

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 Deputy Mayor Finance	Cabinet Member(s): Mrs Norma Redfearn Cllr Bruce Pickard Cllr Ray Glindon
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Report from: Senior Leadership Team

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

Wards affected: All

PART 1

1.1 Executive Summary:

General Fund

- 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 toward recognising those rising costs, 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 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% general Council Tax increase in 2019/20 followed by the Government's recommended 1.99% general Council Tax increase for future years to 2022/23.
- 1.1.3 That said, the budget proposals set out in this report have been developed in the context of the Our North Tyneside Plan and reflect the draft priorities of the Elected Mayor and Cabinet. The proposals aim to reflect those matters which are important to residents and doing the 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 Financial Plan, 2019/20 revenue budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), the 2019-2023 Investment Plan and 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 outcomes of that process with Cabinet's draft budget proposals, in accordance with the time-scales set down and the Authority's Constitutional requirements and the Budget & Policy Framework Procedure Rules. This report presents proposals to cover a four-year planning period from 2019-2023 for the revenue budget and a four-year planning horizon for the Investment Plan. The 2019/20 financial year is the final year of Central 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 also significant uncertainty in relation to the level of funding beyond 2020 due to the change in the Local Government finance system resulting in greater risks in relation to the localisation of business rates and the Local Council Tax Support Scheme. The unknown impacts alongside the level of risk to finances means 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 we 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 £26.988m over the period 2019/2023. The savings estimate includes the proposed 2.99% general Council Tax increase in 2019/20 followed by the Government's recommended 1.99% general Council Tax increase for future years to 2022/23.
- 1.1.8 In April the former Secretary of State for the Ministry of Housing, Communities and Local Government (MHCLG) 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 recommendations.
- 1.1.9 The recommendation that has received the most publicity has been that, in future the Provisional Local Government Settlement should be published on or around 5 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 On 26 November 2018, Cabinet considered its initial budget proposals, based on information available at that point in time. Cabinet now needs to receive this report and consider its estimates of amounts for the 2019/20 Council Tax requirement including the General Fund Budget, the 2019-2023 Capital Investment Plan, and the Treasury Management Statement and Annual Investment Strategy for 2019/20 as outlined in Annex 1.
- 1.1.12 There were no new funding announcements made as part of the Provisional Local Government Finance Settlement. The new funding announcements were made in the Autumn Budget with the provisional settlement confirming the allocations of the additional Social Care funding. A Provisional Settlement Consultation was published with a closing date of 10 January 2019.
- 1.1.13 There are a number of assumptions and judgements build 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.

Housing Revenue Account

- 1.1.14 Cabinet in its report of the 26 November 2018, set out the estimates for all aspects of the Elected Mayor and Cabinets' 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.
- 1.1.15 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.
- 1.1.16 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 The recommendations to Cabinet will be included in the final 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

An initial report is submitted at this stage to allow time for the impact of the changes announced immediately before Christmas in the 2018 Provisional Local Government Finance Settlement to be assessed and cabinets draft proposals to be finalised.

PART 3 - SIGN OFF

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