

North Tyneside Council Report to Cabinet Date: 28 January 2013

ITEM 4

Title: 2013-2015 Financial Planning and Budget Process: Cabinet's Draft Budget and Council Tax Requirement Proposals

Portfolios: Elected Mayor Finance Housing	Cabinet Members: Mrs Linda Arkley Councillor Judith Wallace Councillor Paul Mason
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Report from: Senior Leadership Team

Report Author: Fiona Rooney, Strategic Director of Finance and Resources (Chief Finance Officer) **Tel: 643 5724**

Wards affected: All

1.1 Purpose:

- 1.1.1 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.
- 1.1.2 On 26 November 2012, Cabinet considered its initial budget proposals, based on information available at that point in time. Cabinet now needs to receive this report and consider its estimates of amounts for the 2013/14 Council Tax requirement including the general fund budget, the 2013-2023 capital plan and the treasury management statement and annual investment strategy for 2013/14 (Annex 1, refers).

1.2 Recommendation(s):

- 1.2.1 It is recommended that Cabinet:

The 2013-2015 Financial Planning and Budget Process

- (a) Note the progress made in relation to this year's Financial Planning and Budget process (Annex 1, Section 1);
- (b) Note that Cabinet's estimates of amounts in the setting of the Council Tax requirement will be referred to full Council for its meeting on 7 February 2013, in accordance with the Authority's Constitution and Budget and Policy Framework Procedure Rules (Annex 1, Section 1);
- (c) Note that any implications that impact on this report arising from decisions of full Council on the 24 January 2013 will be provided as a supplementary report to Cabinet on the 28 January 2013 (Annex 1, Section 5).

Strategic Planning

- (d) Agree that the Performance Framework for 2012/13 be continued into 2013/14 (Annex 1, Section 2);
- (e) Note the key messages that have emerged from the budget engagement process and how the results of this and other engagement activities have influenced the draft Financial Planning and budget proposals for 2013/14 and future years (Annex 1, Section 2);

Local Government Finance

- (f) Note the key aspects of the recent consultation on the Business Rates Retention Scheme and the 2013/14 provisional Local Government Finance Settlement announced on 19 December 2012, and how this has been incorporated into the financial strategy and financial plan of the Authority (Annex 1, Section 3);
- (g) Authorise the Strategic Director of Finance and Resources, as the Authority's Section 151 Officer to approve the final National Non-Domestic Rates 1 form for North Tyneside Council for 2013/14, by the deadline of 31 January 2013;

The Financial Strategy 2013-2015

- (h) Agree the key principles being adopted in preparing the Financial Strategy for the Authority, subject to an annual review (Annex 1, Section 4);
- (i) Agree the formal Reserves and Balances Policy for the Authority, reviewed at least annually (Annex 1, Section 4, Appendix D);
- (j) Note the medium-term financial challenges and financial risks facing the Authority and agree to address these issues as part of the Change, Efficiency and Improvement Programme for the Authority, to deliver continued financial stability and prudent management of our financial resources (Annex 1, Section 4);

- (k) Agree the approach being taken in relation to the Change, Efficiency and Improvement Programme for the next two years, starting in 2013/14 (Annex 1, Section 4);

Cabinet's Estimates of Amounts for the setting of the Council Tax Requirement including the 2013-2015 General Fund Revenue Budget and Dedicated Schools Budget

- (l) Consider and agree the estimates of amounts for the 2013/14 setting of the Council Tax requirement including the general fund revenue budget and dedicated schools grant, thereby calculating the level of Council Tax to be proposed, to be recommended to full Council for approval, including the assessment in relation to the current year's budget monitoring information (2012/13) and indications of the financial plan for 2014/15 (Annex 1, Section 5);
- (m) Request the Chief Finance Officer to prepare the appropriate Council Tax Requirement and budget resolution document for the full Council's consideration at its meeting on 21 February 2013, based upon the outcomes of recommendation 1.2.1 (k) above (Annex 1, Section 5);

2013-2023 Capital Plan

- (n) Consider and agree the estimates of amounts in relation to the 2013-2023 capital plan, including prudential indicators for 2013/14 in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Framework and a proposed Minimum Revenue Provision (MRP) policy in line with capital finance regulations (Annex 1, Section 6 and Appendices B (i) and B (iii));
- (o) Consider and agree the proposed Reserve List of Schemes that will be considered should additional funding become available, being funding by the Authority or otherwise (Annex 1, Section 6 and Appendix B (ii));
- (p) Note that all approved schemes within the 2013-2023 capital plan will be kept under corporate review by the Major Projects Group, to ensure that necessary information has been supplied prior to any expenditure taking place (Annex 1, Section 6);

Treasury Management Statement and Annual Investment Strategy for 2013/14

- (q) Approve the Treasury Management Statement incorporating the Annual Investment Strategy for 2013/14 (Annex 1, Section 7 and Appendix C);
- (r) Note the revised Counterparty List amended under delegation to the Strategic Director of Finance and Resources (Annex 1, Section 7 and Appendix C);

Delegations and Authorisations

- (s) Authorise the Elected Mayor to make any final amendments to the Cabinet's proposals in relation to that information which is still outstanding in order that due consideration can be given to the final level of Council Tax the Cabinet wishes to put forward to full Council for approval for 2013/14 (Annex 1, Section 1);
- (t) Authorise the Chief Executive, in consultation with the Elected Mayor, Cabinet Member for Finance, the Strategic Director of Finance and Resources and the Senior Leadership Team to manage the overall Change, Efficiency and Improvement Programme and note that decisions made under this delegated authority will be reported to Cabinet as part of the regular budget monitoring information provided (Annex 1, Sections 4 and 5);
- (u) Grant delegated authority to the Elected Mayor, in consultation with the Major Projects Group, to keep under review the 'reserve list' of schemes within the 2013-2023 capital plan and agree any changes considered appropriate subject to the Financial Regulations (Annex 1, Section 6 and Appendix B (ii));
- (v) Grant delegated authority to the Elected Mayor, in consultation with the Cabinet Member for Finance, the Chief Executive and the Strategic Director of Finance and Resources to respond to any recommendations following Overview and Scrutiny Committee's consideration of the 2013-2015 Financial Planning and Budget process and Cabinet's draft budget proposals (Annex 1, Section 8); and,
- (w) Grant delegated authority to the Elected Mayor, in consultation with the Cabinet Member for Finance, the Chief Executive and the Strategic Director of Finance and Resources to consider any further comments received from residents after the drafting of this Cabinet report but before 13 February 2013, as the Budget Engagement process will continue until 12 February 2013, and present these as an addendum to the report to full Council on 7 February 2013 and 21 February 2013 (Annex 1, Section 2).

1.3 Forward plan:

The requisite 28 days' notice of this report has been given and it first appeared on the Forward Plan that was published on 28 November 2012.

1.4 Council plan and policy framework:

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

and approving the Budget drive the timetable for the Financial Planning and Budget process.

- 1.4.2 The development of the Financial Plan and Budget has followed the same timetable as in previous years. The priorities in the Sustainable Community Strategy provide the strategic framework within which budget resources are allocated.
- 1.4.3 The Financial Planning and Budget process is a fundamental part of the overall governance and assurance framework of the Authority. This in turn provides assurance that is considered as part of preparing the Annual Governance Statement each year.
- 1.4.4 Feedback through the Annual Governance Statement and the Overview and Scrutiny Committee's report into the 2011-2015 service and spending review process has been used to inform this year's process.

1.5 Information - Executive Summary

- 1.5.1 Annex 1 to this report sets down in detail the Cabinet's 2013-2015 Draft Budget proposals for the General Fund Revenue Budget, Dedicated Schools Grant, the Treasury Management Statement and Annual Investment Strategy for 2013/14 and the 2013-2023 Capital Plan.
- 1.5.2 The contents of Annex 1 cover:
 - The 2013-2015 Financial Planning and Budget Process;
 - Strategic Planning;
 - Local Government Finance;
 - The Financial Strategy 2013-2015;
 - Cabinet's Estimates of Amounts for the 2013/14 Council Tax requirement including the General Fund Revenue Budget and 2013-2015 Financial Plan and the Dedicated Schools Grant;
 - Cabinet's Estimates of Amounts for the 2013-2023 Capital Plan and Prudential Indicators;
 - Treasury Management Statement and Annual Investment Strategy 2013/14;
 - Response to Overview and Scrutiny Committee Recommendations; and,
 - Provisional Statement to full Council by the Chief Finance Officer;

Equality and Diversity Considerations

- 1.5.3 There have been a number of recent legal challenges to the setting of council budgets. In order to comply with current requirements where the Authority's Financial Planning and Budget proposals affect individuals with protected characteristics under the Equality Act 2010 an Equality Impact Assessment will be included. The timescale for Equality Impact Assessments to be completed has been aligned with the Financial Planning and Budget process.
- 1.5.4 Initial assessments were completed in order to inform Cabinet's decisions on the initial Budget proposals for 2013/14 which were considered at the 26 November 2012 Cabinet meeting.
- 1.5.5 More detailed assessments have now been carried out following the engagement on the initial proposals and have been used to inform decisions on the Budget proposals for 2013/14 for consideration at this meeting.

1.6 Decision options:

- a) Cabinet can agree the proposals set down in this report.
- b) Cabinet can agree a selection of the proposals and suggest that further / different options are considered by the Senior Leadership Team before submission to full Council on 7 February 2013.
- c) Cabinet can disagree with the proposals.

1.7 Reasons for recommended option:

Option (a) is the recommended option as the budget proposals have been worked through with all Cabinet Members and have taken due consideration of the budget engagement suggestions. The reasons for recommendations are mainly legal in nature, as stated in paragraphs 2.1 and 2.2 of this report.

1.8 Appendices:

Annex 1:	2013-2015 Financial Planning and Budget Process – Cabinet's Draft Council Tax Requirement and Budget Proposals
Appendix A:	2013-2015 CEI Programme
Appendix B (i)	2013-2023 Capital Plan
Appendix B (ii):	2013-2023 Reserve list of Schemes
Appendix B (iii)	Prudential Indicators

Appendix C	Treasury Management Statement and Annual Investment Strategy 2013/14
Appendix D	North Tyneside Council's Reserves & Balances Policy
Appendix E	Glossary of Terms

1.9 Contact officers:

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1.10 Background information:

The following background papers and research reports have been used in the compilation of this report and are available at the offices of the author:

- (a) 2013-2015 Financial Planning and Budget Process: Cabinet's Initial Budget Proposals, Cabinet 26 November 2012 (P)

[2013-2015 Financial Planning and Budget Process](#)

[Annex - Cabinet's Initial Proposals](#)

[Annex Appendix A CEI Programme](#)

[Annex Appendix B \(i\) 2013-23 Capital Plan](#)

[Annex Appendix B \(ii\) 2013-14 Reserve List](#)

[Annex B \(iii\) Prudential Indicators](#)
[Annex Appendix C \(i\) Counterparty List](#)
[Annex Appendix C \(ii\) Credit Criteria](#)
[Annex Appendix C \(iii\) Treasury Management Strategy Report 2012-13](#)
[Annex Appendix C \(iv\) Treasury Management Strategy Report](#)
[Annex Appendix C \(v\) Treasury Management Strategy Report](#)
[Annex Appendix C \(vi\) Treasury Management Strategy Report](#)
[Annex Appendix D \(i\) HRA Summary Plan 2013-15](#)
[Annex Appendix D \(ii\) HRA Capital Plan Summary](#)
[Annex Appendix Glossary](#)

- (b) 2013-2015 Financial Planning and Budget Process, incorporating the associated Engagement Strategy, Cabinet 10 September 2012 (P).
http://www.northtyneside.gov.uk/browse-display.shtml?p_ID=537632&p_subjectCategory=41

- (c) Council General Fund Budget Summaries

[Chief Executive's Office \(CEO\)](#)
[Children, Young People and Learning](#)
[Community Services](#)
[Corporate and Democratic Core](#)
[Finance and Resources](#)
[Public Health](#)
[Summary](#)

- (d) Chartered Institute of Public Finance and Accountancy's (CIPFA's) LAAP Bulletin Number 77: Local Authority Reserves and Balances, November 2008 (P).
http://october.northtyneside.gov.uk:7778/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=540015

- (e) [North Tyneside Council's Local Prudential Code 2013-15](#)

- (f) 2012/13 Financial Management Report to 30 November 2012, Cabinet, 14 January 2013 (P).

[Financial Management Report](#)
[Annex 1 Budget Monitoring Report](#)
[Annex Appendix 1 CYPL](#)
[Annex Appendix B Community Services](#)
[Annex Appendix C Finance and Resources](#)
[Annex Appendix D Chief Executive Office](#)
[Annex Appendix E Central Items](#)
[Annex Appendix F Housing Revenue Account](#)
[Annex Appendix G Capital Variations](#)
[Annex Appendix H 12-22 Capital Plan](#)
[Annex Appendix I Summary of Take No Action following 12 November 2012](#)
[Annex Appendix J Glossary](#)

- (g) Bank of England Quarterly Inflation Report, 14 November 2012 (P).

<http://www.bankofengland.co.uk/publications/Documents/inflationreport/ir12nov.pdf>

- (h) 2013/14 Provisional Local Government Finance Settlement
<http://www.local.communities.gov.uk/finance/1314/conlet.pdf>
- (i) North Tyneside Council's Reserves and Balances Policy (P).
http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=532013
- (j) Report to 12 November 2012 Cabinet - Senior Leadership Team Progress report Quarter 2, 2012/13 (P) [Report November 2012](#).
- (k) North Tyneside 'Where we are now' (P) [North Tyneside: where we are now October 2012](#) .
- (l) Adult Social Care Local Account (P) [Local Account May 2012](#).
- (m) [2013/14 Budget Engagement Strategy Report](#)
- (n) [Adult Social Care - Voice Your Choice Report](#)
- (o) [Cultural Services - Voice Your Choice Report](#)
- (p) [Early Years and Family Support Services - Voice Your Choice Report](#)
- (q) [Environmental Services - Voice Your Choice Report](#)
- (r) [2012 Residents' Survey Report](#)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

- 2.1.1 The financial implications arising from this report are appraised as part of the decisions made about what will be included in the Council's Financial Plan, incorporating the 2013/14 Council Tax Requirement and budget process. Decisions on the budget in relation to the General Fund, schools' funding and Capital Plan need to be made within the overall context of the resources available to the Authority and within the legal framework for setting budgets. The Authority will need to examine closely the links with its key funding partners and their proposed financial plans, including an assessment of the impact of any grant fall-out over the proposed two-year resource planning period.
- 2.1.2 Cabinet and full Council need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances proposed as part of the two-year financial plan for 2013-2015, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in November 2008.

2.2 Legal

- 2.2.1 The Local Government Finance Act 1992 (Section 31A and Section 31B: Calculation of Council Tax Requirement and Calculation of Basic Amount of Tax) sets out specific obligations for the calculation of council tax requirement by authorities in England and calculation of the basic amount of tax by authorities in England
- 2.2.2 The Local Government Act 2003 imposes duties on local authorities in relation to budget setting. The Act requires that, when an authority is deciding its annual budget and council tax level, the Authority, which in this context means all Members, must take into account a report from the Chief Finance Officer on the robustness of the budget and the adequacy of the authority's financial reserves. The Government has a back-up power to impose a minimum level of reserves on an authority that it considers to be making inadequate provisions.
- 2.2.3 The 2013-2015 Financial Planning and Budget process has been prepared to comply with the time-scales required within the Budget & Policy Framework Procedure Rules contained in the Authority's Constitution and statutory requirement to set the Council Tax by 11 March in the year preceding the year in which it is to have effect.

2.3 Consultation/community engagement

Internal consultation

- 2.3.1 Each Cabinet Member has been involved in the development of the proposals put forward in this report, with regular discussions held between the Chief Executive, Strategic Directors, the Elected Mayor, the Cabinet Member for Finance and all other Cabinet Members. The Senior Leadership Team and their Directorate Leadership Teams have been fully engaged in the process and in the proposals set down in this report.

2.3.2 A specific Trades Union briefing on the Financial Plan and Budget was held on 17 October 2012 and attended by Senior Officers. In addition, consultation has taken place with staff both generally and on specific proposals.

Community engagement

2.3.3 The 2013/14 Budget Engagement Strategy was agreed at Cabinet on 10 September 2012. This committed the Authority to engaging with a wide range of individuals and groups, in addition to Elected Members, to capture a diverse range of views. Groups that have been consulted include:

- Children's and Young People;
- Adults and Families;
- Older People;
- North Tyneside Strategic Partnership (NTSP);
- Business Community;
- Schools Forum / Schools Governors / Headteachers Convenors;
- Voluntary and Community Sector, including Faith Groups;
- Staff; and,
- Trade Unions.

2.4 Human rights

2.4.1 All actions and spending plans contained within the Budget are fully compliant with national and international Human Rights Law. For example, Article 10 of the European Convention on Human Rights guarantees freedom of expression, including the freedom to 'hold opinions and to receive and impart information and ideas'. Article 8 of the Convention guarantees the right to respect for private and family life.

2.5 Equalities and diversity

2.5.1 In undertaking the process of the Budget the Authority's aim has been at all times to secure compliance with its responsibilities under the Equality Act 2010 and in particular the public sector equality duty under that Act.

To achieve this we have taken a phased approach:

- An equalities impact assessment has been carried out on the Budget Engagement Strategy process. The aim is to remove or minimize any disadvantage for people wishing to take part in the engagement programme.

- Initial Equality Impact Assessments were completed as part of the business cases on all relevant budget proposals ensuring the Cabinet make recommendations after considering all known equality implications. The impact assessments and business cases will be refined as additional information becomes available.
- The outcome of any decisions made following the community engagement on the Budget Process will be subject to further Equality Impact Assessments.

2.6 Risk management

Individual projects within the Financial Plan and Budget are subject to full risk reviews. For larger projects, individual project risk registers are / will be established as part of the Authority’s agreed approach to project management. Risks will be entered into the appropriate directorate, corporate/strategic or project risk register(s) and will be subject to ongoing management to reduce the likelihood and impact of each risk.

2.7 Crime and disorder

Projects within the Financial Plan and Budget will promote the reduction of crime and disorder within the borough. Under the 1998 Crime and Disorder Act, local authorities have a statutory duty to work with partners on the reduction of crime and disorder.

2.8 Environment and sustainability

The Sustainable Community Strategy includes the aim to, “Reduce carbon emissions and ensure that the borough is prepared for the effects of climate change.” A number of the proposals will contribute directly to this including those to reduce the Council’s energy consumption. The environmental and sustainability aspects of individual proposals will be assessed in detail as and when agreed and implemented.

PART 3 - SIGN OFF

- Strategic Director(s) X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Strategic Manager, Policy and Partnerships X