

North Tyneside Council Report to Council Date: 15 February 2018

ITEM 3

Title: 2018-2020 Financial Planning and Budget Process: Elected Mayor and Cabinet Budget and Council Tax Requirement Resolution for 2018/19

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| Portfolios: Elected Mayor Finance and Resources Deputy Mayor | Cabinet Members: Norma Redfearn Councillor Ray Glindon Councillor Bruce Pickard |
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Report from: Senior Leadership Team

Report Author: Janice Gillespie, Head of Finance (Chief Finance Officer)

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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 2018–2020 Financial Planning and Budget Process, incorporating the 2018/19 Council Tax Requirement and the 2018/19 Budget, reflects these requirements. Further details of the decision-making process are set down in paragraphs 1.5.4 to 1.5.11 of the 1 February 2018 report to Council.
- 1.1.2 As explained in the 24 January 2018 Cabinet report, which was subsequently included as Annex 1 to the full Council report on 1 February 2018, 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 2018/19 (recommendation 1.2.1 (t) in the original Cabinet report refers).
- 1.1.3 On 14 February 2018, 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 24 January 2018.

It was noted in that letter that, as the outstanding information that has been received has been assessed, information on the Police and Fire Authority precepts have been received by the Authority and the Final Local Government Finance Settlement has been issued, 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 2018/19 General Fund Revenue Budget and recommending the Council Tax Requirement and Council Tax level, the refreshed 2018 – 2020 Council Plan, the Treasury Management Statement and Annual Investment Strategy for 2018/19 and the 2018-2021 Investment Plan including the 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 2018/19 General Fund Revenue Budget and set the 2018/19 Council Tax Requirement and the Council Tax level for 2018/19.

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 1 February 2018.

1.2 Recommendations:

1.2.1 Full Council is recommended to:-

(a) Agree the recommendations, authorisations and delegations set down in paragraph 1.5.39 of this report in relation to the 2018/19 General Fund Revenue Account Budget, the 2018/19 Council Tax Requirement and Council Tax level for 2018/19, 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 8 January 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 each year.

1.5 Information:

The 2018/19 General Fund Revenue Account Budget and Council Tax Level – Final Amendments by The Elected Mayor under Authorisation Granted by Cabinet

2018/19 Financial Plan and Budget

- 1.5.1 Since the Cabinet meeting on 24 January 2018 and the full Council meeting on 1 February 2018, the outstanding financial information in relation to precepts, levies, grants and joint service budgets has now been received. On 14 February 2018 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 24 January 2018. 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 2018/19, 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 2018/19 was announced on the 6 February 2018. There are three changes of note to the final Settlement figures for 2018/19; these being:
- **£150m** of additional funding through **Adult Social Care Support Grant** – to be funded from *“anticipated underspend in existing departmental budgets, and will not affect existing revenue commitments made to local government”*. This is distributed according to the adult social care relative needs formula, the allocation for North Tyneside Council being £0.644m and will be received as a S31 Grant.
 - **£16m** of additional funding through **Rural Services Delivery Grant** (taking funding from £65m to £81m in 2018/19). This is in addition to the increase of £15m that was made as part of the Provisional Settlement in December. The additional funding is distributed in line with the existing methodology. This change has no direct implications for North Tyneside Council.
 - The **Capital receipts flexibility programme** has been extended for a further 3 years. This scheme gives local authorities the freedom to use capital receipts from the sale of their own assets to support transformation and unlock efficiency savings. This continues to be considered as part of the overall financial management of the Authority.

1.5.3 The £0.644m additional Adult Social Care Support Grant will be added to the Contingency budget, and a further adjustment made to reduce the Adult Social Care contingency by £0.644m and increase the Children’s Social Care contingency by £0.644m.

Dedicated Schools Grant (DSG)

1.5.4 Schools forum considered the proposals for the allocation of the Dedicated Schools Grant on the 10 January 2018. It was agreed that an amount of £0.068m in respect of SIMS IT be transferred from the newly created Central Schools Services Block to the Schools block. This increased the overall Schools block budget available for redistribution to schools.

Table 1 below sets out the revised 2018/19 DSG allocations.

Table 1: Revised DSG allocation

| | 2018/19 Schools block units of funding (£s) | Schools block | Central Schools Services block | Early Years block | High Needs block | Total DSG 2018/19 |
|--|--|--------------------------|---|----------------------------------|---------------------------------|----------------------------------|
| | | £m | £m | £m | £m | £m |
| Primary per pupil rate (£): | 3,769.62 | | | | | |
| Secondary per pupil rate (£): | 5,272.53 | | | | | |
| Block Value | | £116.594 | £2.314 | £13.115 | £19.977 | £152.000 |
| Deduction for direct funding of high needs places by ESFA | | | | | -£0.674 | -£0.674 |
| IT SIMS Capital | | £0.068 | -£0.068 | | | £0.000 |
| | | £116.662 | £2.246 | £13.115 | £19.303 | £151.326 |

1.5.5 In addition, included within Cabinet’s draft budget proposals was £0.050m on the assumption of changes of contributions from Schools to Council services provided. This growth item is no longer required.

(b) 2018-2021 Investment Plan

1.5.6 On 1 February 2018 the Authority received notification that it’s bid for funding of £8.900m, to the Housing Investment Fund, for infrastructure works at

Killingworth Moor, had been successful. The project is fully grant funded. This project has been included in the draft 2018-2021 Investment Plan attached as Appendix A to this report.

Table 2 below sets out the revised 2018-2021 draft Investment Plan.

Table 2: Summary of Investment Plan 2018-2021

| Spend | 2018/19 £000's | 2019/20 £000's | 2020/21 £000's | Total £000's |
|--------------|-------------------|-------------------|-------------------|-----------------|
| General Fund | 56,145 | 19,925 | 11,803 | 87,873 |
| Housing | 27,914 | 23,291 | 20,270 | 71,475 |
| Total | 84,059 | 43,216 | 32,073 | 159,348 |

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

Capital Financing

1.5.7 Table 3 below summarises the revised financing of the draft 2018-2021 Investment Plan:

Table 3: Summary of Financing 2018-2021

| Resources | 2018/19 £000's | 2019/20 £000's | 2020/21 £000's | Total £000's |
|--------------------------------------|-------------------|-------------------|-------------------|-----------------|
| <u>General Fund</u> | | | | |
| Council Contribution: | | | | |
| Unsupported Borrowing | 30,284 | 11,434 | 7,810 | 49,528 |
| Capital Receipts | 0 | 1,080 | 0 | 1,080 |
| Revenue Contribution | 68 | 0 | 0 | 68 |
| | 30,352 | 12,514 | 7,810 | 50,676 |
| Grants & Contributions | 25,793 | 7,411 | 3,993 | 37,197 |
| Total General Fund Resources | 56,145 | 19,925 | 11,803 | 87,873 |
| <u>Housing – HRA</u> | | | | |
| Capital Receipts | 2,261 | 4,763 | 1,367 | 8,391 |
| Revenue Contribution | 9,570 | 6,136 | 6,079 | 21,785 |
| Major Repairs Reserve | 12,583 | 12,392 | 12,824 | 37,799 |
| House Building Fund | 3,500 | 0 | 0 | 3,500 |
| Total Housing - HRA Resources | 27,914 | 23,291 | 20,270 | 71,475 |
| Total Resources | 84,059 | 43,216 | 32,073 | 159,348 |

2018-2021 Prudential Indicators

1.5.8 Following the adjustment to the Investment Plan and the release of the new Minimum Revenue Provision (MRP) regulations (detailed below) the 2018-21 Prudential Indicators have been revised and are attached as Appendix A (ii) to this report.

Annual Minimum Revenue Provision (MRP) Statement

1.5.9 Following consultation the MHCLG released revised regulations for Minimum Revenue Provision (MRP) on Friday 2 February 2018. The guidelines are effective from 1 April 2019 with the exception of revised guidance relating to backdating of previously overprovided MRP, where the effective date for implementation is 1 April 2018. The impact of this change is material for North Tyneside Council as the draft budget proposals included £3.000m in year saving for full effect of applying the MRP policy implemented in 2017/18. The application of the existing MRP Policy in 2017/18 will result in an in-year saving

in the region of £2.000m. The intention is to set this surplus aside in a MRP reserve and release this reserve in 2018/19.

1.5.10 There are no changes recommended to the MRP policy for 2018/19 which is set out below:

- (a) Existing assets pre 1 April 2007 – MRP will be charged at 2% per annum;
- (b) Supported Borrowing – MRP will be charged at 2%;
- (c) Unsupported Borrowing – for all assets financed by unsupported borrowing, MRP will be charged over the estimated life of the assets. This may include assets financed through PFI schemes and finance leases;
- (d) Lease transactions treated as “on balance sheet” - an element of the annual charge to the Authority for the lease will be treated as repayment of capital (i.e. repayment of principal and interest). The principal element is effectively the MRP charge for the year. This MRP charge will be equal to the element of the rent/service charge that goes to write down the balance sheet liability; and,
- (e) Loans made for capital purposes for which borrowing is taken out – MRP will be based on the actual principal repayment schedule relating to the loan provided.

Treasury Management

1.5.11 The Treasury Management Strategy Statement (TMSS) has been updated with the current CIPFA Treasury Management definition as follows:-

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

There is no impact for North Tyneside Council relating to this change.

New Homes bonus

1.5.12 The final New Homes Bonus allocations for 2018/19 have been issued resulting in a further £99,919 resource being available, taking the total New Homes Bonus allocation for 2018/19 to £2,320,552.

Other Grants

1.5.13 Further notification of the grant for Special Educational Needs and disability reforms has been received at £109,092. This has been included within contingencies for Children’s Social Care Services.

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

1.5.14 The final amendments to the Fire and Police Precepts for 2018/19 are as follows:

(a) Tyne & Wear Fire and Rescue Authority

Precept increase of 2.99% over the 2017/18 level was approved on 12 February 2018 and,

(b) Police and Crime Commissioner for Northumbria

Precept increase of £12 at Band D i.e. 12.2% over the 2017/18 level was approved on 5 February 2018.

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

North Tyneside Council Business Rates Taxbase

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

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

| | Share |
|---|--------------|
| Share to Central Government | 50% |
| Distribution to the Tyne and Wear Fire and Rescue Authority | 1% |
| Retained by North Tyneside Council | 49% |

1.5.17 The 2018/19 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 2018/19. The NNDR1 Form for North Tyneside Council was submitted to the Department for Communities and Local Government on 30 January 2017. The final NNDR1 results are the figures shown in Table 4 below for North Tyneside Council.

Table 4: 2018/19 North Tyneside Council Business Rates Calculation

| | 2018/19 £m |
|--|-----------------------|
| Central Government Share | 28.377 |
| Tyne and Wear Fire and Rescue Authority Share | 0.568 |
| North Tyneside Council Retained Business Rates | 27.825 |
| Total | 56.770 |

1.5.18 The outcome of the North Tyneside Council NNDR1 Form for 2018/19 is to result in an increase to resources available to the Council of £0.076m for 2018/19, additional resources of £0.414m of Section 31 grant income and a reduction in resources available from top-up business rates grant of £0.019m.

- 1.5.19 The completion of the 2018/19 NNDR1 has also resulted in a reduction in resources from the NNDR cost of collection grant of £0.001m.
- 1.5.20 Final notification from the MHCLG for a change to the NNDR1 in respect of the compensation multiplier for S31 grant has increased resources by £0.062m. This increase has been applied to increase the Children's Social Care contingency.
- 1.5.21 In addition, updated Council Tax estimates for 2018/19 result in a decrease in resources available to the Council in 2018/19 of £0.007m.

4. Tyne and Wear Joint Service Budgets

- 1.5.22 The Tyne and Wear Joint Service Budgets have been updated to reflect appropriate increases. See table 5 below.

5. Youth Justice Board Grant Allocations

- 1.5.23 The Final Youth Justice Board allocations for 2018/19 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

- 1.5.24 The final Northumberland Inshore Fisheries and Conservation Authority Levy for 2018/19 is £0.137m, an increase of £0.003m compared with our original estimate (2017/18 £0.134m).

Effect of Amendments to the 2018/19 General Fund Revenue Budget

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

Table 5: Effect of Amendments to 2018/19 General Fund Revenue Budget

| Item | Change in Spending Power since 24 January 2018 | Change £'000 |
|-------------|--|-------------------------|
| | Spending Changes | |
| | | |
| 6. | Increase in Northumberland Inshore Fisheries and Conservation Authority Levy | +3 |
| | | |
| 4. | Increase in Tyne and Wear Joint Service Budgets | +16 |
| | | |
| 1. | Schools funding changes | -50 |
| | | |
| 1. | MRP Holiday Reversal | +3,000 |
| | | |
| 1. | Increase in New Homes Bonus grant | -100 |

| | | |
|--------|---|---------------|
| | | |
| 1./ 3. | Increase in base contingency provision for Children's services | +171 |
| | | |
| 1. | Increase Contingency Provision for Adult Social Care through the use of the additional Adult Social Care Grant (Final Settlement) | +644 |
| | | |
| 1. | Reduction in base contingency provision for Adult's services | -644 |
| | | |
| 1. | Increase in base contingency provision for Children's services | +644 |
| | | |
| | Total Spending Changes | +3,684 |
| | | |
| | Resource Changes | |
| | | |
| 3. | Increase in Resources as a result of the Final NNDR1 form for 2018/19 | -76 |
| | | |
| 3. | Increase in Section 31 grant as a result of the Final NNDR1 form for 2018/19 | -414 |
| | | |
| 3. | Decrease in the NNDR cost of collection grant for 2018/19 | +1 |
| | | |
| 3. | Decrease in Business rates top-up grant for 2018/19 | +19 |
| | | |
| 3. | Decrease in Council Tax estimates for 2018/19 | +7 |
| | | |
| 1 | Adult Social Care Grant announced in the Final Settlement | -644 |
| | | |
| 1. | SEND Grant | -109 |
| | | |
| | Total Resource Changes | -1,216 |
| | | |
| | Reduction in Spending Power since 24 January 2018 | +2,468 |
| | | |

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

Final Proposals for the 2018/19 General Fund Revenue Budget

1.5.26 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 2018/19 and proposes the following:

Table 6: Final Proposals for the 2018/19 General Fund Revenue Budget

| Proposals as at 15 February 2018 | Mayoral Amendments £000's |
|---|--------------------------------------|
| Reduction in the Strain on the Fund budget | -218 |
| Reduction in the Pensions out of Revenue budget | -250 |
| Use of MRP Reserve in 2018/19 | -2,000 |
| TOTAL | -2,468 |

- 1.5.27 Further review of Corporate budgets has determined that savings can be secured from the Strain on the Fund and Pensions out of Revenue budgets in 2018/19. The use of the MRP reserve is as described in paragraph 1.5.9 above.

Council Tax Increase for 2018/19

- 1.5.28 The North Tyneside element of the Council Tax level for 2018/19 (excluding precepts) is proposed to be as set out in report to Cabinet on 24 January 2018 i.e. a 3% increase to specifically fund Adult Social Care, and a general 1.998% increase in Council Tax. The total increase is rounded to 5.0% on Council Tax bills.

Business Community Engagement

- 1.5.29 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 19 January 2018.

Process for Consideration and Determination of the Budget

- 1.5.30 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.
- 1.5.31 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.
- 1.5.32 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.

- 1.5.33 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 19 February 2018, if required, for this purpose.
- 1.5.34 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 2018/19 set. This meeting will take place on 27 February 2018 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 2018/19

- 1.5.35 The Localism Act 2011, introduced changes which impact on the council tax calculation for 2018/19 as part of the formal Budget and council tax resolution.
- 1.5.36 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.
- 1.5.37 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 Provisional Local Government Finance Settlement included an increase of 1% to the Council Tax referendum limit for 2018/19.

Council Tax Requirement

- 1.5.38 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 2018/19, based on the 2018/19 Budget requirement is set out in Table 7 below:

Table 7: 2018/19 Council Tax Requirement for North Tyneside Council

| | £ | £ |
|-------------------------------------|--------------|---------------------|
| 2018/19 Budget Requirement | | 154,725,777 |
| Financed by: | | |
| Revenue Support Grant | (16,914,499) | |
| Retained Business Rates | (27,824,783) | |
| Business Rates Top Up | (19,684,144) | |
| Council Tax Collection Fund Surplus | (400,000) | <u>(64,823,426)</u> |

| | | |
|--------------------------------|--|-------------------|
| Council Tax Requirement | | 89,902,351 |
|--------------------------------|--|-------------------|

2018/19 Council Tax Requirement Resolution

1.5.39 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 £151.326m in Dedicated Schools Grant, for 2018/19:

| | |
|-----------------------------|--------------------|
| General Fund Revenue Budget | £ |
| | 154,725,777 |
| Total | <u>154,725,777</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 | 11,131,158 |
| Tyne Port Health Authority | 53,369 |
| Environment Agency | 185,117 |
| Northumberland Inshore Fisheries and Conservation Authority | 136,468 |
| Total | <u>11,506,112</u> |

3. The contingency provision be set as follows:

| | |
|-----------------------|------------------|
| Contingency Provision | £ |
| | 4,616,452 |
| Total | <u>4,616,452</u> |

4. Note that at its meeting held on 24 January 2018 Cabinet agreed the Council Tax Base for 2018/19 for the whole Authority area as 59,048 (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 2018/19 is £89,902,351 (as set down in paragraph 1.5.38, Table 7).
6. Agrees that the following amounts now calculated by the Authority for the year 2018/19 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended (the Act):
 - (a) £351,800,605 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(2) of the Act.

- (b) £261,898,254 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(3) of the Act.
- (c) 89,902,351 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) £1,522.53 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 | 1,015.03 |
| B | 1,184.19 |
| C | 1,353.36 |
| D | 1,522.53 |
| E | 1,860.87 |
| F | 2,199.20 |
| G | 2,537.55 |
| H | 3,045.06 |

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 2018/19 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 | 73.55 |
| B | 85.81 |
| C | 98.07 |

| | |
|---|--------|
| D | 110.33 |
| E | 134.85 |
| F | 159.37 |
| G | 183.88 |
| H | 220.66 |

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

Note that for the year 2018/19 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 | 53.29 |
| B | 62.18 |
| C | 71.06 |
| D | 79.94 |
| E | 97.70 |
| F | 115.47 |
| G | 133.23 |
| H | 159.88 |

(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 2018/19 for each part of its area and for each of the categories of dwellings shown below:

| Council Tax Band | £ |
|------------------|---------|
| A | 1141.87 |
| B | 1332.18 |
| C | 1522.49 |
| D | 1712.80 |
| E | 2093.42 |
| F | 2474.04 |
| G | 2854.66 |
| H | 3425.60 |

7. The Authority's relevant basic amount of council tax for 2018/19 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 £4.616m as pressures incurred during 2017/18 have been recognised as part of the 2018//19 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 1 February 2018, 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 Creating a Brighter Future Programme and note that decisions made under this delegated authority will be reported to Cabinet as part of the regular budget monitoring information provided.
13. The Chief Executive, in consultation with the Elected Mayor and Head of Finance to authorise the purchase of properties, on the open market, providing value for money is demonstrated and the cost can be contained within existing financial resources of the Authority. This is to ensure the programme of delivery of affordable homes and homes at market rent is progressed in line with the Cabinet's priorities.
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.

2018-2021 Investment Plan

- 1.5.40 Full Council is requested to approve the proposals for the 2018-2021 Investment Plan, set out in sections 1.5.6 to 1.5.10 above.

Statement to Council by the Chief Finance Officer

Background

- 1.5.41 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.
- 1.5.42 Government has a back up power to impose a minimum level of reserves on any authority that it considers is making inadequate provisions.
- 1.5.43 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

- 1.5.44 In assessing the robustness of estimates, the Chief Finance Officer has considered the following issues:
- The general financial standing of the Authority;
 - The underlying Budget assumptions from the financial strategy;
 - Future budget pressures and growth proposals, including the impact of prudential borrowing for the 2018-2021 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 2016/17 Statement of Accounts, presented to full Council on 28 September 2017;
 - 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 Statement 2017 of 22 November 2017 and the Final Local Government Finance Settlement released on 6 February 2018 and the implications for North Tyneside Council.

- 1.5.45 The level of contingencies will be £4.616m in recognition of the on-going demand pressures in Adult and Children's Social care.
- 1.5.46 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.
- 1.5.47 The Cabinet is aware it must keep under review its medium-term Financial Strategy and two 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 2018/19 in isolation to future years' needs and pressures. Each year's Budget must continue to be considered within the context of at least a two-year Financial Plan, the three-year Investment Plan, the Financial Strategy and the global economic position prevailing at the time.
- 1.5.48 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.

Investment Strategy (Capital)

- 1.5.49 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 2018-2021 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.
- 1.5.50 In terms of the overall investment position of the Authority, as set out above, an Investment Strategy has been developed to help support the delivery of capital investment and ensure that the investment programme, builds on previous success, with a strong focus on delivery of the Council Plan outcomes.

Adequacy of Financial Reserves

General Fund

- 1.5.51 The 2018-2020 Financial Plan currently assumes no use of reserves to support the budget. The current Financial Plan, maintains the Strategic Reserve at at least the planned level of £5.000m over the life of the Financial Plan. This is in line with the Authority's agreed Reserves and Balances Policy. Any unplanned use of the Strategic Reserve over the 2018-2020 Financial Plan may take the level outside of this boundary and corrective action would be needed to demonstrate how the £5.000m agreed level would be restored.

1.5.52 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 2018/19 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 2018-2020 Financial Plan has been developed so that ongoing revenue expenditure is aligned to annual income with no long term reliance on reserves.

1.6 Decision options:

1.6.1 The Elected Mayor and Cabinet’s Budget and Council Tax Requirement Resolution for 2018/19 is set down in paragraph 1.5.39 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 19 February 2018, 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 2018/19 set. This meeting will take place on 27 February 2018. At this meeting, where any proposals of full Council in respect of the Budget calculations do not accord with the Cabinet’s proposals, Cabinet’s proposals will prevail unless at the meeting a two-thirds’ majority of the members present vote to impose full Council’s own proposals.

1.7 Reasons for recommended option:

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

1.8 Appendices:

Appendix A(i) 2018-2021 Investment Plan

Appendix A(ii) The Prudential Indicators for 2018-2021

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) 2018-2020 Financial Planning and Budget Process: Cabinet's Draft Budget and Council Tax Requirement Proposals, Cabinet 24 January 2018.
- (d) Calculation of the 2018/19 Council Tax Base for North Tyneside Council, Cabinet 24 January 2018.
- (e) 2018/19 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 2018/19. 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 two-year financial plan for 2018-2020, 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 1.5.38. The Act also makes provision for council tax referendums to be held in England if an authority increases its council tax by an amount exceeding the principles determined by the Secretary of State and agreed by Parliament.
- 2.2.2 The Local Government Act 2003 imposes duties on local authorities in relation to Budget and council tax setting. The Act requires that, when an authority is deciding its annual Budget and council tax level, Members and officers must take into account a report from the Chief Finance Officer on the robustness of the Budget and the adequacy of the authority's financial reserves. The Government has a back-up power to impose a minimum level of reserves on an authority that it considers to be making inadequate provisions.
- 2.2.3 The 2018/19 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 2018/19 Budget Engagement Strategy was agreed at Cabinet on 11 September 2017. 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 2017 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 28 November 2017 to late January 2018. The Budget proposals have been shaped in the context of the refreshed '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

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