

North Tyneside Council Report to Council Date: 21 February 2019

ITEM 3

**Title: 2019-2023 Financial
Planning and Budget Process:
Elected Mayor and Cabinet Budget
and Council Tax Requirement
Resolution for 2019/20**

Portfolios:	Elected Mayor	Cabinet Members:	Norma Redfearn
	Finance and Resources		Councillor Ray Glindon
	Deputy Mayor		Councillor Bruce Pickard

Report from: Senior Leadership Team

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

Wards affected: All

PART 1

1.1 Executive Summary:

- 1.1.1 The Authority's Constitution sets out, in its Budget and Policy Framework Procedure Rules, the process for setting the Authority's budget. The 2019–2023 Financial Planning and Budget Process, incorporating the 2019/20 Council Tax Requirement and the 2019/20 Budget, reflects these requirements. Further details of the decision-making process are set down in paragraphs 1.5.9 to 1.5.15 of the 7 February 2019 report to Council.
- 1.1.2 As explained in the 21 January 2019 Cabinet report, which was subsequently included as Annex 1 to the full Council report on 7 February 2019, certain specific information was still outstanding at the time the report was considered. Cabinet therefore authorised the Elected Mayor to make any final amendments to the Cabinet's proposals in relation to that information which was still outstanding, in order that due consideration could be given to the final level of Council Tax the Cabinet wishes to put forward to full Council for approval for 2019/20 (recommendation 1.2.1 (r) in the original Cabinet report refers).
- 1.1.3 On 19 February 2019, a Notification Letter was sent to all Members and Co-opted Members of the Council, setting down the final amendments made by the Elected Mayor under the authorisation agreed by Cabinet on 21 January 2019. It was noted in that letter that, as the outstanding information that has been

received has been assessed, information on the Police and Fire Authority precepts have been received by the Authority, it is possible for the Council Tax Requirement to be set at this meeting.

- 1.1.4 This report is now presented by the Elected Mayor and Cabinet to full Council, providing the Authority's 2019/20 General Fund Revenue Budget and recommending the Council Tax Requirement and Council Tax level, the Treasury Management Statement and Annual Investment Strategy for 2019/20 and the 2019-2023 Capital Investment Plan including the Capital Investment Strategy and proposed prudential indicators.
- 1.1.5 The purpose of this report is therefore to present, for full Council's consideration and appropriate approval:-

The Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution in order to finalise the 2019/20 General Fund Revenue Budget and set the 2019/20 Council Tax Requirement and the Council Tax level for 2019/20.
- 1.1.6 There is also a requirement to obtain appropriate authorisations and delegations as set down in this report and as previously received by full Council on 7 February 2019.
- 1.2 Recommendations:**
- 1.2.1 Full Council is recommended to:-
 - (a) Agree the recommendations, authorisations and delegations set down in paragraph 1.5.32 of this report in relation to the 2019/20 General Fund Revenue Account Budget, the 2019/20 Council Tax Requirement and Council Tax level for 2019/20, being the Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution.
- 1.3 Forward plan:**
- 1.3.1 The report first appeared on the Forward Plan that was published on 21 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 setting process is particularly described in paragraph 4.7.3 covering the preparation, consideration and final approval of the Authority's budget. The statutory and constitutional requirements for preparing, considering and approving the Budget drive the timetable for the Financial Planning and Budget process.
- 1.4.2 The Financial Planning and Budget process is a fundamental part of the overall governance and assurance framework of the Authority. This in turn provides assurance that is considered as part of preparing the Annual Governance Statement.

1.5 Information:

The 2019/20 General Fund Revenue Account Budget and Council Tax Level – Final Amendments by The Elected Mayor under Authorisation Granted by Cabinet

2019/20 Financial Plan and Budget

- 1.5.1 Since the Cabinet meeting on 21 January 2019 and the full Council meeting on 7 February 2019, the outstanding financial information in relation to precepts, levies and grants has been received. On 19 February 2019 a Notification Letter was sent to all Members and Co-opted Members of the Council setting down the final amendments made by the Elected Mayor, under the authorisation granted to her by Cabinet on 21 January 2019. Those amendments have been incorporated into the Budget and Council Tax Requirement Resolution and are repeated in Table 5 below for completeness and are as follows:

The Final Local Government Finance Settlement announcements for 2019/20, including Capital announcements and Specific Grants (including the Dedicated Schools Grant (DSG) final detailed information)

(a) The Final Local Government Finance Settlement

- 1.5.2 The Final Local Government Finance Settlement for 2019/20 was announced on 29 January 2019. There was no improvement further to that announced in the provisional settlement.

Dedicated Schools Grant (DSG)

- 1.5.3 Schools forum considered the proposals for the allocation of the Dedicated Schools Grant on 14 January 2019. It was agreed at that meeting that an amount of £0.302m in respect of High Needs be transferred from the Schools block to the High Needs block.

Table 1 below sets out the revised 2019/20 DSG allocations.

Table 1: Revised DSG allocation

	2019/20 Schools block units of funding (£s)	Schools block	Central Schools Services block	Early Years block	High Needs block	Total DSG 2019/20
		£m	£m	£m	£m	£m
Primary per pupil rate (£):	3,860.44					
Secondary per pupil rate (£):	5,304.68					
Block Value		120.926	2.343	13.555	20.262	157.086
Block transfers		(0.302)			0.302	0
Deduction for direct funding of high needs places by ESFA*					(0.734)	(0.734)
		120.624	2.343	13.555	19.830	156.352

* Note the DfE published deductions for post 16 students are yet to be confirmed. The DfE is expected to publish further details in due course.

(b) 2019-2023 draft Capital Investment Plan

- 1.5.4 Since the 21 January Cabinet report was prepared, the Authority has received three further confirmations of grant funding awarded:
- on 22 January 2019 the Authority received notification that its bid for funding to the Football Foundation for an artificial grass pitch at Amberley Playing Fields had been successful. The grant awarded is £0.500m. The total cost of the project is £0.714m with the balance of £0.214m being met from Section 106 Contributions;
 - on the 29 January the Education and Skills Funding Agency announced increased funding of £0.233m in respect of Special Education Needs and Disabilities Fund (SEND). It is anticipated that this spend will take place in 2020/21; and,
 - on 12 February notification was received from the Environment Agency that £0.550m had been awarded for works to the Southern Promenade sea wall.
- 1.5.5 These adjustments have been included within the draft Capital Investment Plan.

Table 2 below sets out the revised 2019-2023 draft Capital Investment Plan.

Table 2: Summary of draft Capital Investment Plan 2019-2023

Spend	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s	Total £000s
General Fund	36,944	17,874	12,284	12,284	79,386
Housing	25,814	24,589	24,724	24,771	99,898
Total	62,758	42,463	37,008	37,055	179,284

A full breakdown of the plan is shown within Appendix A.

1.5.6 Capital Financing

Table 3 below summarises the revised financing of the 2019-2023 draft Capital Investment Plan:

Table 3: Summary of Financing 2019-2023

Resources	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s	Total £000s
<u>General Fund</u>					
Council Contribution:					
Unsupported Borrowing	19,869	9,953	5,100	5,100	40,022
Capital Receipts	0	0	0	0	0
Revenue Contribution	59	0	0	0	59
	19,928	9,953	5,100	5,100	40,081
Grants & Contributions	17,016	7,921	7,184	7,184	39,305
Total General Fund Resources	36,944	17,874	12,284	12,284	79,386
<u>Housing – HRA</u>					
Capital Receipts	4,287	3,685	3,748	2,019	13,739
Revenue Contribution	9,136	8,079	7,702	9,014	33,931
Major Repairs Reserve	12,391	12,825	13,274	13,738	52,228
Total Housing - HRA Resources	25,814	24,589	24,724	24,771	99,898
Total Resources	62,758	42,463	37,008	37,055	179,284

2019-2023 Prudential Indicators

The capital expenditure indicator has been updated as per tables 2 and 3 above. No other Prudential Indicators require adjustment.

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

1.5.7 The final amendments to the Fire and Police Precepts for 2019/20 are as follows:

(a) Tyne & Wear Fire and Rescue Authority

Precept increase of 2.99% over the 2018/19 level was approved on 18 February 2019 and,

(b) Police and Crime Commissioner for Northumbria

Precept increase of £24 at Band D i.e. 21.8% over the 2018/19 level was approved on 5 February 2019.

3. The Assessment of the Final Business Rates Position of the Authority

North Tyneside Council Business Rates Taxbase

1.5.8 Under the Business Rates Retention Scheme, from 1 April 2013 each local authority retains a percentage of the rates it collects locally. It is now an obligation for the Authority to formally calculate the value of Business Rates (the Business Rates Taxbase, based on the multiplier set by Central Government) it anticipates collecting each year and pass this information to the Government and precepting authorities by 31 January. The Business Rates Taxbase is dependent on the information included in the final National Non-Domestic Rates (NNDR1) Form for each local authority.

1.5.9 Under the Business Rates Retention Scheme, the percentage share of Business Rates for North Tyneside Council is as follows:

	Share
Share to Central Government	25%
Distribution to the Tyne and Wear Fire and Rescue Authority	1%
Retained by North Tyneside Council	74%

1.5.10 The 2019/20 NNDR1 Form for North Tyneside Council ultimately calculates the total amounts due to be retained by the billing authority, its major precepting authorities and central government in 2019/20. The NNDR1 Form for North Tyneside Council was submitted to the Ministry of Housing, Communities and Local Government on 30 January 2019. The final NNDR1 results are the figures shown in Table 4 below for North Tyneside Council.

Table 4: 2019/20 North Tyneside Council Business Rates Calculation

	2019/20 £m
Central Government Share	14.197
Tyne and Wear Fire and Rescue Authority Share	0.574
North Tyneside Council Retained Business Rates	42.582
Total	57.353

1.5.11 The outcome of the North Tyneside Council NNDR1 Form for 2019/20 is to result in a decrease to resources available to the Council from Business Rates Retention of £0.528m for 2019/20.

1.5.12 Final notification from the Ministry for Housing Communities and Local Government (MHCLG) for a change to the NNDR1 in respect of the compensation multiplier for S31 grant has increased resources by £0.536m.

4. Tyne and Wear Joint Service Budgets

1.5.13 The Tyne and Wear Joint Service Budgets for 2019/20 are yet to be received. For Budget setting purposes these are assumed to be in line with our projections. Any material changes will be reported as part of the regular Budget monitoring process.

5. Youth Justice Board Grant Allocations

1.5.14 The Final Youth Justice Board allocations for 2019/20 are yet to be received. For Budget Setting purposes, these are assumed to be in line with our projections. Any material changes to this grant will be reported as part of the regular Budget monitoring process.

6. Northumberland Inshore Fisheries and Conservation Authority Levy

1.5.15 The final Northumberland Inshore Fisheries and Conservation Authority Levy for 2019/20 is £0.139m, an increase of £0.003m.

7. Environment Agency Levy

1.5.16 The final Environment Agency Levy for 2019/20 is £0.194m, an increase of £0.009m.

8. Tyne Port Health Authority Levy

1.5.17 The final Tyne Port Health Authority Levy for 2019/20 is £0.050m, a reduction of £0.004m.

Effect of Amendments to the 2019/20 General Fund Revenue Budget

1.5.18 The effect of the above amendments is set down in Table 5 below:

Table 5: Effect of Amendments to 2019/20 General Fund Revenue Budget

Item	Change in Spending Power since 21 January 2019	Change £000s
	Spending Changes	
6	Northumberland Inshore Fisheries and Conservation Authority Levy	+3
7	Environment Agency Levy	+9
8	Tyne Port Health Authority Levy	-4
	Total Spending Changes	+8
	Resource Changes	
3.	Decrease in Resources as a result of the Final NNDR1 form for 2019/20	+528
3.	Increase in Section 31 grant as a result of the Final NNDR1 form for 2019/20	-536
	Total Resource Changes	-8
	Change in Spending Power since 21 January 2019	0

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

Final Proposals for the 2019/20 General Fund Revenue Budget

1.5.19 In accordance with the delegation, the Elected Mayor has given due consideration to the impact of the change in available resources in determining the Council Tax level for 2019/20. A value of £0.020m was included as an estimate of growth for levies in the Mayor's draft budget proposal. The amendments to the levies, shown in Table 5 above, allow for a reduction in the amount of growth required of (£0.020m). It is proposed to allocate the £0.020m to contingencies.

Spending Changes	Change £000s
Reduction in Growth	-20
Increase in Contingencies	+20
Net Change	0

Council Tax Increase for 2019/20

- 1.5.20 The North Tyneside element of the Council Tax level for 2019/20 (excluding precepts) is proposed to be as set out in report to Cabinet on 21 January 2019 i.e. a general 2.99% increase in Council Tax.

Business Community Engagement

- 1.5.21 In accordance with the Non-Domestic Ratepayers (Consultation) Regulations 1992, which requires local authorities to carry out budget engagement with the business community by 25 February each year, the statutory budget engagement meeting was carried out on 25 January 2019.

Process for Consideration and Determination of the Budget

- 1.5.22 The process for consideration of the Budget is determined by legislation, including the Local Government (Finance) Act 1992 and the Local Authorities (Standing Orders) (England) Regulations 2001. The Authority has adopted a process complying with the statutory requirements. It is set out in the Budget & Policy Framework Procedure Rules in the Authority's Constitution.
- 1.5.23 At this meeting, full Council will debate and give detailed consideration to Cabinet's Budget estimates of amounts and Council Tax requirement. Full Council will consider whether it has any objections to Cabinet's proposals.
- 1.5.24 As all outstanding information that has been received has been assessed, information on the Police and Fire Authority precepts have been received by the Authority the Final Local Government Finance Settlement has been issued, it is possible for the Council Tax Requirement to be set at this meeting.
- 1.5.25 Following this meeting, the Elected Mayor must reconsider the Cabinet's proposals taking into account any objections agreed by full Council. A Cabinet meeting has been scheduled for 25 February 2019, if required, for this purpose.
- 1.5.26 The Elected Mayor may then revise the proposals or disagree with full Council and give notice accordingly to the Chief Executive to enable a further meeting of full Council to be called. This is the final meeting in the process at which the Authority's Budget and Council Tax requirement calculation will be agreed and the Council Tax level for 2019/20 set. This meeting will take place on 5 March 2019 if required. At this meeting, where any proposals of full Council in respect of the Budget calculations do not accord with the Cabinet's proposals, Cabinet's proposals will prevail unless at the meeting a two-thirds majority of the members present vote to impose full Council's own proposals.

Elected Mayor and Cabinet Resolution: Setting the Council Tax 2019/20

- 1.5.27 The Localism Act 2011, introduced changes which impact on the Council Tax calculation for 2019/20 as part of the formal Budget and Council Tax resolution.
- 1.5.28 Firstly, some aspects of Part 1 of the 1992 Local Government Finance Act (the 1992 Act) were changed and this impacted on the calculation of Council Tax.

Secondly, Council Tax capping was abolished in England. Instead provision was made for Council Tax referendums to be held in England if an authority increased its Council Tax by an amount exceeding the principles determined by the Secretary of State and agreed by Parliament.

- 1.5.29 The Council Tax referendum principles for 2017/18 were that any Council, excluding the Social Care Precept, who proposed to increase Council Tax by 2% or more would be subject to a binding referendum of the local electorate. The 2018/19 Local Government Finance Settlement included an increase of 1% to the Council Tax referendum limit for 2018/19, this was extended to include 2019/20 which was confirmed in the 2019/20 Local Government Finance Settlement.

Council Tax Requirement

- 1.5.30 Since the Local Government Finance Act 1992 was amended by the Localism Act 2011, billing authorities have been required to calculate a Council Tax requirement for the year. The calculation of the Council Tax requirement for North Tyneside Council for 2019/20, based on the 2019/20 Budget requirement is set out in Table 6 below:

Table 6: 2019/20 Council Tax Requirement for North Tyneside Council

	£	£
2019/20 Budget Requirement		155,729,879
Financed by:		
Revenue Support Grant	0	
Retained Business Rates	(42,581,627)	
Business Rates Top Up	(17,419,373)	
Council Tax Collection Fund Surplus	(1,364,979)	(61,365,979)
Council Tax Requirement		94,363,900

2019/20 Council Tax Requirement Resolution

- 1.5.31 Cabinet recommends that:
1. The recommended budgets of the Authority be approved as noted below subject to the variations listed in paragraphs 2 and 3 below and notes the estimated allocation of £156.352m in Dedicated Schools Grant, for 2019/20:

	£
General Fund Revenue Budget	155,729,879
Total	<u>155,729,879</u>

2. The following levies be included in the net budget requirement:

	£
The Tyne and Wear element of the Durham, Gateshead, Newcastle Upon Tyne, North Tyneside,	

Northumberland, South Tyneside and Sunderland Combined Authority Transport Levy	11,061,158
Tyne Port Health Authority	49,932
Environment Agency	194,022
Northumberland Inshore Fisheries and Conservation Authority	139,199
Total	<u>11,444,311</u>

3. The contingency provision be set as follows:

	£
Contingency Provision	4,636,255
Total	<u>4,636,255</u>

4. Note that at its meeting held on 21 January 2019 Cabinet agreed the Council Tax Base for 2019/20 for the whole Authority area as 60,179 (Item T), in the Formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act") and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
5. Agree that the Council Tax requirement for the Authority's own purposes for 2019/20 is £94,363,900 (as set down in paragraph 1.5.31, Table 6).
6. Agrees that the following amounts now calculated by the Authority for the year 2019/20 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended (the Act):
- (a) £346,981,567 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(2) of the Act.
 - (b) £252,617,667 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(3) of the Act.
 - (c) 94,363,900 Being the amount by which the aggregate at 6(a) above exceeds the aggregate at 6(b) above, calculated by the Authority in accordance with Section 31(A)(4) of the Act, as its Council Tax requirement for the year (Item R in the formula in Section 31B of the Act).
 - (d) £1,568.05 Being the amount at 6(c) above (Item R), all divided by Item T (4 above), calculated by the Authority, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

(e) North Tyneside Council Valuation Bands

Council Tax Band	£
A	1,045.37
B	1,219.59
C	1,393.82
D	1,568.05
E	1,916.51
F	2,264.96
G	2,613.42
H	3,136.10

being the amounts given by multiplying the amount at 6(e) above by the number which, in the proportion set out in Section 5(1) of the Act 1992, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Authority, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

(f) Police and Crime Commissioner for Northumbria Valuation Bands

Note that for the year 2019/20 the Police and Crime Commissioner for Northumbria have issued the following amounts in precepts to the Authority, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings in the Authority's area as indicated below:

Council Tax Band	£
A	89.55
B	104.48
C	119.40
D	134.33
E	164.18
F	194.03
G	223.88
H	268.66

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

Note that for the year 2019/20 the Tyne and Wear Fire and Rescue Authority have issued the following amounts in precepts to the Authority, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings in the Authority's area as indicated below:

Council Tax Band	£
A	54.89
B	64.03
C	73.18
D	82.33
E	100.63
F	118.92
G	137.22
H	164.66

(h) Total Valuation Bands

That, having calculated the aggregate in each case of the amounts at 6(e), 6(f) and 6(g) above, the Authority, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2019/20 for each part of its area and for each of the categories of dwellings shown below:

Council Tax Band	£
A	1,189.81
B	1,388.10
C	1,586.40
D	1,784.71
E	2,181.32
F	2,577.91
G	2,974.52
H	3,569.42

7. The Authority's relevant basic amount of Council Tax for 2019/20 is not excessive in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992, as amended.
8. The Authority's Financial Regulations will apply to the financial management of this Budget.
9. The level of contingencies will be £4.636m as pressures incurred during 2018/19 have been recognised as part of the 2019/20 Financial Planning and Budget process.
10. It is proposed that virement levels and approvals for virement shall be in accordance with the rules set down in the Authority's Financial Regulations in force at the time.

11. The Reserves and Balances Policy as set out in the report to full Council on 7 February 2019, is adopted as set down and is subject to review at least annually.
12. 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 Programme and note that decisions made under this delegated authority will be reported to Cabinet as part of the regular budget monitoring information provided.
13. The Chief Executive, in consultation with the Elected Mayor and Head of Resources to authorise the purchase of properties, on the open market, providing value for money is demonstrated and the cost can be contained within existing financial resources of the Authority. This is to ensure the programme of delivery of affordable homes and homes at market rent is progressed in line with the Cabinet's priorities.
14. The Chief Finance Officer be authorised to serve notices, enter into agreements, give receipts, make adjustments, institute proceedings and take any action available to the Authority to collect or enforce the collection of non-domestic rate and Council Tax from those persons liable.
15. The Chief Finance Officer be authorised to disburse monies from funds and accounts of the Authority as required for the lawful discharge of the Authority's functions.
16. Agree that the Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority receive payment from the Collection Fund in 12 equal instalments on the last working day of each month.
17. Payments from the Collection Fund to be made to the Authority's General Fund in 12 equal instalments on the last working day of each month.

2019-2023 Capital Investment Plan

- 1.5.32 Full Council is requested to approve the proposals for the 2019-2023 draft Capital Investment Plan, set out in sections 1.5.4 to 1.5.6 above.

Statement to Council by the Chief Finance Officer

Background

- 1.5.33 The Local Government Act 2003 imposes duties on local authorities in relation to Budget setting. The Act requires that when an authority is deciding its annual Budget and Council Tax level, Members and officers must take into account a report from the Chief Finance Officer on the robustness of the Budget and the adequacy of the Authority's financial reserves.
- 1.5.34 Government has a back-up power to impose a minimum level of reserves on any authority that it considers is making inadequate provisions.

- 1.5.35 In making the statement the Chief Finance Officer necessarily places reliance on information provided to her by other officers of the Authority as part of the Financial Planning and Budget process. Due cognisance to CIPFA's guidance in relation to the adequacy of reserves and balances will also be taken into account.

Statement

Robustness of Estimates

- 1.5.36 In assessing the robustness of estimates, the Chief Finance Officer has considered the following issues:
- The general financial standing of the Authority;
 - The underlying Budget assumptions from the Medium-Term Financial Strategy;
 - Future budget pressures and growth proposals, including the impact of prudential borrowing for the 2019-2023 draft Capital Investment Plan;
 - The adequacy of the budget monitoring and financial reporting arrangements in place;
 - The adequacy of the Authority's internal control systems, relying on the Assurance Statements provided as part of the Annual Governance Statement for the 2017/18 Statement of Accounts, presented to full Council on 28 September 2018;
 - The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Authority; and
 - The outcome of the 2016-2020 Local Government Finance Settlement, the Autumn Budget 2018 of 29 October 2018 and the Final Local Government Finance Settlement released on 29 January 2019 and the implications for North Tyneside Council.
- 1.5.37 The level of contingencies will be £4.636m in recognition of the on-going demand pressures in Adult and Children's Social care.
- 1.5.38 Reserves are low and at a minimum level when considering the risks the Authority faces and the level of efficiencies required to be achieved in the short to medium-term.
- 1.5.39 The Cabinet is aware it must keep under review its medium-term Financial Strategy and four year Financial Plan, in the context of the 2018-2020 'Our North Tyneside' Plan and known key financial risks. Future pressures need to be considered and the Authority cannot take 2019/20 in isolation to future years' needs and pressures. Each year's Budget must continue to be considered within the context of at least a four-year Medium-Term Financial Plan, the four-year

Capital Investment Plan, the Medium-Term Financial Strategy and the global economic position prevailing at the time.

- 1.5.40 To ensure that the Authority continues to keep within its approved Budget and the financial integrity of the Authority is maintained, it is essential that Budget holder responsibility and accountability continues to be recognized as set down in the Authority's Financial Regulations and in the roles and responsibilities section of the Authority's Budget Management Handbook.

Capital Investment Strategy

- 1.5.41 In line with the 2017 changes to the Prudential Code's new requirement that the Chief Finance Officer of an Authority should report explicitly on the 'deliverability, affordability and risk associated with the capital strategy and where appropriate have access to specialised advice to enable them to reach their conclusions', North Tyneside Council have ensured that that all projects within the 2019-2023 draft Capital Investment Plan follow the full gateway and governance procedure prior to inclusion on the Plan which ensures the deliverability, affordability and risk associated with each decision is fully understood prior to any decisions being made.
- 1.5.42 In terms of the overall investment position of the Authority, as set out above, an Capital Investment Strategy has been developed to help support the delivery of capital investment and ensure that the capital investment programme, builds on previous success, with a strong focus on delivery of the Council Plan outcomes.

Adequacy of Financial Reserves

General Fund

- 1.5.43 The 2019-2023 Financial Plan currently assumes no use of reserves to support the budget. The current Medium-Term Financial Plan, maintains the Strategic Reserve at least the planned level of £10.000m over the life of the Financial Plan. This is in line with the Authority's agreed Reserves and Balances Policy. Any unplanned use of the Strategic Reserve over the 2019-2023 Financial Plan may take the level outside of this boundary and corrective action would be needed to demonstrate how the £10.000m agreed level would be restored.
- 1.5.44 Guidance on Local Authority Reserves and Balances is given in Accounting Bulletin LAAP (Local Authority Accounting Practice) 99. This states that *"Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short term option"*, and so the proposed 2019/20 Budget does not contradict the issued guidance. The Bulletin does then go on to say *that "It is not normally prudent for reserves to be deployed to finance current expenditure"*. The 2019-2023 Financial Plan has been developed so that on-going revenue expenditure is aligned to annual income with no long term reliance on reserves.

1.6 Decision options:

- 1.6.1 The Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution for 2019/20 is set down in paragraph 1.5.32 of this report.

- 1.6.2 At this meeting, full Council will debate and give detailed consideration to Cabinet's Budget estimates of amounts and Council Tax Requirement. Full Council will consider whether it has any objections to Cabinet's proposals.
- 1.6.3 As all information that has been received has been assessed, information on the Police and Fire Authority precepts have been received by the Authority and no material changes are expected from the Final Local Government Finance Settlement, it is possible for the Council Tax Requirement to be set at this meeting.
- 1.6.4 Following this meeting, the Elected Mayor must reconsider the Cabinet's proposals taking into account any objections of full Council. A Cabinet meeting has been scheduled for 25 February 2019, if required, for this purpose.
- 1.6.5 The Elected Mayor may then revise the proposals, or disagree with full Council and give notice accordingly to the Chief Executive to enable a further meeting of full Council to be called. This is the final meeting in the process at which the Council's Budget and Council Tax requirement calculation will be agreed and the Council Tax level for 2019/20 set. This meeting will take place on 5 March 2019. At this meeting, where any proposals of full Council in respect of the Budget calculations do not accord with the Cabinet's proposals, Cabinet's proposals will prevail unless at the meeting a two-thirds' majority of the members present vote to impose full Council's own proposals.

1.7 Reasons for recommended option:

- 1.7.1 The reasons for the recommendations are mainly legal in nature, as stated in paragraphs 2.1 and 2.2 of this report.

1.8 Appendices:

Appendix A 2019-2023 draft Capital Investment Plan

1.9 Contact officers:

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1.10 Background information:

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

- (a) Local Authorities (Standing Orders) (England) Regulations, 2001.
- (b) North Tyneside Council's Constitution including the Budget and Policy Framework Procedure Rules.
- (c) 2019-2023 Financial Planning and Budget Process: Cabinet's Draft Budget and Council Tax Requirement Proposals, Cabinet 21 January 2019.
- (d) Calculation of the 2019/20 Council Tax Base for North Tyneside Council, Cabinet 21 January 2019.
- (e) 2019/20 Provisional Local Government Finance Settlement.
- (f) Council General Fund Budget Summaries.
- (g) Localism Act 2011.
- (h) Local Government (Finance) Act 1992.
- (i) Local Audit and Accountability Act 2014

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

- 2.1.1 The financial implications arising from this report are appraised as part of the decisions made about what will be included in the Authority's Budget and Council Tax requirement for 2019/20. Decisions on the Budget in relation to the General Fund, Schools' funding, Treasury Management Statement and Annual Investment Strategy and Capital Investment need to be made within the overall context of the resources available to the Authority and within the legal framework for setting budgets, and the statutory Authority requirement.
- 2.1.2 Full Council need to have due regard to the Chief Finance Officer's advice in relation to the robustness of the estimates used and to the levels of reserves and balances proposed as part of the four-year Medium-Term Financial Plan for 2019-2023, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in July 2014.

2.2 Legal

- 2.2.1 The Local Government Finance Act 1992 (Section 32: Calculation of Budget Requirement) requires the Authority to set a balanced Budget in the context of the resources available, including central government grants, business rates and Council Tax income. Section 31 of the 1992 Act, requires the calculation of a Council Tax requirement by billing authorities, as set out in paragraph 1.5.31. The Act also makes provision for Council Tax referendums to be held in England if an authority increases its Council Tax by an amount exceeding the principles determined by the Secretary of State and agreed by Parliament.
- 2.2.2 The Local Government Act 2003 imposes duties on local authorities in relation to Budget and Council Tax setting. The Act requires that, when an authority is deciding its annual Budget and Council Tax level, Members and officers must take into account a report from the Chief Finance Officer on the robustness of the Budget and the adequacy of the authority's financial reserves. The Government has a back-up power to impose a minimum level of reserves on an authority that it considers to be making inadequate provisions.
- 2.2.3 The 2019/20 Financial Planning and Budget Process has been prepared to comply with the time-scales required within the Budget & Policy Framework Procedure Rules contained in the Authority's Constitution.
- 2.2.4 Pursuant to section 30(7) of the 1992 Act the Authority is only able to set the Council tax either following receipt of the precepts from major precepting authorities or 1 March in any year, whichever is earlier. The Budget must however be set before 11 March in the relevant year. As all information that has been received has been assessed, information on the Police and Fire Authority precepts have been received by the Authority and no material changes are expected from the Final Local Government Finance Settlement, it is possible for the Council Tax Requirement to be set at this meeting.

2.3 Consultation / Community engagement

Internal consultation

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

Community engagement

- 2.3.2 The 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 has taken place from 27 November 2018 to late 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, via social media and at discussion events. There have also been meetings with key groups of stakeholders 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 EIAs. A cumulative impact assessment of all of these has been undertaken and is provided at the link included in the background papers above.

2.6 Risk management

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

2.7 Crime and disorder

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

2.8 Environment and sustainability

- 2.8.1 The Our North Tyneside plan states that "We will reduce the carbon footprint of our operations and will work with partners to reduce the Boroughs carbon footprint." A number of the proposals will contribute to this. The environmental and sustainability aspects of individual proposals will be assessed in detail as and when agreed and implemented.

PART 3 - SIGN OFF

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

2019-2023 Draft Capital Investment Plan Summary

Project Ref	Project Title	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's	Total £000's	Funding Source	£000's
	<u>GENERAL FUND</u>							
	- <u>Maintaining our assets</u>							
	-							
BS026	Asset Planned Maintenance programme	1,500	1,500	1,500	1,500	6,000	Council Contribution	6,000
EV034	Local Transport Plan	3,268	3,153	2,958	2,958	12,337	Local Transport Plan (LTP) Mtce Local Transport Plan (LTP) Grant ITA	8,505 3,832
EV056	Additional Highways Maintenance	2,000	2,000	2,000	2,000	8,000	Council Contribution	8,000
EV069	Vehicle Replacement	962	500	0	0	1,462	Council Contribution	1,462
IT020	ICT Strategy	1,000	1,000	1,000	1,000	4,000	Council Contribution	4,000
ED075	Devolved Formula Capital	1,079	579	579	579	2,816	Education Funding Agency	2,816
ED120	Basic Need	184	113	113	113	523	Education Funding Agency	523
ED132	School Capital Allocation	3,534	3,534	3,534	3,534	14,136	Education Funding Agency	14,136
	Total Maintaining our assets	13,527	12,379	11,684	11,684	49,274		49,274
	<u>Regeneration</u>							
	-							
	-							

DV058	Swan Hunters Redevelopment	2,277	0	0	0	2,277	Single Local Growth Fund (SLGF) Council Contribution	2,027 250
EV084	A189 Improvements Haddricks Mill to West Moor	2,000	0	0	0	2,000	DfT National Productivity Investment Fund (NPIF) Section 278	1,223 777
GEN12	Local infrastructure projects	100	100	100	100	400	Council Contribution	400
CO077	Artificial Grass Pitch – Amberley Playing Fields	714	0	0	0	714	Football Foundation grant Section 106	500 214
DV068	Southern Promenade	550	0	0	0	550	Environment Agency	550
	Total Regeneration	5,641	100	100	100	5,941		5,941
	<u>Education</u>							
ED188	Special Education Needs and Disabilities Fund	400	449	0	0	849	Education Funding Agency	849
	Total Education	400	449	0	0	849		849
	<u>Housing General Fund</u>							
HS004	Disabled Facility Grants	1,060	0	0	0	1,060	Better Care Fund	1,060
HS051	Private Sector Empty Homes Programme	728	524	0	0	1,252	Council Contribution Homes and Communities Grant Revenue contribution	224 969 59
	Total Housing General Fund	1,788	524	0	0	2,312		2,312
	<u>Corporate</u>							

EV076	Operational Depot Accomodation review	4,100	897	0	0	4,997	Council contribution	4,997
GEN03	Contingency Provision	4,443	2,125	500	500	7,568	Council Contribution	7,568
	Total Corporate	8,543	3,022	500	500	12,565		12,565
	<u>Investments</u>							
DV066	Investment in North Tyneside Trading Company	7,045	1,400	0	0	8,445	Council contribution Section 106	6,445 2,000
	Total Investments	7,045	1,400	0	0	8,445		8,445
	TOTAL: GENERAL FUND	36,944	17,874	12,284	12,284	79,386		79,386
HS002	<u>HOUSING</u>							
	-							
	Decency Refurbishments	14,543	15,232	16,342	16,404	62,521	Revenue Contribution	33,931
	Disabled Adaptations	1,041	1,051	1,062	1,072	4,226	Capital Receipts	13,739
	Capitalisation of Major Repairs	1,232	1,245	1,257	1,270	5,004	Major Repairs Reserve (MRR)	52,228
	Furniture Pack Scheme	500	506	511	516	2,033		
	Asbestos Works	303	306	309	312	1,230		
	Energy Efficiency & Environmental Improvements	207	208	209	211	835		
	Fencing / Walling / Offstreet parking / Landscaping	2,446	1,787	1,915	2,105	8,253		
	Non-Traditional Properties	450	0	0	0	450		
	ICT Strategy/Water Pipe Renewals/Fire Damage/Garages	317	323	327	332	1,299		
	Post 2019 Construction & Repairs Insourcing	200	0	0	0	200		
	Footpaths & Communal Fire Doors	1,142	1,164	100	103	2,509		
	Potential New Build	3,433	2,767	2,692	2,446	11,338		
	Total: HOUSING	25,814	24,589	24,724	24,771	99,898		99,898
	TOTAL INVESTMENT PLAN	62,758	42,463	37,008	37,055	179,284		179,284

FINANCING

<u>GENERAL FUND</u>					
Unsupported Borrowing	19,869	9,953	5,100	5,100	40,022
Capital Receipts	0	0	0	0	0
Revenue Contribution	59	0	0	0	59
Grants & Contributions	17,016	7,921	7,184	7,184	39,305
	36,944	17,874	12,284	12,284	79,386
<u>HOUSING</u>					
Capital Receipts	4,287	3,685	3,748	2,019	13,739
Revenue Contribution	9,136	8,079	7,702	9,014	33,931
Major Repairs Reserve	12,391	12,825	13,274	13,738	52,228
	25,814	24,589	24,724	24,771	99,898
	62,758	42,463	37,008	37,055	179,284