoccupied and substantially unfurnished) allowing billing authorities to give a discount at 100% or a lower percentage
- The ability to levy an Empty Homes premium at a rate of 50%

In addition on 28 September 2012 the DCLG published a further consultation about when a dwelling should not be liable to the empty homes premium. These include where:

- A dwelling that is on the market for sale or letting
- An annex which is deemed as unoccupied
- A dwelling which is the sole or main residence of a member of the Armed forces on duty.

The totality of these changes provide the Authority with some options regarding making council tax changes.

3.5 Council Tax

For both 2011/12 and 2012/13 North Tyneside Council has frozen Council Tax using the specific Council Tax freeze grant for both years.

The payment to North Tyneside Council for 2012/13 was made up of two distinct elements, set out in Table 4 below:

- The original Council Tax Freeze Grant of £2.130m which was available to freeze Council Tax in 2011/12 and which continues throughout the four year period of the Spending Review, funded through formula grant.

- An additional specific grant of £2.140m in 2012/13 which allowed us to freeze Council Tax in 2012/13. This grant was a ‘one-off’ payment for 2012/13 only.

Table 4: 2012/13 Council Tax Freeze Grant Payments for North Tyneside Council

	2012/13 £m	2013/14 £m	2014/15 £m
2011/12 Council Tax Freeze Grant	2.130	2.130	2.130
2012/13 Council Tax Freeze Grant	2.140	0.000	0.000
Council Tax Freeze Payment to North Tyneside Council	**4.270**	**2.130**	**2.130**

On 8 October 2012 the Chancellor of the Exchequer announced new support for local authorities in England to help them freeze council tax for a further year.

The Government announced their intention to set aside an extra £450m to freeze council tax in England equating to £225m for 2013/14 and £225m for 2014/15. If an authority sets its basic amount of council tax, its Band D council tax, in 2013/14 at a level which is no more that its basic amount of council tax in 2012/13, it will receive a grant equivalent to a 1% increase on the 2012/13 figure in both the financial years 2013/14 and 2014/15. Police and Crime Commissioners and Fire Authorities will also receive a grant equivalent to 1% of their 2012/13 basic amount of council tax.

As has been the case for the last two years, the council tax grant for 2013/14 will apply separately to each billing and major precepting authority in England (rather than to each council tax bill issued). Each authority will have to decide whether it takes advantage of the council tax grant for 2013/14.

Also on 8 October 2012 the Government announced the lowering of the local authority council tax referendum threshold from 3.5% in 2012/13 to 2% in 2013/14. This means that if a local authority seeks to raise its relevant basic amount of council tax by more than 2%, residents of that area would have the right to keep bills down through a binding referendum veto. The detail on the council tax referendum thresholds will formally be set out by the Secretary of State for Communities and Local Government alongside the provisional Local Government Finance Settlement in December 2012. The House of Commons will be asked to endorse the threshold levels before authorities set their Budgets for 2013/14.

3.6 Education Funding Settlement

The funding system for Education for 2013/14 is significantly different to the methodology used in previous years.

The Department for Education has coordinated a national exercise of "School Funding reform" which has sought to review all aspects of education and school funding. This includes those funds currently allocated through the Dedicated Schools Grant (DSG) and those education related services currently funded through the Local Government (DCLG) Local Authority Formula grant allocations.

The aspirations behind the changes to the funding system are to ensure that all school funding is transparent; where funding follows the pupil and where pupils with additional needs attract additional funding. Similar schools, serving pupils with similar needs, should be funded in broadly similar ways, no matter where they are.

The reforms include:

(a) A change in the way Local Authorities (LAs) receive their funding for education in 2013/14, including:

(i) Splitting the Dedicated Schools Grant (DSG) into 3 new blocks: Schools, Early years & High needs. These blocks remain collectively ring-fenced to be used in support of school funding, although it is possible to move money between the 3 blocks; and,

(ii) A transfer of funds from Department for Communities and Local Government (DCLG) Local Authority Formula grant allocations to the Department for Education (DfE) to allow them to introduce a new specific grant that would be payable to Local Authorities and academies for these functions (thereby removing the need for the current complex funding calculations associated with Academy funding). This was part of the DCLG consultation that ended on 24 September 2012. This process is expected to change the funding mechanism, but the Authority do not expected to see a change in the overall net position of funding received by North Tyneside (beyond that which would be expected in relation to the creation of an Academy).

(b) A requirement for all Local Authorities to delegate more funds from within the DSG to schools and to significantly simplify their local funding formula using prescribed criteria for 2013/14. To help minimise turbulence to schools and academies, the Minimum Funding Guarantee will continue to be set at minus 1.5% for 2013/14 and 2014/15. The simplification of local formula within prescribed criteria is acknowledged as a step towards a future national school funding formula;

(c) A significant change in the way High Need Special Educational Needs (SEN) provision, across all settings, are funded from 2013/14 (e.g. maintained mainstream and special schools, additionally resourced provisions, commissioned SEN services, pupil referral units, alternative providers, academies, independent providers, covering pre-16 year olds and post 16 year olds); and

(d) A requirement for all Local Authorities to review and simplify their funding formula for early years for 2013/14 so these can be more easily understood and benchmarked.

The DfE, working through the Education Funding Agency (EFA), required all Authorities to complete the majority of this work by October 2012. This included details of the elements mapped to the respective new funding blocks, the new simplified local formula and forecast high need SEN provision to be supplied by every LA no later than 31 October 2012. Taking these 2012/13 baseline indications of the blocks the EFA will then;

- Add additional funding for the extended 2 year old offer;

- Add funding transferred from the EFA in respect of post 16 high need places in colleges and other institutions that LA's will now be responsible for funding;

- Add value of SEN Block grant previously provided to Local Authorities by the EFA in respect of post 16 High need students in maintained schools;

- Adjust for the net position in respect of inter authority recoupment; and

- Deduct an estimate in relation to hospital tuition, as hospital education will be funded through the maintaining authority, thereby removing the need for authority recoupment.

This creates a baseline value per pupil for each Local Authority, which will be coupled with the data on pupil numbers from the October 2012 pupil census and used to calculate the value of the 3 new blocks for every Local Authority for 2013/14. Whilst the process of disaggregating the DSG into 3 new blocks and transferring funds in and out of the blocks in respect of new funding responsibilities is complex, the overall quantum of resource available to fund these services nationally is broadly cash limited. The final allocations for each of the blocks, for every Local Authority, are expected as part of the December 2012 settlement.

Following detailed consultation with all schools in North Tyneside the new mainstream funding formula, for distributing the Schools block in 2013/14 and onwards, (which will also be applicable to Academies) is a much simplified model with only 7 factors:

- A basic amount per pupil (attracting approximately 77% of funds in the Schools block);
- Additional per pupil funding for deprivation;
- Additional funding to support low cost/ high incidence SEN;
- Additional funding to support those children with English as an additional language;
- A lump sum for all schools of £0.150m to protect smaller schools;
- PFI costs; and,
- Additional allocation to for rates.

In addition to the main formula all mainstream schools will be protected from any potential reduction in funds through the Minimum Funding Guarantee – meaning no school will lose more than 1.5% per pupil for 2013/14 and 2014/15.

It should be noted that the Pupil Premium (which provides additional support for children in deprivation, looked after children and service children) remains outside and in addition to, the formula outlined above. The Pupil Premium is currently £623 per pupil in 2012/13 and is due to rise further in 2013/14 (the exact value in 2013/14 has yet to be announced).

Upon reviewing the national guidance with the working group, North Tyneside’s early years single funding formula was seen to be in line with the new framework. This includes the methodology for allocating funds for deprivation. It has therefore been possible to apply the same formula and cash values created in 2012/13 to the model for 2013/14 as the changes to the model are no more than presentational.

Section 4.0
The Financial Strategy for 2013-2015

4.1 Financial Strategy

A Financial Strategy is critical in order to ensure that the Authority makes decisions by focussing on strategic priorities and has a clear financial vision and direction for the medium term. This financial strategy needs to link to the Sustainable Community Strategy which ultimately drives our resources. Our Financial Planning and Budget process helps the Authority respond appropriately to responsibilities and duties placed upon Local Government through legislative requirements and the Government's drive for a deliverable programme of efficiency savings. The Change, Efficiency and Improvement Programme (CEIP) has been refreshed and updated and additional financial targets determined as part of ensuring a balanced financial plan and budget forecast for next year. These are covered in more detail in Section 5.0 of this Annex.

Financial planning is of critical importance during the period of the Government's own Spending Review and beyond, given the potential scale of future challenges noted previously. This planning is supported by the continuing need to integrate revenue, capital, asset and treasury planning, driven further by the Prudential Code requirements in relation to longer-term capital investment. In formulating the financial plan, the impact of priorities, objectives and preferred options needs to be fully evaluated.

Whilst decisions around budget-setting are approved on an annual basis, the Authority must demonstrate medium-term financial and resource planning. Annual budget decisions should be taken in the context of the overall financial plan that looks at all Authority services and takes into account the Government's Local Government Finance agenda.

4.2 National Context

As noted previously, the forthcoming year, 2013/14, represents the third of the four year Government Spending Review announced in October 2010. The current two-year Local Government Finance Settlement ends this financial year and therefore a new 'Settlement' will be needed to cover the last two years of the current Spending Review period.

Related to this, from 1 April 2013 there will be a significant number of changes to the current system of Local Government Finance through the Business Rates Retention Scheme, Localised Council Tax Support Scheme and Technical Reforms of Council Tax. These changes present a number of challenges set against a backdrop of a tightening of public finances. The future financial and service challenges facing Local Government have already been indicated through the current Spending Review, with further information contained within the 2011 Autumn Statement and Budget 2012. It is anticipated that the public sector will continue to see significant reductions in spending until at least 2017/18, as the Government has moved back its deadline to remove the structural Budget deficit from 2015 to 2017/18.

4.3 Local Context

The fundamental change to the Local Government Finance system and the lack of a provisional 2013-2015 Local Government Finance Settlement means making a detailed financial assessment of the exact implications for North Tyneside Council is extremely difficult at this stage. It may be the case that more detailed information can be derived from the Chancellor's Autumn Statement on 5 December 2012. However, it is only when the 2013/14 Provisional Local Government Finance Settlement is issued, which is expected to be in mid December 2012 that the exact implications for Local Government will be able to be fully assessed.

As a result of the scale of the changes to local authority funding, the financial environment in which the Authority operates is in the process of a radical change over the next three years, with the emphasis for financial planning continuing to shift much more towards savings and efficiencies, the close control of costs, a concentration on priorities and new ways of working. For North Tyneside Council, this fundamental change in the way services are delivered continues to be driven forward through the CEI Programme. This is explained in more detail in Section 5.0 of this report.

4.4 Defining our Financial Strategy

Best practice highlights the need for medium-term planning horizons. The Authority's two year planning timeframe will assist in ensuring there is a clear demonstration of sustainability in its plans for the future. The key drivers for change and the improvement focus in resource planning continue to include the need for:

(a) Medium term planning horizons – for workforce, assets, finance;

(b) Financial flexibility;

(c) Driving value for money and efficiency gains;

(d) Joined-up performance management;

(e) Strong financial awareness and budget holder responsibility;

(f) Effective risk management;

(g) More rapid accounts closure;

(h) Continuous forecasting and in-year reporting; and,

(i) Effective use of technology.

The approach to resource planning for 2013-2015 continues to concentrate on ensuring that all of the above drivers are embedded into the decision-making process for the allocation and re-direction of the Authority's finite resources, financial and otherwise. In addition, there has been the annual detailed review of the current financial plan forecasts and commitments for revenue, capital investment and housing finance. The Financial Strategy has been subject to an annual review.

Leading on from this, the key components and principles adopted for our 2013-2015 Financial Strategy have been fully reviewed as part of this year's process and are summarised in Table 5 below:

Table 5: Principles adopted for the 2013-2015 Financial Strategy

Financial Themes	Principles Adopted
Council Tax	• Provide value for money for the people of North Tyneside • Council tax levels that demonstrate prudence and retain stability in the Authority's finances • Manage the impact of the 2012/13 Council Tax Freeze Grant in 2013/14 • Council tax collection managed to secure recurrent efficiencies in the Council's collection fund • Ensure that the Financial implications of the Localisation of Council Tax Benefit scheme have been fully considered • Implications of future Welfare Reform changes on the Authority are fully understood.
Income Generation	• Development of new opportunities in relation to the trading and charging powers available to local authorities including the opportunity to establish a trading company to extend the Authority's trading opportunities • Continue to manage income and debts to reduce the need to make provision for bad debts • Develop a charging policy for the Authority.
Revenue Expenditure & Budget Strategy	• Annual budget resources aligned and prioritised to meet Sustainable Community Strategy objectives • A Reserves and Balances Policy in line with best practice that is reviewed on at least an annual basis • General unearmarked reserves (general balances) retained at least at a level of £6m at the end of each financial year, subject to a risk assessment

	as part of budget setting in each of the three years of the financial planning period • Earmarked reserves established appropriately for known and quantifiable (future) liabilities and financial risks • Pay and price inflation forecasts and full payroll costs built into projections or used as a way to target general efficiency savings across service areas • Continuous challenge of the base budget to secure service efficiency savings • Implementation of Service Plans to demonstrate how our services can achieve value for money in terms of customer satisfaction, quality of services and costs. This is driven through the CEI Programme. • Specific annual review of those services supported by specific grant in readiness for any further detailed Government announcement(s) in relation to grant changes, and as a direct result of the Finance Settlement • Where external funding is secured for a limited time period, any operational arrangements put in place must not assume that the fall-out of grant will be replaced by mainstream funding automatically • Reduce reliance on reserves supporting the revenue budget in the medium term • The Financial Strategy needs to be flexible enough to manage the changes to the Local Government finance system which will be brought about through the localisation of business rates from 1 April 2013.
Capital Financing and Expenditure	• Capital Strategy reflects Sustainable Community Strategy priorities and recognises available resources • A ten-year Capital Plan (including Public Private Partnerships / Private Finance Initiative (PPP/PFI) arrangements) in place that enhances financial and delivery certainty in relation to infrastructure investment in the borough • Strategic assets reviewed at least annually to maximise the potential to release value into the business for strategic re-investment • Prudential borrowing to support local capital investment priorities or invest to gain schemes that will secure greater revenue efficiencies, in accordance with the Authority's approved Local

	Prudential Code • Asset management plans updated on at least an annual basis and acknowledging available budget resources • Continuous review of prudential borrowing and its impact on the revenue budgets.
Treasury Management	• Treasury Management Strategy to focus on delivering safe stewardship • Strategic options devised for managing the overall level of borrowing over the medium term.
Risk Management	• Business risk embedded in all decision-making processes of the Authority • Budget resources aligned to reduce any material financial risks to the Authority.

The budget proposals contained in this report have been developed within the context of these key financial strategy principles.

4.5 Financial Risk Assessment

Financial risks are driven by changes to Government policy and the national financial climate, issues arising throughout the year and reported as part of the financial management reporting process and those risks highlighted as part of the Authority's risk management procedures and monitored through the Authority's risk registers.

The challenges being faced by the Authority are noted below along with details of the nature of the financial risks, how they are currently being managed by the Authority and proposals for the management of these risks going forward.

Key Financial Risks identified through the Corporate Risk Register

Spending Review

Following the Government's spending review and the announcement of financial settlements to local authorities in 2010 as noted above, there is a need for the Authority to reform its services in order to be able to deliver its statutory responsibilities and fulfil public expectations over the period of the financial strategy. The 2010 spending review was an in depth review of all public expenditure, following which the Government detailed its approach to how decisions on public spending would be made. It has resulted in financial settlements to authorites and other public sector bodies which are, and will continue to be, fundamentally reduced year on year. It affects the whole Authority and the services we deliver. The Authority therefore need to ensure that the Authority can live within our means, while at the same time meet the targets set by the efficiency agenda and spending review.

The consequences of this risk not being managed are that the Authority is unable to deliver on budget and there is the potential to jeopardise future grant bids or inward investment.

In order to deliver the savings the Authority needed following the Local Government Finance Settlement, the Authority established a CEI Programme. This Programme is now in its operational phase.

Plans and proposals have been established to deliver our services in a different way to achieve the annual efficiencies targets. The new Governance Structure is in place for the programme. There is now the CEI Corporate Governance Board which consists of the Elected Mayor, Cabinet Members, Chief Executive and Strategic Directors. Each Theme is managed by a Strategic Director. They receive update reports, identify gaps and agree packages. In addition, a scrutiny process is in place.

Deliverables from year two of the CEI programme have already been incorporated into the Authority's 2012/13 budget and the deliverables from years three and four form the basis of this 2013-2015 Financial Planning and Budget process.

In addition, the following risks are also linked to the Spending Review.

Localised Council Tax Support Scheme - There is a risk that Government proposals to replace the existing national Council Tax Benefit Scheme with a localised Council Tax Support scheme will result in a loss of income to the Authority of up to £2.000m. Proposals are currently being finalised and will be reported to full Council on the 29 November 2012. Further details are included in Section 3 of this report.

Business Rates Retention Scheme - There is a risk that this may result in a significant reduction in income and that 2013/14 budget allocation may not be known in time to assist budget planning. Further details are included in Section 3 of this report.

Price Inflation – The latest monthly inflation figures published on 13 November 2012 showed an increase in the Government's preferred measure of Inflation, the Consumer Price Index (CPI) from 2.2% to 2.7%. The level of the Retail Price Index (RPI) also increased, from 2.7% to 3.2%. On 14 November 2012 the Bank of England produced their latest Quarterly Inflation Report. This judged the future prospects for Inflation as generally uncertain, particularly in relation to the outlook for external cost pressures and commodity prices. Domestic energy prices and university tuition fees, are set to put upward pressure on inflation. On balance, however the Bank of England Committee's best collective judgement is that over time CPI inflation is likely to come down to around the 2% target as a revival in productivity growth alleviates pressures on companies' costs. The risks to inflation are judged to be broadly balanced around the 2% target for much of the second part of the forecast period. Inflation is being managed through containment within service budgets over the life of the financial plan.

Regeneration

There is a risk that North Tyneside may suffer from a lack of investment impacting on jobs, skills and the ability to stimulate economic growth. Schemes that will enable an increase in wellbeing and opportunities in the borough are being developed and implemented. The Authority and local businesses are looking at ways in which they can work together more closely for the benefit of the borough. There is an opportunity for a one river approach to establish the River Tyne as a hub for offshore and renewable energy investment and for Local Authorities to work with wider Business Partners via the Local Enterprise Partnership. The benefits attached to the Enterprise Zone sites should encourage business to invest in the area e.g. reduced planning requirements, incentivised tax regime and superfast broadband.

Working with Partners

As the Authority starts to place greater reliance on working with our partners to deliver essential services, there is a need to ensure that the partners are in a position to fulfil their responsibilities. The latest spending review and Government policy may have an impact on our partners resulting in them being unable or unwilling to undertake responsibilities already agreed. The Authority's failure to engage effectively across a range of partnerships would mean that we lose out on potential ways to deliver our CEI programme and achieve the outcomes of the Authority and North Tyneside Strategic Partnership (NTSP) priorities.

North Tyneside Council is working to ensure that those partners engaged in the Local Strategic Partnership and working with the Authority engage successfully in the delivery of the Sustainable Community Strategy, and at an operational level engage with the Authority in terms of performance, service delivery and efficiencies. This is being progressed as the NTSP Partnership will continue to monitor against changes in Government legislation and policy to ensure the Community Strategy is delivered.

The Local Enterprise Partnership (LEP) is now properly constituted, they are meeting as a group and are working on the development of workstreams. Through taking a proactive approach (The Elected Mayor sits on the LEP Board and a Strategic Director sits on the LEP Executive Group) it will enable the Authority to influence the strategic priorities and take advantage / compete for opportunities that will improve the economic wellbeing and growth of the borough e.g. the Authority are part of an Enterprise Zone.

Workforce Planning and Performance

The Authority has agreed a Workforce Strategy which reflects the current climate and challenges facing the authority. If the Authority are unable to deliver this strategy, there is a risk that we will not achieve the identified workforce outcomes, with a subsequent impact on service to our customers and achievement of related corporate objectives. This will have an adverse effect on Value for Money and lead to a costly workforce.

There are controls in place to monitor the costs of the workforce which will enable the Authority to drive the costs down. In addition, the Partnership arrangements for the Business and Technical Packages will ensure that the Authority get the right resources to deliver the Workforce Strategy enabling the CEI Programme and Authority priorities to be achieved.

Health Inequalities

If measures are not put in place there may be an increased chance that people from deprived areas may continue to suffer from ill health and be more likely to die young than those in the more affluent areas of the borough. There is a risk that joint action across the Partnership does not have an impact on Health and Wellbeing of the people of North Tyneside or health inequality increases. The key financial risk is in relation to inappropriate investment. This risk is being managed through the North Tyneside Strategic Partnership (NTSP) Health & Wellbeing Board involving all of the partners which identifies the shared priorities across the borough. The Board also links these priorities with commissioning decisions. In addition, integrated commissioning arrangements are developing in relation to Health, Social Care and Children (Children Commission Executive is in place to inform commissioning decisions).

The Joint Strategic Needs Assessment is currently being reviewed and updated to ensure it helps inform commissioning decisions and a Health and Wellbeing Strategy is being developed which will secure commitment for the Partnership to improving health & wellbeing in the borough.

Delivery of Council Ambitions

As the Authority appoints strategic partners to undertake the delivery of some of our Authority Services, it is important that there are mechanisms in place to ensure that the objectives and ambitions of the Authority are delivered and statutory responsibilities met. If the objectives and ambitions of the Authority are not met, this could lead to Value for Money not being achieved and the financial implications may need to be met internally and alternative savings found. This may lead to reputational damage to the Authority and some statutory duties not being met. To mitigate this risk, the appointment of partners was against a Cabinet agreed set of objectives and through a competitive process which ensured that the selection process made certain that short listed partners were fully aware of the objectives and ambitions of the Authority throughout the procurement process.

This risk is being managed through the development of a governance structure which will ensure that the governance to manage the partnerships is in place e.g. Strategic Partnering Board and the Operational Partnering Board and an agreed payment and performance mechanism which includes key performance indicators which ensure that the Authority's ambitions and objectives are being delivered.

Flood Resilience

There is a risk that due to changes in climate and, potentially urban design, the borough may be subject to increased instances of severe weather, resulting in pluvial flooding for which the Authority may be unable to provide adequate emergency response and mitigation of the impact of flooding events. There is the potential for increased costs and increased insurance premiums and potential hardship for residents.

Mitigation of this risk is through joint working with multi agency groups and development and implementation of appropriate strategies and plans including a review of existing surface water management regimes. Improving our drainage, asset maintenance regimes and investment strategies, and working more closely with partner agencies such as Northumbrian Water, Environment Agency and significant land owners to reduce surface water run off will ensure surface water is managed in a manner which offers least impact to our residents, businesses and infrastructure. In addition, Emergency Response Plans are in place and established which will ensure that in the event of emergencies procedures are known and can be followed.

Risks identified through Financial Management Reporting

2012/13 identified pressures

Several areas of pressure have been identified through the Authority's financial management process in 2012/13 and therefore need to be taken into account in this financial planning process for 2013/14 and the following years. These are summarised below:

CEI programme

The most recent financial management report (12 November 2012) highlights that good progress has been made to date in delivering the planned savings for 2012/13, with work still to do in some areas which are set out in that report.

Equal Pay

Equal Pay claims have been a major financial pressure for the Authority since 2004/05, when the first claims were settled. The Authority has progressively resolved claims against it and has successfully introduced a scheme of job evaluation and grading structure, which is generally recognised as a safeguard in respect of future claims for equal pay.

Over time, the Authority's exposure to equal pay claims will diminish. This is because as time passes from the implementation of the Authority's current pay and grading structure (in April 2007) the value of the claims that can be brought are reducing significantly. The 2011/12 Annual Financial Report included a provision of £15.128m for equal pay claims; this was the estimated value of the known claims at the year-end. The Accounts also disclosed further potential costs of equal pay, but as the timing and amount of any such claims was not known, it was included as a contingent liability.

The Authority will continue to monitor the level of potential and known claims and update Cabinet as appropriate. This will include consideration of the potential impact arising from the recent judgment against Birmingham City Council with regard to the timescale for the submission of Equal Pay claims.

The method of funding these claims is also important. In 2011/12, £6.542m of the provision was capitalised after permission was granted by the Secretary of State. This means that the costs did not impact immediately on the Authority's reserves and balances, but were financed as if they were an element of capital expenditure. The remaining £2.265m was carried forward into 2012/13 through the "Unequal Pay Back Pay Account" on the balance sheet; this is an accounting transaction so that the costs are recognised in the accounts when they are physically paid.

Currently no decision has been made by Central Government regarding options to capitalise equal pay costs in 2012/13 and therefore the risk remains that any settlements made during 2012/13 will be required to be funded from reserves.

Land and property values

The effect of falls in property values since 2008 remains a budget management issue in 2012/13, specifically in relation to land sales and the generation of capital receipts for the financing of the Authority's Capital Plan. To finance the 2012/13 Capital Plan, the capital receipts required are £11.036m. The latest financial management report to Cabinet (12 November 2012) shows a general fund capital receipts requirement of £10.937m to balance the 2012/13 Plan. There is a confirmed risk that the requirement to borrow may increase if sufficient capital receipts cannot be generated to fund the Capital Plan. This risk is being managed through the Major Projects Group and by a focus on this area by the Strategic Property Team.

During 2011/12 the total capital receipts received was £6.504m (£4.386m General Fund and £2.118m Housing), which highlights the challenge in generating £10.937m in the remainder of the year. To meet the receipts target, 28 transactions are currently being progressed. The transactions are at various stages of completion and continue to be regularly monitored.

Accommodation Costs

Accommodation Costs remain a significant issue for the Authority in respect of potential pressures being faced during 2012/13. Projects are in place to support services as they take action to reduce consumption of both gas and electricity, but rising unit costs continue to negate the impact of those actions. Work is already in progress with the new Technical Services partner to access capacity and expertise in delivering energy efficiency.

Flood Damage

The current estimate of the costs associated with the flooding caused on 28 June 2012 is £1.000m. This is the estimate of general fund costs which are not covered by insurance. Work is on-going to determine if the Bellwin Scheme will apply, but this is only for certain categories of spend and only for costs above a threshold (£0.603m for North Tyneside).

Demand - Led pressures

Demand - led pressures continue in areas such as Looked after Children and Adult Social Care and have been taken into consideration as part of these initial budget proposals.

Use of Reserves

The Authority necessarily reviews its level of reserves both when it sets its annual budget and when it draws up its Final Accounts for the year. In addition, because of factors such as the current economic climate and the incidence of such issues as Equal Pay claims, the level of reserves is monitored continuously throughout the year. The effect of any change in assumptions, or additional calls on reserves, is reflected in the regular bi-monthly monitoring reports to Cabinet. At each individual stage of this process, whether budget setting, final accounts preparation, or in-year monitoring, the Authority must ensure that there is adequate financial provision to cover known and/or unquantifiable risks. The review takes place in accordance with best practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) – *Local Authority Accounting Practice Bulletin 77 (November 2008) on Local Authority Reserves and Balances*. The Authority's Reserves and Balances Policy reflects this guidance.

The Authority ended the financial year 2011/12 with £53.664m of useable reserves and balances. The greater part of that figure is held as, Schools and HRA balances, or in the form of earmarked reserves, ie reserves built up and held for specific and sometimes statutory purposes. The only reserve generally available to help the Authority manage its finances over the medium term is the Strategic Reserve. At the end of 2011/12, this reserve stood at £6.056m. The 2012/13 budget approved at full Council on the 1 March 2012 included the use of £0.200m of the Strategic Reserve to establish the CEI Fund and £1.436m to replenish the reserve in 2012/13.

The main purpose of the Strategic Reserve is to manage major financial pressures which can arise in year or over financial years. The latest monitoring report (12 November 2012) highlights the potential use of reserves of £2.265m to fund the element of the Equal Pay costs not covered by the capitalisation approval received to date.

As stated earlier in this report, currently no decision has been made by Central Government regarding options to capitalise equal pay costs in 2012/13 and therefore the risk remains that any settlements made during 2012/13 will be required to be funded from reserves. On this basis there are no revenue implications of a possible capitalisation approval built into the figures included in this report.

There is the potential for a further call on the Strategic Reserve should there be no further improvement in the General Fund revenue position for 2012/13. The 12 November 2012 budget monitoring report to Cabinet for the six months to 30 September 2012 highlighted forecast pressures of £1.959m. The Directorate and Central teams are working to embed plans that will ensure these pressures are managed and that the budget is brought in on target at the end of the year.

The proposed draft budget for 2013/14 includes the use of £1.995m of the Strategic Reserve to support the phasing of CEI savings that will necessarily be a part year effect only in that year. In 2014/15, a £0.700m contribution to the Strategic Reserve is being made to maintain the Strategic Reserve at the planned level of £5.000m over the life of the financial plan in line with the Council's agreed Reserves and Balances Policy.

Cabinet is advised that the 2013/14 budget proposals leave the Authority's general unearmarked reserves (General Fund balances) unchanged at £6.604m.

4.6 Treasury Management Strategy

The proposed Treasury Management Strategy for 2013/14 is included as Section 7.0 of the report. This has been updated to reflect the implications on the Treasury Management Strategy of the Housing Self Financing Settlement. The key elements of the Strategy are:

- Treasury limits in force which will limit the treasury risk and activities of the Authority;
- The current treasury position;
- Prospects for interest rates;
- The borrowing strategy;
- Interest risk;
- Policy on borrowing in advance of need;
- Debt rescheduling;
- Annual investment strategy;
- Monitoring credit ratings; and,
- Policy for the use of external service providers.

Treasury Management continues to be affected by this on-going economic uncertainty with low returns on investment and low short term borrowing rates. The expected longer run trend for Public Works Loan Board (PWLB) borrowing rates is for them to rise slightly during 2013/14 with the bank interest rate expected to remain constant at 0.5%.

If interest rates were to rise then rates for investment would also increase and the Authority would benefit from improved investment returns on any cash surpluses it holds, after taking into account the primary requirement to safeguard the Authority's assets. Movements in both short and long term interest rates are monitored on a daily basis to try and gauge the best lending and borrowing options for the Authority.

Section 5.0
Cabinet's initial budget proposals for the 2013/14 General Fund Revenue Budget and 2013-2015 Financial Plan, including the Dedicated Schools Grant

5.1 Overview

The 2013/14 financial year represents the third year of the Government's original Spending Review. The current Local Government Finance Settlement ('Settlement') covered 2011/12 and 2012/13; a new Settlement is for the remaining two years of the Spending Review is due to be announced no sooner than 20 December 2012. Coupled with this are significant changes proposed to be implemented from 1 April 2013 in relation to the Business Rates Retention Scheme, the Localised Council Tax Support Scheme and Technical Reforms of Council Tax. Setting out a detailed financial assessment for North Tyneside is extremely difficult at this stage, because of the fundamental changes to the Local Government Finance system and the lack of a Provisional 2013/14 Settlement. The Chancellor's Autumn Statement, due on 5 December 2012, should give some broad indications of the areas of growth, investment and savings within the public sector as a whole and the Authority will be able to derive core figures from that, but it is the announcement of the Provisional 2013/14 Settlement that will set out the exact implications for Local Government as a whole and for North Tyneside Council.

It is therefore very important for Cabinet to recognise that the draft budget and proposals included herein are subject to change and review and will only become clear in time for the budget report to Cabinet on 28 January 2013.

In the context of what is stated above, the draft budget proposals to be considered by Cabinet are detailed in the remainder of this Section.

5.2 Council Tax Freeze

In discussion with the Elected Mayor and Cabinet Members as part of preparing the draft budget proposals, the budget presented for the General Fund is predicated on a financial planning assumption of accepting the Government's recently announced Council Tax Freeze Grant and so proposing no increase in Council Tax for the third year in succession.

5.3 Change, Efficiency and Improvement Programme

In light of refreshing the Financial Plan and taking into account a level of known pressures, particularly in demand-led services such as Adults' and Children's Social Care, the Change, Efficiency and Improvement Programme (CEIP) has been refreshed and updated and additional financial targets determined as part of ensuring a balanced financial plan and budget forecast for next year.

The first two years of the CEI Programme has seen £32.933m of savings either achieved or broadly on target to be achieved by the end of 2012/13. These draft budget proposals show that existing detailed plans are in place to save an estimated £6.133m in 2013/14 across all themes of the CEI Programme. In addition, a further £1.949m of projects has been proposed so far, with work on the remaining £4.125m continuing to be developed, in preparedness for the announcement of the 2013/14 Provisional Local Government Finance Settlement in mid to late December 2012.

Cabinet is advised that the level of CEI projects that were already included in the Financial Plan (£6.133m) are sufficient to cover existing committed plans (£2.437m), commercial activities (£2.221m) and some allowance for contingencies (£1.475m). The details of the existing and some proposed CEI projects are included at Appendix A, and explained further in paragraph 5.12.

5.4 2013-2015 Financial Plan and General Fund

Paragraphs 5.6 to 5.14 below provide the build up to the financial picture for the next two years, reflecting:

a) The messages coming out of the reported financial management position for the current year, 2012/13;
b) Inflation;
c) Existing committed plans;
d) Transfer of services in relation to Public Health;
e) Commercial activities;
f) Reserves and Contingencies' proposals;
g) Income and Grants; and,
h) The CEI Programme.

Cabinet is advised that all figures quoted in Tables 6 to 13 below reflect additional resources and/or savings in any particular year. The starting position for the next year in each table is the end position for the previous year/column.

5.5 2012/13 Financial Management Position

Cabinet received a report on 12 November 2012 setting out the latest revenue budget monitoring position for the financial year 2012/13, as at 30 September 2012. The report included an assessment of the forecast year-end position over all elements of the Authority's revenue budget. The year end projection at that point was a forecast pressure of £1.959m after the partial application of contingencies for specific events and items. Directorates are working to embed plans that will ensure these pressures are managed and that the budget is brought in on target at the end of the year. Where underlying pressures have been offset in 2012/13 by one-off measures, these have been addressed as part of the 2013/14 Financial Planning and Budget process and are included within Cabinet's draft budget proposals.

The strategic financial issues identified in the financial management report which would have implications for 2013/14 and following years are as follows:

(a) The impact of any CEI savings not being achieved in 2012/13 and actions required to secure savings into 2013/14;

(b) Plans which are being implemented to reduce consumption in order to mitigate increasing rates of energy costs;

(c) The costs associated with flood damage and flood resilience;

(d) The impact of demand-led pressures in areas such as Looked After Children and Adult Social Care remain for future years;

(e) The necessity of reviewing the use of reserves to support General Fund revenue expenditure on an ongoing basis and remaining within the Reserves and Balances Policy levels required;

(f) The level of capital receipts financing built into the Capital Plan in the medium term, and the necessity of reviewing these and other capital financing resources in the light of current economic conditions; and,

(g) The level of equal pay and equal value costs.

The strategic management of these issues over the period 2013-2015 forms an integral part of the proposals contained in this report.

5.6 2013-2015 Inflation

As in previous years, the financial plan has been developed on the basis that any general inflation will be contained within service areas and will be funded through compensating savings within the service area. Some specific inflationary pressures are covered by the Contingency Budget and are explained further below.

5.7 2013-2015 Existing Plans

Table 6: 2013-2015 Existing Plans

Existing Plans	2013/14 Additional £000's	2014/15 Additional £000's
Corporate Total		
Pension Fund Deficit Contribution	430	440
Mayoral Election	65	-65
Strain on the Fund (Leavers in 2011 and onwards)	250	250
Capital Plan Revenue costs of borrowing		
- Existing Plan	334	738
- New Plans	17	252
- Equal Pay	450	0
Corporate Total	**1,546**	**1,615**
Service Total		
Northumberland Park Heritage Lottery Fund (HLF) Bid	75	0
Wallsend Heritage Lottery Fund (Parks)	50	50
Chief Executive's Full Time Salary (6 month effect)	102	101
Non Review Strategic Projects Team	50	0
No Reduction in Mayoral Allowance	10	0
Continue News Guardian Advertising	32	0
Continue the provision of a pool car	5	0
Mouth of the Tyne Contribution reinstated	92	0
Events Team reinstated	30	0
Wallsend Joint Service Centre	125	375
Waste Management	320	320
Service Total	**891**	**846**
Total Existing Plans	**2,437**	**2,461**

This element of the financial plan sets down the specific Corporate and Service existing plans for spend that are required for commitments. In addition, where there is a prior year commitment or a mandatory service (where the public would expect certain services), those pressures are included within this table.

The growth in the Pension Fund Deficit Contribution of £0.430m is the net increase due in 2013/14 following the 2010 Pension Fund Valuation. Strain on the Fund costs of £0.250m relate to estimated costs that may arise from changes to headcount across the Council. Wallsend Heritage Lottery Fund (HLF) and Northumberland Park HLF bid – Parks funding of £0.050m and £0.075m respectively are required as part of a staged increase in revenue funding to reflect the known fall out of the grant. £0.065m is included to fund the costs of administering the Mayoral Election. In addition, £0.801m is included for the Capital Plan revenue cost of borrowing. This figure includes £0.450m to fund the cost of borrowing arising from Equal Pay costs and £0.017m for new schemes added to the Capital Plan (Section 6.0 refers).

The remaining items included in the table above relate to the effect of the Implementation Plan which has been reported to Cabinet, Overview and Scrutiny Committee and full Council throughout the 2012/13 financial year so far.

5.8 2013-2015 Transfers

Table 7: 2013-2015 Transfers

Transfers	2013/14	2014/15
	Additional	Additional
	£000's	£000's
Transfer of Public Health Responsibilities	8,903	178
Total Transfers	**8,903**	**178**

The financial plan for 2013/14 includes £8.903m of additional estimated costs due to the transfer to the Authority of many Public Health responsibilities which in the past were the responsibility of the Health Service. As this is a transfer of responsibilities to the Authority, there is also a corresponding Public Health Funding Grant which will be received by the Authority in 2013/14. This is highlighted in the Income and Grants table below. It should be noted that these figures are currently estimates as the final figure is still to be received.

5.9 2013-2015 Commercial Activity

Table 8: 2013-2015 Commercial Activity

Commercial Activity	2013/14 Additional £000's	2014/15 Additional £000's
Transport	500	0
Waste Management Procurement Advisors	0	200
Streetlighting Private Finance Initiative (PFI)	375	0
Schools PFI	300	0
Dudley and Shiremoor Joint Service Centre	253	0
Kier Management Charge	-100	400
Whitley Bay Joint Service Centre	453	0
Accommodation	440	440
Total Commercial Activity	**2,221**	**1,040**

Funding for Commercial activities has been included to reflect those areas where additional resources are required in 2013/14 due to contractual or other commercial commitments. £0.500m is included due to increasing transport costs, while the Streetlighting - £0.375m, Schools PFI - £0.300m and Dudley and Shiremoor Joint Service Centre - £0.253m increases are due to increases arising from contractual arrangements. A saving of £0.100m is included to reflect the agreed level of management support to Kier. £0.453m is the full year effect of the Whitley Bay Joint Service Centre.

There are also pressures within the 2013/14 budget caused by increasing prices and pressures in relation to business rates, water and energy charges, which Service Areas are trying to manage within tight budget constraints. It is prudent at this stage to recognise these underlying pressures while work continues to minimise these going forward. The Authority's Technical Partner is working with us to examine all options for mitigating these continuing market pressures.

5.10 2013-2015 Reserves and Contingencies

Table 9: 2013-2015 Reserves and Contingencies

Reserves and Contingencies	2013/14 Additional £000's	2014/15 Additional £000's
Contribution to Strategic Reserve removed from Base Budget	-1,436	0
Increase in Contingencies	3,641	5,709
Use of Strategic Reserve 2013/14	-1,995	0
Impact of Use of Strategic Reserve in 2013/14	0	1,995
Replenish Reserve to maintain medium term agreed level	0	700
Total Reserves and Contingencies	**210**	**8,404**

The proposed draft budget for 2013/14 includes the use of £1.995m of the Strategic Reserve to support the phasing of CEI savings that will necessarily be a part year effect only in that year. In 2014/15, a £0.700m contribution to the Strategic Reserve is being made to maintain the Strategic Reserve at the planned level of £5.000m over the life of the financial plan in line with the Council's agreed Reserves and Balances Policy.

It is proposed to increase the level of contingencies by £3.641m to £6.426m to recognise a number of areas, including any increase in Levies and/or Inflation, Members' Allowances, Flooding, changes in specific government grants as yet unknown and demand-led pressures particularly in Adults' and Children's Social Care areas.

Cabinet is advised that the proposals in Table 9 leave the Authority's general unearmarked reserves (the General Fund Balances) intact at £6.604m. The chief finance officer has determined that, given the general uncertainty around the announcements for the Provisional Local Government Finance Settlement, including the Business Rates Retention Scheme and the Council Tax Reduction Scheme, that this level of Balance should be maintained for 2013/14.

5.11 2013-2015 Income and Grants

Table 10: 2013-2015 Income and Grants

Income and Grants	2013/14 Additional £000's	2014/15 Additional £000's
Council Tax Freeze Grant 2012/13	2,140	0
Council Tax Freeze Grant 2013/14	-953	-954
Public Health Funding Grant	-8,903	-178
Total Income and Grants	**-7,716**	**-1,132**

As the 2012/13 Council Tax Freeze grant was a one off grant, the impact of this creates a budget pressure of £2.140m in 2013/14. For any Council that decides to freeze or reduce their Council Tax in 2013/14, compared to 2012/13 will receive a grant equivalent to 1% of their Council Tax funding for both 2013/14 and 2014/15. The exact details of this grant are expected to be confirmed in the Autumn Statement on 5 December 2012.

Details of the Public Health Funding Grant are included in the Transfers at Table 6 above.

5.12 2011-2015 Change Efficiency and Improvement (CEI) Programme

As mentioned earlier, in light of refreshing the Financial Plan and taking into account a level of known pressures, particularly in demand-led services such as Adults' and Children's Social Care, the Change, Efficiency and Improvement Programme (CEIP) has been refreshed and updated and additional financial targets determined as part of ensuring a balanced financial plan and budget forecast for next year. Table 11 below reflects the current proposed position:

Table 11: 2011-2015 CEI Programme

CEI Programme	2011/12 Additional £000's	2012/13 Additional £000's	2013/14 Additional £000's	2014/15 Additional £000's
Children, Education, Skills and Adults	-6,675	-9,240	-6,988	-2,165
Business	-7,687	-5,077	-4,274	-1,770
Environment	-1,466	-1,648	-945	0
Cross Cutting	-366	-774	0	0
CEI Programme Target	0	0	0	-9,766
Total CEI Programme	**-16,194**	**-16,739**	**-12,207**	**-13,701**

The first two years of the CEI Programme has seen £32.933m of savings either achieved or broadly on target to be achieved by the end of 2012/13. These draft budget proposals show that existing detailed plans are in place to save an estimated £6.133m, as explained in paragraph 5.7, in 2013/14 across all themes of the CEI Programme. In addition, a further £1.949m of projects has been proposed so far, with work on the remaining £4.125m continuing to be developed, in preparedness for the announcement of the 2013/14 Provisional Local Government Finance Settlement in mid to late December 2012.

Table 12 below shows the split of the £4.125m by CEI Theme with a brief description of the areas to be reviewed as part of achieving that target:

5.13 New 2013-2015 CEI Target

Table 12: 2013-2015 New CEI Target

New CEI Target	2013/14	2014/15
	Additional	Additional
	£000's	£000's
Children, Education, Skills and Adults	-3,000	0
Business	-850	0
Environment	-275	0
CEI Programme Target	0	-9,766
New CEI Target	**-4,125**	**-9,766**

Children, Education, Skills and Adults – New Target

North Tyneside has a high performing Children and Young People and Learning Directorate, a position confirmed by the recent Ofsted Inspection. However it faces a number of significant challenges in order to meet the increasing pressures on demand-led services for our most vulnerable children within a shrinking financial envelope. This is consistent with the trend regionally and nationally.

In response to these challenges and the objectives of the Council's Change, Efficiency and Improvement (CEI) Programme, the Children, Young People and Learning Directorate is continuing its approach to enabling more efficient access to education, employability, social care, health and well being services through new ways of working and reviewing the range and configuration of early intervention and prevention activities.

The key works streams within the CEI Programme are:

- Prevention & Early Intervention;
- Income Generation;
- Integration with other agencies including Public Health;

- Service restructure and re-designs; and,
- Review of commissioned activities.

At its meeting on 14 May 2012 Cabinet agreed the vision and priorities for Adult Social Care and endorsed the publication of North Tyneside's first Local Account. That Local Account confirmed a journey social care has been on for the last 6 years, moving from poor performance to excellence while increasing value for money. The Local Account showed our progress and was clear there was still more to do, particularly around information and advice.

The report and the Local Account recognised the strong performance particularly in personalisation and in re-ablement where the Authority was simultaneously increasing the choice and control available to users of social care services while providing a service that was reducing hospital admissions and contributing to already strong performance in helping people be cared for at home.

Cabinet agreed a vision for adult social care and three clear priorities

- **Personalisation;** continuing the journey to give greater choice and control in a way that is affordable for now and the future;

- **Commissioning;** commissioning services only providing those services that others cannot; and

- **Safeguarding;** continuing to monitor and drive up the quality of services to safeguard vulnerable people and our community.

Cabinet were clear these priorities needed to be delivered in an environment of tightening finances and rising demand. The Adult Social Care element of Theme A of the Change, Efficiency and Improvement Programme has therefore aligned changes in services to that vision.

In terms of **personalisation** changes continue to be made to assessment processes to reflect emerging best practice and to try and reflect to what service users, carers and other customers tell us - that there should be a fair and transparent approach to sharing resources and meeting need. Staffing structures are therefore being refined and independent living services being re-commissioned to support the development of the market to support greater choice and control. Access to re-ablement is being adjusted to reflect what we have learned and increasing integration with the NHS.

In terms of **commissioning** the Authority has continued to review its approach to supported housing challenging itself and providers to demonstrate the right outcomes and value for money. These changes have been supported by a reconfiguration of both housing and social care gateway services. While the budget reflects some difficult choices the Cabinet has had to spend time considering the discretionary elements of the service while trying to protect the core statutory service.

In terms of **safeguarding** the Authority's quality standards continue to make a difference to the market and incentivise improvement. Changes proposed in the budget seek to manage the impact of welfare reform and continue to bring closer social care and housing crisis support services.

The budget also acknowledges the rising demand faced by social care and backs potential growth in dementia, mental health and physical health placements as well as the clear increase in the demand for services for people with a learning disability. This year also sees the Authority re-commission both its home care and residential and nursing care services. Given local market conditions and recent rulings the budget makes contingency provision for the results of those commercial discussions.

Business – New Target

For the business and corporate core activities of the Authority, we will work with our new Partners who provide our Business and Technical Services to look at options that will help deliver further efficiencies through jointly agreed business cases.

Over the last decade North Tyneside has transformed its built cultural offer. The great green space, accessible riverside and award-winning coast have been supplemented by a physical cultural investment approaching £100m. Ageing leisure centres and swimming pools, libraries, play sites, sports pavilions, community centres, parks, a lighthouse, a railway station a theatre and an iconic Dome have all seen investment.

Cabinet are clear these assets are important to the people of North Tyneside and the 5.8 million visitors to the Borough. In shaping the budget they have considered the following priorities

- **Maximising the use of the natural and built assets – the economic case;** the cultural assets of the Borough contribute significantly to the economy of North Tyneside. Not only do they support existing jobs but they also attract new businesses and new residents alongside our schools and transport infrastructure. At a time when the economy is under strain, Cabinet are clear every tool in the box needs to be used to make sure North Tyneside's economy is resilient;

- **Maximising the use of the natural and built assets – the wellbeing case;** however, Cabinet are also clear the cultural assets make a major contribution to the health and wellbeing North Tyneside residents. The Authority has therefore concentrated on pushing up participation and memberships as well as maintaining differential pricing to make sure the offer is accessible;

- **Maintaining those assets;** once assets are replaced, maintaining them to a good standard to ensure the Authority and the Borough does not return to the position of 10 years ago;

- **Close poorer performing assets as new provision comes on line;** making sure that rigorous performance management and business analysis is applied to the overall asset base to make sure the Authority is not "over providing" or "paying twice" or, indeed, retaining time expired assets;

- **Making sure residents have reasonable access to the cultural offer;** testing with residents what "reasonable" is and from our feedback so far it seems North Tyneside residents are happy to accept higher quality, reasonably priced facilities at key strategic and accessible locations; and

- **Maximising the opportunities of external funding;** building on successes with the Heritage Lottery Fund, Big Lottery Fund, Arts Council, Sport England and the Football Foundation in particular in securing funding to support the delivery of Cabinet's cultural priorities.

The Cultural Services element of Theme B of the Change Efficiency and Improvement Programme has therefore aligned activity to those priorities.

In terms of further investment in the cultural asset base, the draft budget proposes changes that support the delivery of:

- Whitley Bay Customer First Centre;

- Further investment in The Dome and the Spanish City Island;

- A new sports pavilion and associated facilities at Foxhunters Playing Fields;

- North Shields Customer First Centre;

- Northumberland Park Heritage Lottery Project;

- Wallsend Customer First Centre; and

- Wallsend Parks Heritage Lottery Project.

In terms of savings to support that investment and those priorities the draft budget proposes a rolling review of library provision aligned to opening of new facilities. It proposes a consolidation of sport and leisure activity and staffing to the Authority's 5 main sport and leisure indoor sites as well as continuing to increase appropriate charges and maximise income. The draft budget proposes reducing subsidy particularly to external partners and continues to change the Authority's operational model to seek community ownership of some the Authority's assets where that makes sense. Finally, it signals the intent to revise the overall team structure to reflect the investment and reconfiguration.

Environment – New Target

The Authority has consistently made clear its commitment to the stewardship of the environment for future generations. Cabinet has committed the Authority to ambitious carbon reduction targets aiming to achieve target levels ahead of European deadlines. Significant investment has been made in accommodation, infrastructure and equipment which has begun to make that happen.

Theme C of the Change, Efficiency and Improvement Programme has been charged with continuing to deliver those carbon savings but also to realise the financial benefits that come with that work. The Theme has structured its work in six work streams.

- **Waste;** where the contracts with our disposals partners have yielded significant financial and environmental benefits, particularly in the significant reduction in the use of landfill and increase in recycling. Additionally, reconfigured collections have made significant savings;

- **Transport;** where the fleet has been reduced by over 25% and diesel use has dropped year on year. Additionally, staff mileage has decreased and procurement and asset management approaches improved;

- **Streetlighting;** where 4 500 lit bollards were replaced this year with brighter reflective and better designed signs and plans developed for future energy reduction;

- **Energy;** where the Authority has reduced its electricity, gas and water consumption and introduced innovative Carbon Budgets for the 50 top consuming sites. Additionally, installing 1503 solar arrays on Authority housing saving tenants money and securing capital investment and a revenue stream for no outlay;

- **Cleaner, Greener, Safer;** where the service configuration and approach to green space has been changed to reflect a tighter financial picture while retaining a 5-star rating and winning the overall national award for street scene services; and

- **Carbon;** where the Authority has reduced carbon by 4199 tonnes (9.69%) and is on track to meet the commitment to reduce the carbon impact of its own operation.

The draft budget continues the journey in each of those workstreams. In particular it focuses on delivering statutory street scene services to a decent standard across the Borough. The draft reflects work with the Authority's partner to begin the mass installation of more energy efficient equipment into the street lighting array. And a move to more energy efficiency bulbs as technology develops. In terms of energy the draft budget reflects plans to continue to reduce consumption and to work with the Authority's technical services partner to invest in equipment which will reduce consumption.

It is proposed that the Chief Executive is authorised, in consultation with the Elected Mayor, Cabinet Member for Finance and the Senior Leadership Team to manage the CEI Programme. Decisions made under this authorisation will be reported to Cabinet as part of the regular budget monitoring information provided.

5.14 2013-2015 General Fund Financial Plan

Table 13: 2013-2015 General Fund Financial Plan

General Fund Financial Plan	2013/14	2014/15
	£000's	£000's
General Fund Base Budget	**169,974**	**163,822**
Inflation	0	0
Existing Plans	2,437	2,461
Transfers	8,903	178
Commercial Activity	2,221	1,040
Reserves and Contingencies	210	8,404
Income and Grants	-7,716	-1,132
CEI Programme	-12,207	-13,701
Total General Fund Financial Plan	**163,822**	**161,072**

As noted above, final figures for several elements of the budget, are not known at this point. Cabinet is therefore advised that forecasts for 2013-2015 are indicative at this stage and subject to further review between Cabinet Members and the Senior Leadership Team. It is proposed that a further detailed report will be submitted to the January meeting of Cabinet once the outstanding information has been received from Central Government and has been fully analysed so that the implications for North Tyneside Council can be fully understood. This January report will include full details of the 2013/14 Financial Planning and Budget proposals which will then be referred to full Council.

5.16 Dedicated Schools Grant 2013/14

As referenced earlier there are a number of significant changes to the Dedicated Schools Grant (DSG) planned nationally for 2013/14.

For 2013/14 the DSG is to be separated into three new blocks: Schools, Early years & High needs. These blocks remain collectively ring-fenced to be used in support of school funding, although it is possible to move money between the three blocks.

Since August officers have been in dialogue with the Education Funding Agency (EFA) in order to assign current levels of the DSG to the three new blocks. This exercise has been undertaken with reference to the Schools Forum. Using the 2012/13 DSG as a starting point, and adding back the funds allocated to Academies in North Tyneside by the EFA in 2012/13, it is expected the initial starting points for the size of the respective blocks to be as follows:

- Schools block £111,923,570
- High need SEN block £15,865,272
- Early years block £5,988,158

In order to establish 2013/14 allocations these blocks will then be adjusted as follows:

- Add the value of "SEN Block grant" to the Schools block (previously provided to Local Authorities by the EFA) in respect of post 16 High need students in maintained schools;

- Adjust the Schools block for the net position in respect of inter authority recoupment;
- Adjust the Schools block to reflect the fact that 2013/14 allocations will be calculated using the October (2012) census rather than the January census which historically has a higher number of pupils;

- Add funding transferred from the EFA to the High need SEN block in respect of post 16 high need places in colleges and other institutions that Local Authorities will now be responsible for funding;

- Adjust the High need SEN block to account for cross border pupil movement;

- Deduct a sum of money from the High need SEN block in relation to planned High need places required by the Authority. (This equates to £10,000 for each place, or £8,000 for an alternative provision);

- Add additional funding to the Early years block for the extended 2 year old education offer; and

- Deduct an estimate totalling £0.223m from all three blocks in relation to hospital tuition, as hospital education will be funded through the maintaining authority, thereby removing the need for inter authority recoupment.

These adjustments will create new baseline values for each block for 2013/14. The Schools block and Early Years blocks will then be converted to a value per pupil, which will be coupled with the data on pupil numbers from the October 2012 pupil census and used to calculate the value of the blocks for 2013/14.

The process of disaggregating the DSG into three new blocks and transferring funds in and out of the blocks in respect of new funding responsibilities is complex. Although funding is moving between different funding bodies and between the new blocks, the overall quantum of resource available to fund all of these services nationally is cash limited. The final allocations for each of the blocks, for every Local Authority, are expected as part of the December settlement.

Section 6.0
Cabinet's initial budget proposals for the 2013-2023 Capital Plan and Prudential Indicators

6.1 Base Capital Plan 2013-2023

The 2012-2022 Capital Plan was approved by full Council on 1 March 2012. This plan is reviewed by the Major Projects Group (MPG). The MPG is responsible for the governance of the Capital Plan including the provision of guidance, support and challenge to the Senior Leadership Team in respect of capital proposals and delivery of the capital plan. The MPG met on 6 November 2012 to review the 2012-2022 base Capital Plan alongside new capital bids received and the current 2012/13 Reserve List. No changes to schemes in the base plan are currently recommended although there are a number of reviews ongoing.

6.2 New schemes

As outlined above as part of its meeting on 6 November 2012 the MPG reviewed all new capital bids received. Following this review the MPG recommended to Cabinet the inclusion of the following schemes on the 2013-2023 Capital Plan:

(a) **DV046 Swan Hunters redevelopment** (cost £12.071m, Council Contribution £3.780m) - The overall aim of this project is to provide the enabling infrastructure works required to re-develop the former Swan Hunter shipyard site in accordance with its newly designated Enterprise Zone (EZ) status for the location and growth of advanced manufacturing businesses and to provide the catalyst for an upsurge in private sector investment on the site. A bid for ERDF funding of £6.780m has been submitted the outcome of which should be known by February 2013. Completion of the full scheme is dependant on receipt of this grant money;

(b) **ED179 River Tyne Energy Innovation centre** (cost £5.500m, Council Contribution £2.750m) - This project will develop 3,000m^2 of business premises at the River Tyne North Bank Enterprise Zone site, creating a business incubator, SME (small and medium-sized enterprises) workspace centre, and a R&D (research and development) facility. The Centre will provide a focal point for a thriving sub-sea, marine oil and gas, and offshore renewable supply chain, and will link SMEs with education and enterprise programmes aimed at inspiring young people to pursue STEM (Science, Technology, Engineering and Mathematics) based careers. The £2.750m Council Contribution is already included in the base Capital Plan as is the cost of borrowing in the revenue budget. A bid for ERDF funding of £2.750m has been submitted the outcome of which should be known by February 2013. Completion of the scheme is dependant on receipt of this grant money;

(c) **EV055 Surface Water Management (flooding) improvements** (cost £4.750m, Council Contribution £4.450m) – A Strategic Flood Risk Assessment (SFRA) has been undertaken to produce a Surface Water Management Plan (SWMP) and indentify schemes requiring action. This scheme covers the physical infrastructure works required to address the issues identified. It is expected that some schemes will be wholly or partly funded by external partners eg Environment Agency and Northumbrian Water Ltd;

(d) **EV056 Highways Maintenance** (cost £5.000m, Council Contribution £5.000m) - Recent corporate customer satisfaction surveys have indicated that the improvement of the Council's public highway network is viewed as a top priority for residents and businesses. This scheme is to help address works identified as part of the council's Highway Asset Management Plan; and,

(e) **DV048 Area Forums Roads and Pavements programme** (cost £9.000m, Council Contribution £9.000m) – This extends the scheme beyond the 2013/14 amount contained in the base Capital Plan.

6.3 Capital Allocations 2013/14

As part of the 2011/12 local government settlement, two year allocations were announced for the Local Transport Integrated Transport and Maintenance Block Capital Grants with a further two years (2013/14 and 2014/15) indicative allocations provided. These figures are included in the base Capital Plan. The final 2013/14 allocation is expected in early December.

Education grant figures were provided for one year only in 2012/13. An announcement of the 2013/14 figures, which should include Capital Maintenance, Basic Need and Devolved Capital, is expected in early December. Therefore, no figures have been included in the base Capital Plan for these grants.

The revised Capital Plan is shown in Table 14 below: A schedule of individual projects is attached as Appendix B (i). The revenue implications of these schemes have been included in the revenue budget.

Table 14: Summary of Base Capital Plan 2013-2023

Spend	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/23 £000's	Total £000's
Chief Executive's Office	16,504	17,952	9,126	30,564	76,146
Children, Young People and Learning	3,750	3,683	67	0	7,500
Community Services	1,957	0	0	0	1,957
Finance and Resources	1,600	1,000	1,000	6,000	9,600
Corporate items	1,500	500	500	3,000	5,500
General Fund total	**27,311**	**23,135**	**10,693**	**39,564**	**100,703**
Housing – HRA	**16,743**	**22,451**	**25,101**	**206,401**	**270,696**
Total	**44,054**	**45,586**	**35,794**	**245,965**	**371,399**

6.4 Capital Financing

Table 15 below summarises the proposed financing of the Capital Plan:

Table 15: Summary of Capital Financing 2013-2023

Resources	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/23 £000's	Total £000's
Council Contribution:					
Unsupported Borrowing – General Fund	6,685	8,957	10,929	27,688	54,259
Capital Receipts – General Fund	7,519	3,065	2,065	9,886	22,535
Capital Receipts – HRA	1,101	1,619	1,308	4,036	8,064
Major Repairs reserve	13,012	13,336	13,748	109,705	149,801
House Building Fund	994	717	717	5,019	7,447
Revenue Contribution - HRA	1,466	6,779	9,328	87,641	105,214
	30,777	**34,473**	**38,095**	**243,975**	**347,320**
Grants & Contributions	13,277	11,113	-2,301	1,990	24,079
Total Resources	**44,054**	**45,586**	**35,794**	**245,965**	**371,399**

Capital receipts of £30.599m (£22.535m General Fund and £8.064m Housing) have been assumed in the financing of the 2013-2023 Capital Plan.

Unsupported Borrowing totalling £54.259m (£54.259m General Fund and £nil Housing) is included in the financing of the 2013-2023 Capital Plan. Total borrowing for new schemes, included in the above figures is £22.230m. The cost of borrowing (including new schemes) for years 2013-2015 is included within the General Fund Revenue budget. The Prudential Indicators arising from the Prudential Code are covered in Appendix B (iii).

6.5 Reserve List

As detailed in paragraphs 6.1 and 6.2 above the MPG met on 6 November 2012 to review new capital bids received and the current 2012/13 Reserve List. Appendix B (ii) lists bids received but not included in the proposed 2013-2023 Capital Plan plus those schemes remaining following a review of the 2012/13 Reserve List. A prioritisation process would be applied to release a reserve project from the list.

6.6 Draft Prudential Indicators

The Local Government Act 2003 requires authorities to comply with the 'CIPFA Prudential Code for Capital Finance in Local Authorities.' The Prudential Code requires authorities to develop a set of Prudential Indicators for capital as laid out in the Code. In addition to the indicators laid down in the Code, local authorities are free to set up their own local indicators, as they consider appropriate.

The proposed Prudential Indicators are included as Appendix B (iii) to this report.

6.7 Annual Minimum Revenue Provision (MRP) Policy

The Capital Finance Regulations require the full Council to agree an annual policy for the Minimum Revenue Provision.

The Minimum Revenue Provision is the amount that is set aside to provide for the prepayment of debt (principal repayment). This is the amount required to make a prudent provision and ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Revenue Support Grant (RSG), reasonably commensurate with the support provided through the RSG.

It is proposed that full Council adopts a policy for Annual Minimum Revenue Provision in line with the following principles:

(a) Existing assets pre 1 April 2007 – MRP will continue to be charged at 4% per annum;

(b) Supported Borrowing – MRP will continue to be charged at 4%, which matches the level of Government support provided for this borrowing through the RSG;

(c) Unsupported Borrowing – for all assets financed by unsupported borrowing, MRP will be charged over the estimated life of the assets. This will include assets financed through current PFI schemes and finance leases; and,

(d) Lease transactions treated as "on balance sheet - an element of the annual charge to the Authority for the lease will be treated as repayment of capital (ie repayment of principal and interest). The principal element is effectively the MRP charge for the year. This MRP charge will be equal to the element of the rent/service charge that goes to write down the balance sheet liability.

The effects of the MRP policy have been built into the current revenue budget projections (Section 5.0 refers).

Cabinet is requested to endorse by agreement the annual Minimum Revenue Provision Policy in line with Capital Finance Regulations.

Section 7.0
Treasury Management Statement and Annual Investment Strategy 2013/14

7.1 Background

The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity before considering investment return.

The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing needs of the Authority, essentially the longer term cash flow planning to ensure that the Authority can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses.

Treasury Management is defined by the Chartered Institute of Public Finance and Accountancy (CIPFA) as:

"The management of the local authority's investments and cash flows, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

7.2 Reporting Arrangements

In line with best practice, full Council is required to receive and approve the Prudential and Treasury Indicators and Treasury Strategy each year in relation to the general fund. For the Housing Revenue Account these are approved by Cabinet. This report covers the Treasury Management Strategy detailing how investments and borrowing are to be organised, including treasury indicators, and an investment strategy;

There are two other main reports each year, which incorporate a variety of policies, estimates and actual which are approved by Cabinet. These reports are:

- **A Mid - Year Treasury Management Report** – This will update Members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision; and

- **An Annual Treasury Report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

7.3 Treasury Management Strategy for 2013/14

The proposed strategy for 2013/14 in respect of the following aspects of the treasury management function is based upon the treasury officers' view on interest rates, supplemented with market forecasts provided by the Authority's treasury adviser, Sector.

This strategy covers:

- The current treasury position;
- Prospects for interest rates;
- The borrowing strategy;
- Policy on borrowing in advance of need;
- Debt rescheduling;
- Annual investment strategy;
- Creditworthiness policy; and,
- Policy for the use of external service providers.

7.4 Current Treasury Position

The Authority's treasury position at 7 November 2012 is set down in Table 16 below. This has been compared with the comparable position as at 12 January 2012.

Table 16: Current Treasury Position

	Principal Outstanding	**Average Rate**	**Principal Outstanding**	**Average Rate**
	(07 Nov 2012) £m	**%**	**(12 Jan 2012) £m**	**%**
Fixed Rate Funding PWLB* PWLB – HRA Settlement 2012 Market Loans Temp Loans	 264.750 128.193 20.000 28.173	 5.70 3.49 4.35 0.50	 274.750 20.000 25.000	 5.54 4.35 1.15
Total External Debt	**441.116**		**319.750**	
less **Investments** (UK) Banks (UK) DMO** Other LA's***	 15.200	 0.25	 12.350	 0.25
Total Investments	**15.200**		**12.350**	
Net Position	**425.916**		**307.400**	

***Public Works Loan Board**
****Debt Management Office**
*****Other Local Authorities**

7.5 Prospects for Interest Rates

The Authority has appointed Sector as it's treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Regular meetings are held with Sector to discuss the Authority's treasury options; all major investment and borrowing decisions consider the professional advice offered by Sector.

Appendix C(iv) of this report sets out Sector's professional view of interest rate forecasts. Appendix C(v) draws together a number of current City forecasts for short term or variable, and longer fixed interest rates.

Table 17 below gives the Sector central view.

Table 17: Sector forecast for PWLB new borrowing

	Mar 2013 %	June 2013 %	Sept 2013 %	Dec 2013 %	Mar 2014 %	June 2014 %	Sept 2014 %	Dec 2014 %	Mar 2015 %
Bank Rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00
5 yr PWLB	1.50	1.50	1.60	1.70	1.80	1.90	2.00	2.10	2.30
10 yr PWLB	2.50	2.50	2.60	2.70	2.80	2.90	3.00	3.20	3.30
25 yr PWLB	3.70	3.70	3.80	3.80	3.90	4.00	4.10	4.20	4.30
50 yr PWLB	3.90	3.90	4.00	4.00	4.10	4.20	4.30	4.40	4.50

The UK continues its worst and slowest recovery from recession in recent history. Growth prospects are weak, although the economy did come out of recession in the third quarter of 2012. Consumer spending, the driving force of recovery, is likely to remain under pressure due to the repayment of personal debt, general malaise about the economy and employment fears.

The primary drivers of the UK economy are likely to remain external. 40% of UK exports go to the Eurozone so the difficulties in this area are likely to continue to hinder UK growth.

This challenging and uncertain economic outlook has several key treasury management implications:

- The Eurozone sovereign debt difficulties provide a clear indication of high counterparty risk. This continues to suggest the use of higher quality lower risk counterparties for shorter time periods;

- Investment returns are likely to remain relatively low during 2013/14 and beyond;

- Borrowing interest rates continue to be attractive and may remain relatively low for some time. The timing of any borrowing will need to be monitored carefully; and

- There will remain a cost of capital – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

7.6 Borrowing Strategy

The Authority is currently maintaining an “under-borrowed” position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt as cash supporting the Authority’s reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is high.

The Authority's borrowing strategy will give consideration to new borrowing in the following order of priority:-

- The cheapest borrowing and lowest risk approach is internal borrowing. By continuing to maintain a relatively low level of cash balances the risk of investment is reduced and the historically low rates of interest means that the interest foregone is lower than in previous years. However, in view of the overall forecast for long term borrowing rates to increase over the next few years, consideration will also be given to weighing the short term advantage of internal borrowing against potential long term costs if the opportunity is missed for taking loans at long term rates which will be higher in future years.

- Temporary borrowing from the money markets or other local authorities.

- Long term fixed rate market loans at rates significantly below PWLB rates for the equivalent maturity period (where available) and to maintaining an appropriate balance between PWLB and market debt in the debt portfolio.

- PWLB borrowing for periods under 10 years where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a concentration in longer dated debt.

- PWLB borrowing for periods of longer than 10 years may be explored.

The principal risks that impact on the strategy are the security of the Authority's investments and the potential for sharp changes to long and short term interest rates. Officers, in conjunction with the Authority's treasury advisor, will continue to monitor the financial standing of banks and building societies on the counterparty list, and the level of interest rates, both those prevailing and forecast.

Against this background caution will be adopted with the 2013/14 treasury operations. The Strategic Director of Finance and Resources will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to Cabinet or full Council, as appropriate, at the next available opportunity. Such circumstances include a situation where:

- If it were felt that there was a significant risk of a sharp fall in long and short term interest rates, perhaps due to marked increases of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term funding will be considered; or

- If it were felt there was a significant risk of a sharp rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still relatively cheap.

7.7 Policy on borrowing in advance of need

The Authority will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Authority can ensure the security of such funds.

In determining whether borrowing will be undertaken in advance of need the Authority will;

- Ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need;
- Ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered;
- Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow;
- Consider the merits and demerits of alternative forms of funding;
- Consider the alternative interest rate bases available, the most appropriate periods to fund the repayment profiles to use; and,
- Consider the impact of borrowing in advance temporarily increasing investment cash balances and the consequent increase in exposure of counterparty risk, and other risks, and the level of such risks given the controls in place to minimise them.

7.8 Debt Rescheduling

As short term borrowing rates are expected to be considerably cheaper than longer term rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the size of the premiums incurred, their short term nature, and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio. Any position taken via rescheduling will be in accordance with the strategy position outlined above.

In order to generate the most attractive debt rescheduling opportunities, it is proposed that the strategy for 2013/14 should remain flexible. The reason for any rescheduling to take place may include:

- the generation of cash savings at minimum risk;
- to help fulfil the strategy outlined above; and
- to enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

All rescheduling will be reported to Cabinet as part of the next budget monitoring report at the meeting following its action.

7.9 Annual Investment Strategy 2012/13

This Authority has regard to the CLG's Guidance on Local Government Investments and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes. The Authority's investment priorities are:

a) the security of capital;
b) the liquidity of its investments; and,
c) return.

The Authority will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. The risk appetite of this Authority is low in order to give priority to the security of its investments.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Authority will not engage in such activities.

The Investment Strategy states which instruments the Authority may use for investment purposes, making a distinction between specified and non-specified investments. This is set out in Appendix C(vi). The Authority's current counterparty list is set out in Appendix C(i) and C(ii) of the report.

In order to develop an investment strategy for the next financial year, it is necessary to take a view on future interest rate movements. Professional advice is sought from Sector, the Authority's treasury advisor. Bank Rate has been unchanged at 0.50% since March 2009. As set out in Appendix C(iv), Sector is forecasting that the Bank Rate is to remain unchanged at 0.50% during 2013/14 before starting to rise from December 2014. Bank Rate forecasts for financial year ends (March) are as follows:

- 2012-13 0.50%
- 2013-14 0.50%
- 2014-15 1.00%
- 2015-16 1.50%

There is a downside risk to these forecasts (i.e. start of increases in Bank Rate is delayed even further) if economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be upside risk, particularly if Bank of England inflation forecasts for two years ahead exceed the Bank of England 2% target rate.

The strategy for 2012/13 agreed on 1 March 2012 was set in a background of uncertainty and a prudent approach was taken with nearly all investments on an overnight basis. In the current economic climate it is essential that a prudent approach is maintained. This will primarily be achieved through investing for up to three months with selected banks and funds which meet the Authority's credit rating criteria, set out in Appendix C(vi).

The Authority will avoid locking into longer term deals while investment rates are down at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness which make longer term deals worthwhile and within the risk parameters set by the full Council.

It is also important to recognise that movements within the money markets can happen with no notice and the Strategic Director of Finance and Resources may have to amend this strategy in order to safeguard the funds of the Authority. Any such actions will be reported to Cabinet as part of the next budget monitoring report at the meeting following this action.

The Strategic Director of Finance and Resources will undertake the most appropriate form and duration of investments depending on the prevailing interest rate at the time, taking into account the risks shown in the interest rate forecast.

All investments will be made in accordance with the Authority's investment policies and prevailing legislation and regulations.

At the end of the financial year, the Authority will report on its investment activity as part of its Annual Treasury Report.

7.10 Creditworthiness Policy

Credit ratings will continue to be monitored by the Authority's treasury management team. The Authority is alerted to changes to ratings through its use of the Sector creditworthiness service who notify the Authority of any changes as soon as they receive the information. The Sector creditworthiness service uses a modelling approach with credit ratings from the three main rating agencies – Fitch, Moody's and Standard and Poor's, forming the core element. This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system. Where an institution has its credit rating downgraded so that it fails to meet the Authority's credit criteria then:

- no new investments will be made after the date of notification,
- any investments 'on call' will be recalled immediately.

Where an institution is placed on negative rating watch (notification of a possible rating downgrade) deposits will continue to be made up to approved limits so long as the institution's credit quality is above the Authority's minimum criteria.

Sole reliance will not be placed on the use of this external service. In addition this Authority will also use market data and market information, information on government support for banks and the credit ratings of the government support.

7.11 Policy on the use of external service providers

The Authority uses Sector Treasury Services as its external treasury management advisers.

The Authority recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

The Authority also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.

PART II

Section 8.0
Cabinet's initial proposals for the Housing Revenue Account (HRA) Business Plan and budget for 2013-2015

8.1 Housing Revenue Account (HRA)

As Cabinet will be aware, following on from last year's budget process and subsequent Counsel's opinion, the Housing Revenue Account (HRA) budget will be formally received for agreement and approval by Cabinet in January / February 2013. At that meeting Cabinet will be asked to approve the Housing Revenue Account Business Plan and Budget for 2013/14, including the housing rent, garage rent and service charge increases and the Capital Plan.

Cabinet will also be aware that 2012/13 was a year which saw the introduction of self-financing HRAs and the abolition of the HRA Subsidy system. These were the biggest changes to housing finance in decades, and were introduced under powers enacted by the Localism Act 2011 from 1 April 2012. The essence of the change is that in future this authority will keep all rents raised locally and will no longer have to pay over any sums to Government. In addition there is an assumed average increase in the amount of money estimated to be spent on major repairs, management and maintenance costs. The "price" of this increased local determination was a one-off national debt adjustment, which redistributed over £20 billion of council housing debt held nationally, of which this authority's share was finally determined to be £128.193m. This sum was borrowed from the Public Works Loan Board (PWLB) on 28 March 2012 and paid over to the Treasury. In addition the Authority will also be exposed to future inflationary and interest rate risks, which it was protected from to a large extent by the subsidy system. This makes future efficient use of resources and Treasury Management decisions in relation to the HRA of paramount importance, and these will also be discussed as part of this report.

The key principles of the new self-financing proposals were explained in the Cabinet Report "Housing Revenue Account Self-Financing" (28 November 2011). The report and last year's budget report set out the implications of the major decision areas recommended in that report, and the implications for the budget-setting process for 2012/13 and beyond, in particular the assumptions made in relation to the Government's policy on rent restructuring, the treatment of new and existing debt portfolios, and the future investment needs of the stock in capital terms. These issues are revisited in this report to analyse the continued implications of self-financing as we move into the second year of the new system.

The report also analyses the potential implications for the HRA of further significant changes which have occurred and are still in the process of occurring, namely:

- Welfare Reform changes with particular reference to the impact on tenants and the resources they have to manage their budgets. The introduction of a charge for under-occupying tenants from April 2013, and the potential introduction of the Universal Credit from October 2013 with direct payments for most tenants may create significant resource issues for some of our tenants, and for the Authority as it seeks to maintain efficient collection of rental income;

- Right to Buy (RTB) – the announcement last Autumn of a significant increase in the maximum discount available to Council tenants by Government, coupled with the start of a national advertising campaign is sparking some revived interest in the RTB option for our tenants. The self-financing model assumed a relatively modest level of RTB over the next 30 years, if this policy change outstrips those projections this could cause resource problems for the HRA.

This report also sets out the efficiencies, financial and service pressures on the HRA which have been identified through the financial planning process. Cabinet will wish to take these into account when it considers the draft HRA financial plan for 2013/14 to 2014/15 and the associated 30-year Business Plan.

Cabinet will be pleased to note that the budget proposals also incorporate the commencement of a programme of new build Council Housing, which will see the start on site of the first Council homes to be built in the borough for nearly 25 years. These proposals were outlined and approved by Cabinet in the 13 August 2012 report "Building Council homes". Additional year-end revenue balances identified in 2012/13, along with New Homes Bonus contributions, and the use in 2013/14 of Capital Receipts from RTB and other land sales, and the expected 2012/13 savings which will come via the House-building Fund from Treasury savings in relation to the self-financing loan deal (following external audit approval of 2012/13 Final Accounts), have enabled the Authority to commence preparations for two separate schemes at Station Road and Byrness Court, in advance of the originally identified start of a new build programme in 2014/15.

Cabinet will be aware that a long-term view of the HRA financial position is regularly taken. For the purposes of the current Financial Planning and Budget process a two-year plan has been developed in line with the approach adopted for the General Fund as is outlined below, to reflect the two years that remain in the Government's current Comprehensive Spending Review(CSR). Cabinet is advised that the second year projections are only indicative at this stage. As part of the self-financing process the authority has continued to develop its 30-year plans to ensure the long-term viability of the HRA.

Historically the HRA budget-setting process has always revolved around the issuing of the Subsidy Determinations each year, which have had a major impact on the HRA budget. In particular items such as subsidy due or repayable, amounts available to support capital spend, capital charges incurred by the account and rent increase levels under the rent restructure formula are set based on information and requirements outlined in the determination. With the introduction of self-financing this has all changed, in previous years subsidy determinations have only appeared in draft around Christmas time, with final ratification not received often until late in January, which has made financial planning far more difficult. From 2012 onwards, instead of being concerned with the amount of subsidy the Authority will pay over to

Government, the critical determinants will be the decision on the level of rent increase and the amount of rent the Authority collects, the Treasury Management Strategy used to manage our debt portfolio, how costs are controlled for managing and maintaining stock and the future investment needs of that stock.

As always setting the rent will be a crucial element of the HRA budget-setting process. The introduction of the HRA self-financing regime included an assumption by Government that all authorities would continue to follow the national Rent Restructuring policy, which assumes convergence for most properties in 2015/16. Not following that policy would have significant implications for the HRA in terms of the level of resources available to manage, maintain and develop the existing stock, and any opportunity to develop new stock. Hence, one of the critical determinants in the budget process becomes the Retail Prices Index (RPI) figures for September each year (announced mid-October), which form the basis of the formulae for calculating the rent increases required. For 2012/13 the RPI as at September 2011 was 5.6% which resulted in an average rent increase of 9%. As explained below the RPI for September 2012 was 2.6%, which will see a recommended average increase for 2013/14 of 5.81%. Members can therefore instantly see that financial planning for the HRA can be applied with some degree of increased certainty, without the need to wait for last minute changes to subsidy imposed by Government.

The following budget proposals include the impact of all the key determinants of the budget referred to above, and their impact on the HRA business planning process. Cabinet needs to understand that given the nature of the significant changes in policy that have been implemented nationally, and further changes which are being implemented, the HRA has to continually revise its position as there is a degree of fluidity in a number of the variables which are key to this process.

8.2 Decent Homes Standard Progress

The 2012/13 HRA budget including the Business Plan and 2012-2022 Housing Capital Plan, which were approved by full Council as part of the 2012-2015 Financial Planning and Budget process, allowed for the Decent Homes Standard to be maintained for most of the General Needs Housing and non-traditional build properties owned by the Council.

The Department for Communities and Local Government (CLG) approved a draft allocation of Private Finance Initiative (PFI) credits totalling £110.400m for the redevelopment and refurbishment of the authority’s Sheltered Accommodation units following the successful submission of the Outline Business Case for the Quality Homes for Older People project. The Authority is now in the process of evaluating the bids of the final two tenderers following the call for Final Tender, and should reach financial close and start on site by the middle of 2013. The projected revenue and capital implications of the successful PFI approval have been included in these budget proposals. The project has been and continues to be rigorously reviewed for Value for Money by HM Treasury, and is still the Authority’s best solution to bring all of our homes up to the required Decent Homes Standard.

2012/13 was the first year of a post-Decent Homes Programme under a self-financing environment. The over-riding future objective is to ensure that the housing stock is as a minimum maintained at Decent Homes Standard (DHS). The Asset Management Strategy was agreed in the "Better Homes – Better Lives" 2010-2015 report, which was approved by full Council on 9 September 2010. In that report full Council approved a new stock condition survey to be undertaken, to update the assumptions within the Capital Plan and to ensure that the future needs of the stock are fully met. This survey was completed, and the results were fed into the Authority's Keystone Asset Management system. As with the rest of the HRA Business Plan these figures need to be constantly updated, to reflect the identified needs of the stock, and to where possible build in the identified key priorities of our tenants represented via the Tenant Panels. The implications of the survey work along with the outcomes of the consultation processes, and identified resources have been fed into an updated Capital Plan and this estimates the capital need over the next three years will total £49.596m, with £1.209 billion needed over the next 30 years, excluding any assumptions on new build. If the assumptions outlined in this report are agreed in setting the HRA rent and budget for 2013/14 and beyond, then there is the potential for an estimated 810 new homes to be built over the next 30 years, providing the HRA can identify enough suitable land and there are not significant changes in the key assumptions within the plan. This estimate is based on the average price of a 3-bedroomed property. Given the identified need for one and two bed-roomed properties tied to the Welfare Reform changes, it is possible that the Authority could build far more than 810 properties.

These assumptions in relation to the Capital Plan are fully reflected in the budget proposals outlined in this report.

The Council's Joint Venture partner (Kier North Tyneside Limited) will deliver the majority of the works identified as required to the current stock within the Capital Plan up until at least 2019, necessary to maintain the stock at the DHS. The funding assumptions on capital reflect current issues around a need to review our HRA-owned land stocks. As agreed previously by Cabinet the plan assumes that a proportion of any Right to Buy (RTB) receipts over and above those assumed for self-financing, will be set aside to repay debt rather than finance capital; this will help to mitigate against viability issues for the HRA business plan which may arise under the changes introduced by the Government to reinvigorate the Right to Buy scheme by increasing the maximum discount to £75,000. Any set aside will of course be subject to the restraint that the Authority will have to comply with the new RTB agreement signed with the Government, where the Authority agreed to ensure that it uses any additional receipts to fund new build. Given the Authority's proposed new build programme, this should not be an insurmountable problem as the Authority should be able to match spend to any targets.

In terms of the self-financing HRA Business Plan, 2013/14 represents the most difficult year in terms of available Capital resources. The proposed total Capital programme for 2013/14 excluding new build works, but including currently identified re-programming from 2012/13 totals £14.977m. This compares to the last year of the Decent Homes Programme in 2010/11 which saw £35.699m of capital works being delivered, of which £21.510m was funded from Prudential Borrowing. Under the proposals for self-financing, part of the deal in determining the debt settlement for the authority was to provide for an increase in the level of funding available for major repairs. This, coupled with a steady increase in the level of revenue contributions available after 2013/14, makes it possible to plan for the long-term to ensure that not only are all existing stock needs met, but that the Authority can, subject to the restrictions that may be placed by changes in Government policy, put itself in a position to begin building new council houses from 2012/13 onwards. Further details on the Housing element of the Capital Plan and capital financing arrangements are included in Section 6.0 of this report.

8.3 HRA and Treasury Management issues following the Self-financing Debt Settlement

The HRA is a separate landlord account that reflects revenue expenditure and income relating to the Council's own housing stock. It is an account that is ring-fenced from the Authority's General Fund with statutory guidance about the items that can be charged and credited to it. The Authority has a legal duty to prepare budgets that ensure that the account remains solvent and to review the account throughout the year.

Formerly each authority's HRA was part of a national housing subsidy system that forced authorities which made a surplus on their "notional" HRA account (calculated using Government assumptions) to make payments into a central pool used, amongst other things, to subsidise authorities that made a loss. In the last few years of the subsidy system North Tyneside was a net payer of housing subsidy, with actual payments of £7.089m for 2011/12 (budgeted £6.141m); these were projected to continue to rise significantly year-on-year if the current subsidy system remained in place.

From 1 April 2012 each authority retains all rents raised locally, and will no longer be required to make or receive any subsidy payments to or from central Government. This was achieved via a "one-off" re-allocation of debt. In effect each authority either bought itself out of the system, or was bought out of the system. The debt settlement figure was calculated by determining the commuted Net Present Value (NPV) of expected future income and expenditure streams for the next 30 years. This value was then compared to the HRA Subsidy Capital Financing Requirement (CFR), and if the NPV figure was higher the difference was the additional amount of debt an authority takes on. If it is lower the authority would get some or all of its debt repaid.

The final NPV figure for North Tyneside Council at 31 March 2012 was £270.585m, which was £128.193m higher than the subsidy HRA CFR of £142.392m at that point, and hence that was the amount of additional debt that was be allocated to this authority. The overall CFR of the authority will be used to "cap" any future borrowing. This authority had a subsidy HRA CFR of £142.392m at 31 March 2012, but an actual HRA CFR of £162.631m. This difference is because the authority had to borrow significantly to finance the Decent Homes Programme. The Government has agreed that any authority whose HRA CFR exceeds their subsidy CFR will have their "cap" adjusted to reflect the higher figure, otherwise the Authority would immediately exceed the cap.

Table 18: Final Calculation at 31 March 2012

Calculation	£000's
NPV Figure	270,585
Proposed Initial HRA Debt "Cap"	270,585
Subsidy HRA CFR	142,392
Additional Debt	128,193
Notional Total HRA CFR	270,585
Actual HRA CFR	162,631
Additional Debt	128,193
Actual HRA CFR	290,824
Revised HRA Debt "Cap"	**290,824**

Hence, £290.824m was the starting point for the total amount of debt that the HRA will have to manage within the business plan over the next 30 years. So, although the Authority will no longer have to pay subsidy, it will have to pay interest and principal repayment costs (depending on the repayment strategy) on £290.824m of debt. Cabinet and full Council chose to follow the recommendations of the Cabinet report "Housing Revenue Account Self-financing" (28 November 2011) in relation to the strategic treatment of the overall debt. This included that the Authority should follow the Chartered Institute of Public Finance and Accountancy's (CIPFA), recommendation that the Authority treats the HRA as having a separate debt pool from the General Fund. There are three distinct elements to this:-

1) Self-financing debt – the £128.193m payment to the Government was funded by taking out a total of 25 separate loans for £5.000m each, and one loan for the balance of £3.193m with maturity periods ranging from 24 to 50 years. These loans are directly attributable to the HRA, and can be easily managed as such. The loans were financed with such long maturity periods because the interest rates being offered by PWLB for self-financing were at a "one-off" "premium" against what were already historically low interest rates. Hence, it made prudent financial sense to finance these sums long-term. The average interest rate achieved on these loans totalled 3.49% which equates to an annual interest payment of £4.477m. This is an estimated £0.652m below the figure budgeted for 2012/13, and this sum once ratified will be transferred to a Housebuilding Reserve. The funds accumulated in this Fund have then been assumed to be used to fund the new build programme as identified in the August 2012 Cabinet report, and the Capital proposals contained within this report;

2) Existing Debt – the Authority has already established that the HRA has a share of the pre-self-financing debt portfolio valued at £162.631m as at 31 March 2012. In order to create a separate portfolio of existing debt for the HRA, each long-term existing loan was split proportionally with the General Fund. This means that at the point that each loan reaches maturity, there is a separate consideration for both the General Fund and the HRA as to whether

they would wish to re-finance their share of the loan, either long-term or short-term, or whether they would wish to use debt set aside to effectively repay the debt. The HRA strategy agreed by Cabinet is that where possible it will seek to repay these existing loans where prudent and affordable. Hence, there may be the opportunity to undertake short-term borrowing at the rates around 0.25% to 0.35% when loans reach maturity, which may enable some additional short-term savings to be made. These have been identified in the Treasury Plan, and built into the financing assumptions for the HRA Business Plan. For 2013/14 it is estimated that the total interest payments due on the existing debt portfolio will total £8.470m, with a debt set aside of £3.900m; and

3) New HRA Debt – short-term and long-term – as already described, any new borrowing that the HRA undertakes, whether that be re-financing of its share of existing loans, or genuine new borrowing (currently restricted because of the debt cap) will be made through new loans which can be easily attributed solely to the HRA in future. For 2013/14 there will be re-financing of £9.946m of loans, and some temporary borrowing which in total will cost £0.136m in interest charges to the HRA.

Hence, it can be seen that over time the authority will build a truly separate portfolio of HRA debt, with differing strategic considerations to the General Fund. For 2013/14 the overall impact of the recommended debt portfolio approach, will be a total estimated interest charge of £13.083m and a set aside cost of £3.900m giving total estimated financing payments of £16.976m for 2013/14. This can be compared to the original budgets for 2012/13 where the estimated interest costs total £14.053m, and set aside was £2.500m, with an estimated overall cost of £16.553m. Currently it is being predicted that the actual costs for 2012/13 will be in the region of £15.624m realising a significant saving. These costs are of course now exposed to interest rate risks in the market, but in the current climate represent the best estimate of the implications going forward. It can be quickly seen that although the HRA has taken on significant additional debt, close control over the costs associated with that debt will realise true benefits to the HRA over time, compared to a subsidy scenario where the contributions to Government were rising exponentially year on year.

The HRA is of course restricted by the imposition of the debt cap at £290.824m. The Authority's total borrowing cannot exceed this figure at any future financial year end. However, North Tyneside Council are in a small group of authorities for whom this premise will be flexed, and that is due to the Authority's Quality Homes for Older People Private Finance Initiative (PFI) Scheme. Once the scheme reaches financial close, there will be a build period of up to approximately 4 years, which will incur significant capital costs. These costs have to be recognised in the Authority's Capital Financing Requirement (CFR), hence if the Authority was not allowed to break the cap to reflect the Capital spend, the Authority would be in breach of the self-financing regulations. North Tyneside Council have sought and had written assurance from the Department for Communities and Local Government (CLG), that they will work with us to ensure that the cap is flexed appropriately to reflect this, it is effectively a technical adjustment, and the cap will reduce over the 28 year life of the scheme, as the debt is notionally written down.

The Authority will continue to monitor closely the Treasury Management position and the potential impact on the HRA, and consult closely with the Mayor and the Cabinet to ensure that the best results are achieved for the HRA and our tenants. The current approach taken to Treasury Management reduces the re-financing risks attached to the business plan, and also provides some flexibility in terms of future investment and potential additions to the stock.

8.4 HRA Self-Financing and Depreciation

As part of the proposals for self-financing CLG declared a desire to ensure that authorities make proper provision for the future investment needs of the stock and they aim to achieve this by introducing a true charge for depreciation. As explained in the "HRA Self-Financing" Cabinet Report, the Major Repairs Allowance (MRA) is currently used as a proxy for depreciation, with any revaluations and impairment charges being reversed out of the accounts; the same principle is applied to the General Fund.

A true depreciation charge could make the business plan unsustainable, which is of major concern to all stock-owning councils. There is also a requirement to move towards assessing the different components of assets with differing lifecycles (e.g. kitchens and bathrooms), under International Financial Reporting Standards (IFRS), which could also lead to variations in depreciation charges previously used.

To manage those concerns and following further work and consultation with CIPFA, CLG came up with an interim solution; to allow an up-rated MRA figure to be used as a proxy again for up to five years whilst a workable long-term option is developed. It has proposed various alternative treatments including one based on a discounted cash-flow valuation, and the Authority is still working through the implications. As recommended in the self-financing report, this budget assumes that the Authority will move towards calculating a true depreciation charge, but will use the MRA proxy as a fall-back position for up to five years, whilst this issue is resolved fully. It would be fair to say that there has not been a lot of movement on this issue nationally, and it is something that CIPFA and the Chartered Institute of Housing (CIH) are still struggling to reach a consensus on. 2013/14 will be the second year of the transition phase, and the Authority will continue to work towards a workable and affordable solution for the HRA.

In terms of using the proxy MRA figure for 2013/14 this means that the transfer to the Major Repairs Reserve that will be required in 2013/14 will increase from £13.418m to approximately £13.610m. As outlined in the self-financing report, there are two elements to the MRA charge, and this is due to the Quality Homes for Older People PFI project. Because our project had not reached financial close before self-financing was introduced, our debt settlement was based on the stock at that time including the PFI properties, which means our debt was reduced by the MRA attributable to the sheltered properties. In essence this means that when the deal is signed, our PFI credits will be reduced by the amount of MRA attributable as at 31 March 2012 (pro-rata for the first year), and this figure will have to be funded by effectively splitting the MRA proxy calculated. It is estimated that the sheltered properties will amount to approximately £0.798m of MRA in a full year, which will be fixed for the 28 year term of the scheme, and will not be subject to inflation. For

2013/14 have estimated a charge of £0.599m that will have to be provided from MRA, with a further increase of £0.199m in 2014/15.

The sums that are transferred to the Major Repairs Reserve to reflect depreciation can only be used to either pay off debt or fund major repairs, they cannot be used to balance the HRA business plan.

8.5 HRA Self-Financing and Rent Restructuring

As mentioned in the introduction to this report the self-financing HRA system which has replaced subsidy, continues the Government's current policy assumptions in relation to rent restructuring. Hence, Government sets a "guideline" rent that the Government assumes authorities charge to their tenants. This guideline rent is set according to Government policy on rent restructuring. The objective of rent restructuring is that similar affordable rented homes in the same area should have similar rents regardless of who the landlord is, and therefore deliver more consistent rents and greater transparency for tenants, it will also ensure that that landlord has sufficient resources to maintain its homes to the decent home standard as a minimum. Under this policy, properties with lower or higher rents than a Government set formula have their rents progressively increased or decreased (in the case of Housing Associations) each year until they reach the Government's target. Individual rent increases are limited to Retail price Index (RPI) + 0.5% + £2 (per week).

Authorities can set rents below this level, but they will have to be able to afford the reduced rental income in their overall HRA. The rent restructuring policy was introduced in 2001/02 and originally required the rent for all Local Authority and Registered Social Landlord homes to reach their "formula rent" target level by 2011/12. This was referred to as "convergence" as the intention was for local authority rent levels to converge with the higher rents charged by housing associations.

In recent years the Government has amended the rent restructure formula to allow authorities to reduce the rent increase in part by adjusting the rent convergence deadline and consequently the guideline rent increase. This has had a direct impact on the rent increase now required through the rent restructure formula. For 2011/12 the Government compensated those authorities where the rents were "constrained" from their full convergence path because of the maximum "cap" limit.

For North Tyneside Council this compensation equated to £2.73 per property per week in 2010/11, which was taken into account in determining the 2011/12 Subsidy payment. Under self-financing the Government will build-in an average level of compensation for each property and this will be reflected in the debt settlement figure. This may mean that using a global average will disadvantage those authorities with a high level of compensation and will mean that not every property will converge by 2015/16.

The self-financing proposals already discussed assume that all authorities will continue to implement rent restructuring with a "convergence" deadline of 2015/16. Hence, the financial model that the Government developed to calculate our debt settlement assumed that the Authority's rent increases would continue to mirror the rent increases reflected in that model. If they do not, the Authority will have problems generating the resources required to make the business plan balance and meet the future needs of the existing stock.

The rent restructuring formula for 2013/14 is based on the RPI level prevailing at September 2012 as a base. No individual weekly rent should increase by more than RPI + 0.5% plus £2, which allows authorities the scope to narrow the convergence gap. The RPI prevailing at September 2012 was 2.6% compared to 5.6% in September 2011. Applying the rent restructuring formula, using the September 2012 RPI inflation rate and a convergence date of 2015/16, indicates that an average rent increase for our tenants of 5.81% for April 2013 will be required, with increases in the following two years of 5.60% and 5.49% based on assumed inflation rate of 2.5% at September in the relevant years.

The rent restructuring formula is demonstrated below:-

Table 19: Rent restructuring Formula: (50 week rent figures assumed)

Rent restructuring formula	**£**
Average Target (convergence) Rent 2012-13	74.77
RPI at Sept 2012+ 0.5% (2.6% + 0.5% = 3.1%)	2.31
Average Target Rent 2013-14	77.08
Average Actual Rent 2012-13	68.57
RPI at Sept 2012 + 0.5% (2.6% + 0.5% = 3.1%)	2.13
Base Average Actual Rent 2013-14	70.70
Convergence element ((£77.08-70.70)/3)	2.13
Element constrained by limit ie RPI + 0.5% + £2	0.28
Actual Average Rent 2013-14	72.55

The implications of these changes for our tenants is an average increase in rent of £3.98 per week (5.81%) which ranges from a lowest actual increase of £2.63 (1 bed bungalow) per week up to a maximum of £5.22 per week (7 bed house), with a minimum percentage increase of 4.18% (1 bed house) up to a maximum of 7.87% (bedsit).

In addition to the rent increase outlined above, it is also assumed that Housing Service Charges and Garage Rents are increased in line with the September 2012 inflation level of RPI, i.e. 2.6% where possible and subject to any benefit restrictions. These changes would also be subject to the Government's Universal Credit Regulations which are expected to be published in December 2012. If, as a result of those regulations, there are any significant changes these will be reported back to Cabinet with revised proposals.

The increased income from the indicated rent, service charge, and garage rent increases is included in the budget proposals in this report for 2013/14 and the next three years to the convergence deadline. After 2015/16 the Government will effectively assume that the Authority are on a level playing field with other housing providers, and the rent policy is expected to become one of RPI + 0.5% increases from that point forward.

The authority is notionally free to set a rent increase. However a number of conflicting assumptions make this very difficult. There is a national rent policy setting out the basis upon which all local authorities and registered providers should set their rents, there are requirements set out within the "Home Standard" set by the Housing Regulator to maintain homes as a minimum to the Decent Home Standard and the Regulator has also reserved the right to set a "Rent Standard" based upon the application of the national rent policy. Critically for the Business Plan every 1% reduction in rent represents the best part of £0.500m in lost rent in 2013/14, and a potential total rent loss over the 30-year business plan of approximately £25m based on assumed future inflation. The Government calculated the debt settlement figures using the increased RPI figures. For illustration purposes this would be like taking on a large mortgage, whilst taking a pay cut.

Because of the starting level of debt and the low average rents when rent restructuring began, the HRA business plan for the next couple of years will be very finely balanced. However, in the longer-term over the duration of the 30-year plan, self-financing offers an opportunity to secure the resources necessary to manage, maintain and invest in the existing stock, and potentially invest in new stock.

8.6 Welfare Reform

The Welfare Reform Act received Royal Assent on 8 March 2012 and proposes major changes to the way that welfare support is provided. The Revenue and Benefits Service and North Tyneside Homes have been working on the potential impacts upon both the Authority and our tenants. If all of the reform proposals are eventually implemented there will be significant implications for North Tyneside, as set out below:-

1) Shared Accommodation Rate – around 300 people will lose some of their Housing Benefit (HB) as a result of the extension of this rate;

2) Over 2,000 working age claimants of HB are currently under-occupying their Council tenancy by one or two bedrooms, this would see a reduction of 14% in HB for one bedroom and 25% for two bedrooms under-occupied. It is estimated that this would reduce household income by between £1m - £2m per annum, and have significant risks for the levels of rent arrears;

3) Universal Credit – direct payment to up to 6,000 working age tenants where the HB is currently paid direct to the Authority again could impact significantly on arrears, and it will be paid 4-weekly in arrears;

4) Localised Council Tax support – There is a potential impact on the level of Council Tax Benefit received by tenants, which could also impact on the level of arrears;

5) There will also be a transfer of responsibility from Department for Work & Pensions (DWP) to local authorities for Community Care Grants and Crisis loans, but with a significant reduction in the resources available;

6) Homelessness – the pressure of the issues identified above could lead to significantly increased pressures on housing advice and homelessness services;

7) Partners – reductions in resources and increased pressure on limited resources, will inevitably have a knock-on effect on the partner services of other local support services, such as housing charities and CAB who will see increased pressure for help from their services. Reduced incomes will also have an impact on the local business community; and

8) Workforce – these changes will also place increased pressures on the current workforce as there will be significant administrative changes required to cope with the proposed changes.

Possible mitigations for some of these changes have been included as part of the budget proposals included in this report. The Authority is also taking a cross authority approach in trying to co-ordinate a reasoned approach to coping with these changes.

HRA Pressures and Income, Grant and Efficiency Opportunities are shown below:

8.7 Pressures and Growth

Table 20 below summarises the major unavoidable pressures and variations faced by the HRA currently built into the budget. These include:-

a) Increase in sums set aside for Debt repayment (Minimum Revenue Provision (MRP);

b) The impact of the change to introduce a true depreciation charge as part of the self-financing changes, utilising the up-rated Major Repairs Allowance (MRA) for up to 5 years;

c) The revenue effects of the proposed Housing Capital Plan;

d) The implications in revenue of the Quality Homes for Older People project – relating to payments to the PFI Contractor and Affordability gap;

e) Increase in HRA Interest charges for refinanced / new HRA debt and changes to Debt Management Expenses & Premiums & Discounts;

f) Increase in House-building Fund contribution – mirrored by increased savings on self-financing debt shown as service efficiency;

g) Increase in HRA Bad Debt Provision to begin preparations for welfare reform changes from 2013/14;

h) Housing Income Team – additional staff resources to cope with the pressures brought about by Welfare Reform, which will help with avoiding tenants falling into debt, and helping them to manage their resources where appropriate; and

i) Council Tax Void payments – increase in provision to cover costs due to change in application of void policy – the level of increase will depend on the final option chosen.

Table 20: 2013/2014 – 2014/15 Pressures and Growths

Pressures and Growth	2013/14 £000's	2014/15 £000's
a) Debt set aside – MRP	1,400	-3,150
b) MRA / Depreciation	192	523
c) Capital Plan - Revenue Effects;	-1,727	5,313
d) Quality Homes for Older People – Contractor and Affordability payments	725	397
e) HRA New Debt / DME / Premiums & Discounts	99	216
f) House-building Fund Contribution	652	0
g) Bad Debt Provision – increase to cope with Welfare Reform changes	250	250
h) Housing Income Team – additional resources	100	0
i) Council Tax Void payments	200	0
TOTAL Pressures and Growth	**1,891**	**3,549**

8.8 Change, Efficiency and Improvement Programme

As part of the 2013-2015 Financial Planning and Budget process, proposals have been made for additional income, grant and efficiency opportunities. These include:

1. The proposed rent increase brought about by rent restructure changes and rebasing of rent income collectable;

2. Garage and service charge increases;

3. Savings in Debt Interest Charges as a result of preferential loan rates achieved from the Public Works Loan Board for Self-financing loans;

4. Savings in Interest Charges on re-financing of existing Loans via temporary borrowing and long-term re-financing;

5. Savings and efficiencies in relation to management and repairs budgets, including savings in pension deficit funding;

6. Savings from Quality Homes for Older People scheme re project and procurement costs (including repairs costs due to transfer to PFI Contractor); and

7. The continued implications of the changes to the Supporting People Transitional Protection.

Table 21: 2013/14 – 2014/15 Change, Efficiency and Improvement Programme

Change, Efficiency and Improvement Programme	2013/14 £000's	2014/15 £000's
1) Income from Rent Increase	-2,719	-2,802
2) Garage Rents & Service Charge Income	-63	-63
3) Self-Financing – Debt Interest savings	-652	0
4) HRA Existing Debt – Interest savings from refinancing & temporary borrowing	-424	-599
5) Management & Repairs savings (including pension costs)	-377	-136
6) Quality Homes for Older People – project & procurement costs	-173	-200
7) Supporting People Transitional Protection	-5	-5
TOTAL Change, Efficiency and Improvement Programme	**-4,413**	**-3,805**

8.9 2013-15 HRA Reserves and Contingencies

The proposed draft budget for 2013/14 includes a contribution to reserves of £0.084m. It is proposed to create a contingency budget of £0.278m to recognise relevant issues including any increases in inflation.

Table 22: 2013/14 – 2014/15 Housing Revenue Account Reserves and Contingencies

HRA Revenue Balances	2013/14 £000's	2014/15 £000's
Increase in Contingencies	278	283
Contribution to/(from) balances	84	55
Total Change in Reserves and Contingencies	**362**	**338**

8.10 2013/14 – 2014/15 Draft Housing Revenue Account- Movement on Reserves

Table 23 below summarises the draft Housing Revenue Account movement on balances for 2013/14 – 2014/15, after taking account of the information and details included in Sections 8.7 to 8.9 above:

Table 23: 2013/14 – 2014/15 Draft Housing Revenue Account- Movement on Reserves

HRA Forecast Movement on Reserves	2013/14 £000's	2014/15 £000's
Opening Reserve Balance Add: Change in contributions (to) / from Balances	(1,426) (84)	(1,510) (55)
Closing Reserve Balance	**(1,510)**	**(1,565)**

The budget monitoring position for 2012/13 to 30 September 2012, reported to Cabinet on 12 November 2012, shows projected year-end balances of £2.263m. But this is before the improved balances from 2012/13 of £0.837m have been applied to capital to help fund the pilot new build projects, as identified in the August 2012 Cabinet report on new build. Hence, a net contribution to balances from the HRA of £0.084m is projected in 2013/14 to give a year-end balance of £1.510m as at 31 March 2014. The budget proposals presented here ensure that between £1.000m - £2.000m is retained in HRA revenue balances each financial year covering the two years of the Financial Planning process, to ensure some measure of contingency and financial stability. These proposals as they currently stand also balance the plan over the longer 30-year period, which is what the Government requires us to demonstrate as part of the self-financing proposals.

8.11 2013/14 – 2014/15 Draft Housing Revenue Account Financial Plan Forecast

Table 24 below summarises the draft Housing Revenue Account forecast plan for 2013/14 – 2014/15, after taking account of the information and details included in Sections 8.7 to 8.10 above:

Table 24: 2013/14 – 2014/15 Draft Housing Revenue Account Financial Plan

HRA Forecast Expenditure Plan	2013/14 £000's	2014/15 £000's
2012/13 Base Budget Add: Pressures and Growth Change, Efficiency and Improvement Strategy Reserves and Contingencies	0 1,891 (4,413) 2,522	0 3,549 (3,805) 256
Net Forecast Expenditure Variation	**0**	**0**

The rent increases indicated are as required to comply with rent restructuring proposals, and the proposed service charge and garage rent increases. For 2013/14 this increase is 2.6% in line with the September 2012 RPI.

A two-year financial forecast for the Housing Revenue Account is attached at Appendix D (i) for information and the Housing Capital Plan at Appendix D (ii).

8.12 Housing Capital Plan 2013-2023

As outlined in Section 8.5 above the final target year for completion of the Decent Homes Programme was 2010/11. The over-riding objective for future years is to ensure that Housing stock is maintained to at least Decent Homes Standard as laid out in the Housing Asset Management Strategy approved by full Council on 9 September 2010. On top of this if resources allow, there is the added intention of responding to tenant priorities around issues such as fencing and landscaping.

This Capital Plan also provides for the Authority to begin a programme of new build council housing from 2012/13 assuming that enough suitable HRA-owned land can be identified, and planning issues addressed, with the potential for up to 812 new units to be built over the next 30 years in total. This is reflected in the proposed Housing Capital Plan 2013-2023 summarised below and in the attached Appendix D (i). Some of the main elements of work planned in 2013/14 include:

(a) Kitchens & Bathrooms of £4.573m;

(b) Central Heating and Rewire programme totalling £3.427m;

(c) Disabled adaptations of £1.375m;

(d) Other Targeted Refurbishment Works of £0.715m;

(e) External Works – Fencing / Walling – a new programme to meet one of the major tenant priorities - £1.223m .

(f) Cyclical / Decoration of £0.693m;

(g) Capital void reinstatements of £1.161m;

(h) Furniture Pack scheme of £0.490m;

(i) Asbestos Works of £0.150m;

(j) Environmental Improvement & Energy Efficiency of £0.305m and

(k) Re-programming of £0.609m for PFI Homeloss payments;

(l) Other Capital Works – covering ICT Strategy; Water Pipe renewals and Fire Damage reinstatement of £0.256m.

(m) New Build spend on Station Road and Byrness Court - £1.766m.

Table 25 below summarises the 2013-2023 Housing Capital Plan and financing, including potential resources available to fund new builds.

Table 25: Summary of Proposed Housing Capital Expenditure and Financing 2013–2023

Resources	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/23 £000's	Total £000's
Housing Capital Expenditure	**16,743**	**22,451**	**25,101**	**206,401**	**270,696**
Current Need	**14,977**	**16,286**	**18,333**	**162,870**	**212,466**
Potential New Build	**1,766**	**6,165**	**6,768**	**43,531**	**58,230**
No.of Potential Units	**20**	**45**	**48**	**275**	**388**
HRA Capital Financing					
Major Repairs Reserve/Depreciation	13,012	13,336	13,748	109,705	149,801
Revenue Contributions (HRA)	1,466	6,779	9,328	87,641	105,214
New Homes Bonus	170	0	0	0	170
Capital Receipts (RTB & Other Land Sales)	1,101	1,619	1,308	4,036	8,064
House-building Fund	994	717	717	5,019	7,447
Total Resources	**16,743**	**22,451**	**25,101**	**206,401**	**270,696**