

North Tyneside Council Report to Cabinet Date: 21 January 2019

ITEM 5(c)

Title: 2019-2023 Financial Planning and Budget Process: Cabinet's Draft Budget and Council Tax Requirement Proposals and Final Budget proposals for the Housing Revenue Account (HRA) Business Plan and Budget

Portfolio(s): Elected Mayor Finance and Resources Housing	Cabinet Member(s): Mrs Norma Redfearn Councillor Ray Glindon Councillor Steve Cox
Report from Service Area:	Senior Leadership Team
Responsible Officer:	Janice Gillespie, Head of Resources (Chief Finance Officer)
Wards affected:	Tel: 643 5701
Wards affected:	All

PART 1

1.1 Executive Summary:

- 1.1.1 North Tyneside Council continues to operate in a very difficult financial climate. Resources continue to reduce in both the General Fund and the Housing Revenue Account and costs continue to rise; particularly the need to continue to deliver statutory social care services for adults and children. Whilst the Government has made some steps towards recognising those rising costs, including the Autumn 2018 Budget announcement of £240m funding for Winter Pressures (£1.031m allocated to North Tyneside) and £410m funding for Adult Social Care Support Grant (£1.761m allocated to North Tyneside); the nationally recommended increase in Council Tax and Better Care Fund place the risks with local authorities and do not cover the full cost of rising demand, complexity of need and the impact of the National Living Wage in the care sector.
- 1.1.2 These draft Budget proposals therefore include for consideration a 2.99% Council Tax increase in 2019/20. The Medium-Term Financial Plan includes the Government's recommended general Council Tax increase of 1.99% for the subsequent financial years 2020/21 to 2022/23.

- 1.1.3 That said, the draft Budget proposals set out in the Annex to this report have been developed in the context of the 'Our North Tyneside' Plan 2018-2020 and reflect the priorities of the Elected Mayor and Cabinet. The proposals aim to reflect those matters which are important to residents and continue to ensure we do our very best to protect vulnerable adults and children.
- 1.1.4 At its meeting on 10 September 2018, Cabinet approved the process and timetable to be adopted for the preparation of the draft Medium-Term Financial Plan, 2019/20 revenue budgets in respect of the General Fund, Dedicated Schools Grant (DSG), Housing Revenue Account (HRA), the 2019-2023 Investment Plan, the 2019/20 Treasury Management Statement and Annual Investment Strategy, as part of the overall Financial Planning and Budget process for 2019-2023. Cabinet also approved the Budget Engagement Strategy as part of that report.
- 1.1.5 This report presents, for consideration, the progress of that process so far with Cabinet's draft Budget proposals, in accordance with the time scales set down and the Authority's Constitutional requirements and the Budget and Policy Framework Procedure Rules. This report presents draft proposals to cover a four-year planning period from 2019-2023 for the General Fund Revenue Budget and a four-year planning horizon for the Capital Investment Plan. The 2019/20 financial year is the final year of the Government's financial settlement offer, which has provided the Authority with a degree of certainty regarding the level of funding the Authority was due to receive. Budget planning beyond 2019/20 is therefore extremely difficult to predict with any accuracy at this stage.
- 1.1.6 There is significant uncertainty in relation to the level of funding beyond 2020, due to the changes in the Local Government finance system resulting in greater risks to the localisation of business rates and the Local Council Tax Support Scheme. The unknown impacts, alongside the level of risk to finances, mean that current budget forecasts will need to be closely monitored and potentially refreshed more frequently than usual, as implications become clear.
- 1.1.7 The Efficiency Statement, which was submitted to the Government on 14 October 2016 to secure the multi-year financial settlement offer, has been revised. This now reflects how the Authority is planning to address the reduction in resources to ensure the Authority can meet the anticipated savings that will be needed over the medium-term of the financial plan. The current savings requirement is estimated to be £27.181m over the period 2019-2023. The Efficiency Statement is included as a background paper to this report.
- 1.1.8 In April the former Secretary of State for the Ministry of Housing, Communities and Local Government commissioned a review in response to issues in relation to the Department's operation of the business rates retention system. A wide range of recommendations have been made in the Hudson Report and the Government have confirmed that they will be accepting all of the recommendations.
- 1.1.9 The recommendation that has received most publicity has been that, in future, the Provisional Local Government Settlement should be published on or around the 5th of December each year and that the Final Settlement should be announced no later than the end of January. In responding to this recommendation, the Government's intention was for the Provisional Settlement for 2019/20 to be published on 6 December 2018. Due to Ministerial and Parliamentary time taken up by the debate

on Brexit the publication of the Provisional Settlement was delayed and subsequently received on 13 December 2018.

- 1.1.10 It is important to appreciate these proposals are based on several years of cumulative effort to respond to reducing resources and rising costs. They necessarily contain greater cumulative risk and require close attention to ensure delivery.
- 1.1.11 There are a number of assumptions and judgements built into the figures presented that lie mainly outside the control of the Authority and need to be finalised. The estimates of amounts will therefore need to be subject to further review before they can be confirmed.
- 1.1.12 Cabinet, in its report of 26 November 2018, set out the estimates for all aspects of the Elected Mayor and Cabinet's proposed spending and resource plans for the Housing Revenue Account (HRA) Budget for 2019-2023 and associated Investment Plan 2019-2023 (Annex 1). In addition, the report outlined the proposed changes to housing rent, garage rent and service charges for 2019/20.
- 1.1.13 At this meeting Cabinet are also considering the HRA budget monitoring position as at November 2018. Cabinet should note that the starting balance for the HRA has increased by £0.259m since reported to Cabinet in September 2018. At this stage there is no change to the amount of re-programming declared within the Investment Plan as at November 2018. These changes have been reflected in the updated figures shown in the HRA section of Annex 1.
- 1.1.14 Cabinet is now formally asked to approve the proposed spending and resource plans for the HRA Revenue Budget for 2019/20 in accordance with the responsibilities of Cabinet pursuant to the Local Government Act 2000. In addition, Cabinet is also asked to approve the housing element of the 2019-2023 Investment Plan, the proposed freeze on service charges, the reduction on garage rents along with the continuation of the rent reduction legislated for by Government in the Welfare Reform and Work Act 2016.

1.2 Recommendation(s):

- 1.2.1 In relation to the Elected Mayor and Cabinet's proposals for the General Fund Revenue Budget, Dedicated Schools Grant, Investment Plan and Housing Revenue Account, Cabinet is recommended to:

General Fund Revenue Budget, Dedicated Schools Grant and Investment Plan

- (a) Note the progress made in relation to this year's Financial Planning and Budget process;
- (b) Note that Cabinet's estimates of amounts in the setting of the Council Tax requirement will be submitted to full Council for its meeting on the 7 February 2019, in accordance with the Authority's Constitution and Budget and Policy Framework Procedure Rules;
- (c) Note that Cabinet's proposals for the 2019-2023 Investment Plan (Appendix D (i)), including the Capital Investment Strategy (Appendix D (iii)) and

Prudential Indicators for 2019-2023 (Appendix D (ii)), in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Framework and the proposed Minimum Revenue Provision (MRP) Policy in line with capital finance regulations, will be submitted to full Council for its meeting on 7 February 2019;

- (d) Consider and agree the estimates of amounts in relation to the 2019/2023 Investment Plan, including prudential indicators for 2019-2023 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 (Appendices D (i) and D (ii));
- (e) Note that all approved schemes within the 2019-2023 Investment Plan will be kept under review by the Investment Programme Board;
- (f) Approve the Treasury Management Statement and Annual Investment Strategy for 2019/20;
- (g) Note that Cabinet's proposals for the Treasury Management Statement and Annual Investment Strategy for 2019/20 will be submitted to full Council for its meeting on the 7 February 2019 (Appendix E);
- (h) Note that any implications that affect the information in this report arising from decisions of Cabinet on 21 and 28 January will be provided as a supplementary report to full Council on 7 February 2019;
- (i) Note the key messages that have emerged from the Budget Engagement process and how the results of this have influenced the draft Financial Planning and Budget proposals for 2019/20 and future years (Appendix F);
- (j) Agree the formal Reserves and Balances Policy for the Authority, subject to review at least annually (Appendix G);
- (k) Note the key aspects of the 2019/20 Provisional Local Government Finance Settlement announced on 13 December 2018 and how this has been incorporated into the Medium-term Financial Strategy and Medium-term Financial Plan of the Authority. In addition, Cabinet should note the outstanding information required to allow the Elected Mayor and Cabinet to finalise the proposals;
- (l) Note the key principles being adopted in preparing the Medium-term Financial Strategy for the Authority, subject to an annual review as agreed at Cabinet on 26 November 2018;
- (m) Note the medium-term financial challenges and financial risks facing the Authority and agree to address these issues as part of the Efficiency Programme for the Authority, to deliver continued financial stability and prudent management of our financial resources;
- (n) Consider and agree the estimates of amounts for the 2019/20 setting of the Council Tax requirement including the General Fund Revenue Budget and Dedicated Schools Grant, thereby calculating the proposed level of Council

Tax to be recommended to full Council for approval, including the assessment in relation to the current year's budget monitoring information (2018/19) and indications for the Financial Plan for 2019/20;

- (o) Request the Chief Finance Officer to prepare the appropriate Council Tax Requirement and Budget Resolution document for full Council's consideration at its meeting on 21 February 2019;
- (p) Note the conclusions of the Overview, Scrutiny and Policy Development Committee's review of the 2019/20 initial Budget proposals (Appendix J) and note any impact the recommendations may have on the General Fund Budget proposals and note that any recommendations of the Overview, Scrutiny and Policy Development Committee in relation to Cabinet's Final Budget proposals will be considered by Cabinet on 28 January 2019;
- (q) Note the Provisional Statement by the Chief Finance Officer (Annex 1);
- (r) Authorise the Elected Mayor to make any final amendments to Cabinet's proposals in relation to that information which is still outstanding to enable due consideration to be given to the final level of Council Tax that Cabinet proposes to full Council for approval for 2019/20;
- (s) Authorise the Chief Executive, in consultation with the Elected Mayor, Deputy Mayor, Cabinet Member for Finance and Resources and the Senior Leadership Team, to manage the overall Efficiency Plan and note that decisions made under this delegated authority will be reported to Cabinet as part of the regular budget monitoring information provided;
- (t) Grant delegated authority to the Elected Mayor, in consultation with the Deputy Mayor, Cabinet Member for Finance and Resources, the Chief Executive and the Head of Resources, to consider any further comments received from residents after the drafting of this Cabinet report to the conclusion of the Budget Engagement process and present these as a addendum to the report to full Council on 7 February 2019 and 21 February 2019; and
- (u) Grant delegated Authority to the Chief Executive, in consultation with the Elected Mayor and Head of Resources, to authorise the purchase of homes, on the open market, providing value for money is demonstrated and the cost can be contained within existing financial resources of the Authority. This is to ensure the programme of delivery of affordable homes and homes at market rent is progressed in line with Cabinet's priorities.

Housing Revenue Account

- (a) Consider any recommendations of the Overview, Scrutiny and Policy Development Committee's consideration of Cabinet's Initial Budget proposals for the 2019/20 Housing Revenue Account (HRA) Business Plan and Budget agreed by Cabinet on the 26 November 2018 and note any impact the recommendations may have on these proposals and note that any recommendations of the Overview, Scrutiny and Policy Development

Committee in relation to Cabinet's Final Budget proposals will be considered by Cabinet on 28 January 2019;

- (b) Consider and agree the final proposals in relation to the 2019/20 Housing Revenue Account Budget and associated Business Plan;
- (c) Reduce individual Council Housing rents by 1% as outlined in section 4 of Annex 1 to this report and in the HRA section of 26 November 2018 Cabinet report in line with the Government's policy for social rent as laid out in the Welfare Reform and Work Act 2016;
- (d) Agree to a freeze in existing service charges for 2019/20;
- (e) Agree to freeze the indexation element of garage rents for 2019/20, as per Annex 1, as part of a new charging structure over the next 2 years;
- (f) Note the assessment in relation to the current year's budget monitoring information (2018/19), and indications of financial plans for 2019-2023 for the Housing Revenue Account;
- (g) Note the draft Capital Investment Strategy (Appendix D (iii)) which sets out the general principles followed by both the General Fund and HRA in relation to the Authority's approach to capital investment. This draft will be due for approval by full Council at its meeting on 21 February 2019 as part of the overall Financial Planning and Budget process. In relation to the HRA, Cabinet is asked to specifically note that the principles of the Investment Strategy will apply to the updated 2019-2023 Asset Management Strategy for the HRA;
- (h) Note the draft Treasury Management Statement and Annual Investment Strategy for 2019/20 (Appendix E) which sets out the general principles followed by both the General Fund and HRA in relation to the Authority's management of investments, cash flows, banking, money market and capital transactions. Cabinet is asked to specifically note the continued policy of paying off existing debt where affordable and appropriate for HRA Business Plan, which will see an estimated £163.414m reduction in loans attributed to the HRA from the start of self-financing to the end of this 30-year plan;
- (i) Agree the HRA Investment Plan 2019-2023 (Annex 1 and Appendix D (i));
- (j) To note that 2017/18 saw the end of the 5-year transitional arrangements for the use of a "proxy" for calculating a depreciation charge, and that 2019/20 will see the continuation of the current method to calculate a "true" depreciation charge;
- (k) Approve the Prudential Indicators which are specific to the Housing Revenue Account as set out in Appendix D (ii) to this report;
- (l) Authorise the Head of Resources, in consultation with the Head of Commissioning and Asset Management, the Cabinet Member for Children, Young People and Learning and the Cabinet Member for Finance and

Resources, to undertake resource allocations to schools for 2019/20 in line with the school funding arrangements set out in the report.

1.3 Forward Plan:

Twenty eight days' notice of this report has been given and it first appeared on the Forward Plan that was published on 10 December 2018.

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 Council Tax requirement and Council Tax level. The statutory and constitutional requirements for preparing, considering and approving these issues drive the timetable for the Financial Planning and Council Tax setting process of the Authority.
- 1.4.2 The development of the Financial Plan and Budget has followed the same timetable as in previous years. However, the proposals will also be presented to Overview and Scrutiny during the course of the Budget setting process.
- 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.

1.5 Information:

General Fund

- 1.5.1 Cabinet has worked to consider options to meet the financial challenges and considered proposals that would meet the projected funding gap in the region of £27.181m over the next 4 financial years. Sustained cuts in government funding and unfunded pressures, together with unfunded new burdens, mean that since 2011/12, the Authority, along with other local authorities, has already made substantial efficiency savings of £120m.
- 1.5.2 These sustained cuts come at a time when demand for some of the Authority's most costly services, such as support to vulnerable Adults and Children's Social Care, is increasing. Currently the cost of Looked After Children (LAC) care packages range from £0.016m for Internal Fostering support through to £0.207m for External Residential placements. In Adult Social Care, the average cost of care packages range from £0.008m for Homecare/Extra care (over 1,200 clients), £0.022m for Older People and those with Physical Disabilities (over 960 clients), £0.048m for over 100 clients with Learning Disabilities and Mental Health needs, and an average cost of over £0.055m for over 230 clients being supported through Independent Supported Living.
- 1.5.3 Cabinet will recall that, as part of the 2016 Spending Review, the Government included assumptions regarding the increase in levels of Council Tax when determining the Settlement Funding Assessment (SFA) for each Local Authority. At

that time the Government's assumptions were based on a 1.99% increase but with an allowed maximum increase of 3%. These draft proposals include a 2.99% increase in Council Tax for 2019/20.

- 1.5.4 As part of the 2017 Local Government Finance Settlement, in order to address the pressures faced by Adult Social Care Services, the Government introduced a social care precept of up to 6% across the period 2017/18 through to 2019/20. The full Adult Social Care precept of 6% was applied in 2017/18 and 2018/19. No further precept has been anticipated or included within these draft proposals. In addition to this, an improved Better Care Fund was made available as part of the 2017 Spring Budget. These draft proposals are based on the assumption this funding is applied to local authority's spend on Adult Social Care services. When the impact of the Government's assumed increase in Council Tax and the improved Better Care Fund are taken into consideration, the resulting net efficiency requirement is in the region of £27.181m.
- 1.5.5 The Authority is experiencing an incredibly difficult period and it is faced with relentless pressure on reduced budgets. In light of this challenge, the Authority has engaged with residents and has developed a clear plan for the future. The draft Budget proposals in this report aim to protect essential services for the people of North Tyneside, invest in the future of the borough, grow the local economy and create more jobs and opportunities in an Authority which works better for residents.
- 1.5.6 With so many competing demands to pay for services, the Elected Mayor and Cabinet have carefully scrutinised the Authority's finances. With the scale of the funding reductions, very difficult decisions have had to be made and more lie ahead if the Authority is to manage within available resources. These draft proposals aim to protect essential services and make sure that the Authority operates as efficiently as possible to provide excellent value for money for local taxpayers.
- 1.5.7 The 'Our North Tyneside' Plan reflects the priorities of the Elected Mayor and Cabinet and residents. The draft Budget proposals set out in this report have therefore been developed in the context of the 2018-2020 'Our North Tyneside' Plan and reflect the Plan priorities. The overall direction is outlined in Annex 1 to this report.
- 1.5.8 Between July and September 2018, there was an extensive programme of public engagement throughout the borough through the Big Community Conversation. The feedback from this programme, and other activity throughout the year, including the State of the Area event, has informed the draft Cabinet Budget proposals which are set out in this report. Further engagement on Cabinet's initial Budget proposals has taken place from the end of November 2018 to January 2019. It has involved information and feedback through the Authority's website as well as focus group activity with staff, residents, businesses and strategic partners. Full details of the engagement that has been carried out is included in Annex 1 to this report with the results of this engagement included as Appendix F.
- 1.5.9 Annex 1 to this report sets down in detail the Cabinet's 2019-2023 draft Budget proposals for the General Fund Revenue Budget, Dedicated Schools Grant, Housing Revenue Account, 2019-2023 Investment Plan, the 2019/20 Treasury Management Statement and Annual Investment Strategy.

1.5.10 Cabinet's draft Budget proposals are based upon available information and judgements at the time of the writing of this report. There are a number of assumptions and judgements built into the figures presented that are outside the control of the Authority and need to be finalised. The draft 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) The Final Local Government Finance Settlement announcements for 2019/20, including Capital announcements and Specific Grants (due no later than 31 January 2019);
- (b) Police and Crime Commissioner for Northumbria and Tyne and Wear Fire and Rescue Authority Precepts (due 5 February 2019 and 18 February 2019 respectively);
- (c) Levies, including the Tyne and Wear element of the Durham, Gateshead, Newcastle Upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority Transport Levy (The North East Combined Authority due January 2019);
- (d) Tyne and Wear Joint Service Budgets (due January/February 2019); and
- (e) Consideration of the impact of the economic climate on the residents of the borough and council taxpayers.

1.5.11 Therefore, as some 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 Resources and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of these proposals and where necessary to make any required amendments.

Housing Revenue Account

1.5.12 The HRA has faced significant challenges from new legislation, particularly linked to the Welfare Reform and Work Act 2016 and the Housing and Planning Act 2016. The Authority continues the implementation of the Government's policy to reduce rent by 1% as enacted in the Welfare Reform and Work Act 2016 for all housing stock including PFI sheltered accommodation homes. However, 2019/20 represents the last year of the rent reduction and from 2020/21 the Government has announced that social rents will return to the previous policy of being based on the Consumer Prices Index (CPI) plus 1% for at least 5 years to give greater certainty for longer term planning. In terms of the Housing and Planning Act, the Government has also announced that it will not be implementing the High Value Asset levy that would have required the Authority to sell off a proportion of its stock each year, removing another risk to HRA resources. The Authority is also facing the impact of the continued roll-out of Universal Credit and other welfare reforms.

Cabinet agreed in September 2017 that it would not extend the Authority's Joint Venture partnership with Kier North Tyneside beyond March 2019. This gives rise to a challenge to create a fit for purpose construction and maintenance operation, to best meet the needs of the Authority's tenants and residents, whilst delivering greater efficiency and value for money.

- 1.5.13 In the October Spending Review, the Government decided to remove the HRA borrowing cap. It will now be for the Authority to determine the level of unsupported borrowing it wishes to undertake to fund new build housing in line with the Prudential Code, which already applies to the rest of the Authority's borrowing strategy. This will need to be assessed against the levels of rental income that can be raised to support such borrowing and against a background of no guaranteed additional grants to support the build, the availability of suitable sites, and no proposed cessation of the Right to Buy scheme or changes to the levels of discounts available to tenants.
- 1.5.14 These challenges continue to be considered as part of the updating of the 30-year plan, which aims to ensure the long-term viability of the HRA in line with the policy direction of the Elected Mayor and Cabinet and the needs of tenants. For the purposes of the current Financial Planning and Budget process, a four-year revenue plan has been developed in line with the approach adopted for the General Fund. Cabinet is advised that all projections after 2019/20 are only indicative at this stage.
- 1.5.15 Housing Revenue Account tenants have been consulted on these draft proposals and the final HRA Budget is presented in the Annex to this report.

1.6 Decision options:

- 1.6.1 The following decision options are available for consideration by Cabinet:

Option 1

Cabinet can agree the proposals set out in this report.

Option 2

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 2019.

Option 3

Cabinet can disagree with the proposals.

Option 1 is the recommended option.

- 1.6.2 As explained in Annex 1 to the report, there is still a significant amount of externally provided information that has not yet been received by the Authority. On this basis, Cabinet is recommended to authorise the Elected Mayor, in consultation with the Cabinet Member for Finance and Resources, the Deputy Mayor and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of these draft proposals.

1.7 Reasons for recommended option:

- 1.7.1 Option 1 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:	2019-2023 Financial Planning and Budget Process – Cabinet’s Draft Budget Proposals for the General Fund and Final Budget Proposals for the Housing Revenue Account
Appendix A:	2018-2020 ‘Our North Tyneside’ Plan
Appendix B	General Fund 2019-2023 Financial Pressures Summary
Appendix C	General Fund 2019-2023 Efficiency Savings
Appendix D(i)	2019-2023 Investment Plan Summary
Appendix D(ii)	Prudential Indicators 2019-2023
Appendix D(iii)	Capital Investment Strategy
Appendix E	2019/20 Treasury Management Statement and Annual Investment Strategy
Appendix F	Budget Engagement Summary
Appendix G	Reserves and Balances Policy
Appendix H	2019/20 Financial Planning and Budget Timetable of Key Future Decision Milestones
Appendix J	Report of the Overview, Scrutiny and Policy Development Committee
Appendix K	Glossary of Terms

1.9 Contact officers:

Janice Gillespie, Finance Service
Tel No 643 5701

Claire Emmerson, Finance Service
Tel No 643 8109

Cathy Davison, Finance Service
Tel No 643 5727

Margaret Keith, Finance Service
Tel No 643 5747

Darrell Campbell, Finance Service
Tel No 643 7052

Jacqueline Laughton, Corporate Strategy
Tel No 643 7070

Louise Watson, Law and Governance
Tel No 643 5325

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) 2019-2023 Financial Planning and Budget Process: Cabinets Initial Budget proposals, Cabinet 26 November 2018
- (b) 2019-2023 Financial Planning and Budget Process, incorporating the Council Plan and associated Engagement Strategy, Cabinet 10 September 2018. The report items are as follows: 5f (a), 5f (b), 5f (c)

<https://my.northtyneside.gov.uk/sites/default/files/meeting/agenda/Cabinet%2010%2009%2018.pdf>

- (c) 2018 Autumn Statement

[Autumn Budget 2018 GOV.UK](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/684442/Autumn-Budget-2018-Statement.pdf)

- (d) Provisional Local Government Financial Settlement

- (e) Efficiency Statement

- (f) State of the Area Report 2018

<https://my.northtyneside.gov.uk/sites/default/files/web-page-related-files/2018%20State%20of%20the%20Area%20Report.pdf>

- (g) CIPFA local authority reserves and balances

<http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/local-authority-accounting-panel/laap-bulletins/laap-99>

- (h) 2018/19 Financial Management Report to 30 November 2018 – Cabinet 21 January 2019. The report items are as follows: 5e (a), 5e (b), 5e (c)

- (i) Local Council Tax Support Scheme 2019/20

<https://my.northtyneside.gov.uk/sites/default/files/meeting/agenda/Cabinet%2010%2009%2018.pdf>

- (j) Draft Cumulative Equality Impact Assessment
- (k) Business Cases
- (l) General Fund Budget Summaries
- (m) MHCLG's Guidance on Local Government Investments
- (n) CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017
- (o) CIPFA Treasury Management Guidance Notes 2018

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

- 2.1.1 The financial implications arising from this report are appraised as part of the decisions made about what will be included in the Authority's Financial Plan, incorporating the 2019/20 Budget setting process. Decisions on the Budget in relation to the General Fund, Housing Revenue Account, Dedicated Schools Grant (DSG), Capital Investment Plan, Treasury Management Statement and Annual Investment Strategy need to be made within the overall context of the resources available to this 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 four-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 four-year Financial Plan for 2019-2023, as issued in guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) in July 2014. A provisional statement to Council by the Chief Finance Officer is included in Annex 1 to this report.

2.2 Legal

- 2.2.1 The Local Government Finance Act 1992 (Section 32: Calculation of Budget Requirement) requires the Council to set a balanced budget in the context of the resources available, including Central Government Grants, Business Rates and Council Tax income. The Localism Act 2011 inserted a new Section 31 into the Local Government Finance Act 1992, which requires the calculation of a Council Tax requirement by billing authorities, rather than a budget requirement calculation, as previously. The Localism Act 2011 also abolished Council Tax capping in England. It instead introduced new provisions into the 1992 Act, making provision for Council Tax referendums to be held in England if an authority increases its Council Tax by an amount exceeding the principles determined by the Secretary of State. The current principles for local authorities with responsibility for social care (county and unitary authorities) provide that a referendum is required if Council Tax is to increase by 3% or more.

- 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, Members and officers must take into account a report from the Chief Finance Officer on the robustness of the budget and the adequacy of the authority's financial reserves. The Government has a back-up power to impose a minimum level of reserves on an authority that it considers to be making inadequate provisions.
- 2.2.3 The 2019-2023 Financial Planning and Budget process has been prepared to comply with the time scales required within the Budget and Policy Framework Procedure Rules contained in the Authority's Constitution and legislative requirements that the Council Tax requirement is determined before 11 March in any year.
- 2.2.4 Section 76 (2) of the Housing Act 1989 requires each authority to produce a Housing Revenue Account Budget in the January and February that immediately precede the financial year to which it will relate. In relation to the Housing Revenue Account (HRA) draft revenue Budget and associated Business Plan, there is a legal requirement to give all tenants four weeks' notice of any rent changes. In order to allow time for the production and delivery of the appropriate notifications, the Rent and Service Charge increase will be presented to the 21 January 2019 Cabinet meeting for approval.
- 2.2.5 In accordance with the above and the Local Government Act 2000 (and the Regulations made under that Act), Cabinet is responsible for considering and determining the issues raised in this report.

2.3 Consultation / Community engagement

Internal consultation

- 2.3.1 Each Cabinet Member has been consulted on the individual proposals put forward in this report, with regular discussions held between the Chief Executive, Head of Resources, Heads of Service, the Elected Mayor and Cabinet.

Community engagement

- 2.3.2 The 2019/20 Budget Engagement Strategy was agreed at Cabinet on 10 September 2018. The Authority's overall approach to engagement ensures that the public should have opportunities to have their say throughout the year. Between June and September 2018, there has been an extensive programme of engagement across the Borough through the 'Big Community Conversation'. Further engagement on the Cabinet's initial Budget proposals and 'Our North Tyneside' Plan priorities took place from 27 November 2018 to 6 January 2019. The Budget proposals have been shaped in the context of the 'Our North Tyneside' Plan 2018-2020.
- 2.3.3 The further engagement phase gave residents the opportunity to have their say online and via social media and at discussion events. There have also been meetings with key groups of stakeholders, including the Residents Panel, to discuss the Budget proposals.

2.4 Human rights

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

2.5 Equalities and diversity

- 2.5.1 In undertaking the process of the Budget setting, the Authority's aim will at all times be to secure compliance with its responsibilities under the Equality Act 2010 and in particular the Public Sector Equality Duty under that Act.

To achieve this, an Equality Impact Assessment has been carried out on the Budget Engagement process. The aim is to remove or minimise any disadvantage for people wishing to take part in the engagement programme. Specific proposals on how services will seek to meet budgetary requirements have been subject to Equality Impact Assessments. A cumulative impact assessment (CIA) of all of these has been undertaken. A draft CIA is included as a background paper to this report and a final CIA will be available for full council on 7 February 2019.

2.6 Risk management

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

2.7 Crime and disorder

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

2.8 Environment and sustainability

- 2.8.1 The 'Our North Tyneside' Plan states that "We will reduce the carbon footprint of our operations and will work with partners to reduce the Borough's carbon footprint." A number of the proposals will contribute to this including those to reduce the Authority's energy consumption. The environmental and sustainability aspects of individual proposals will be assessed in detail as and when agreed and implemented.

PART 3 - SIGN OFF

- Chief Executive ☐ X
- Head of Service ☐ X
- Mayor/Cabinet Member(s) ☐ X
- Chief Finance Officer ☐ X
- Monitoring Officer ☐ X
- Head of Corporate Strategy and Customer Services ☐ X