

North Tyneside Council Report to Cabinet Date: 9 September 2019

ITEM 5(b)

Title: 2020-2024 Financial Planning and Budget Process incorporating the Associated Engagement Strategy

Portfolio(s): Elected Mayor
Deputy Mayor
Finance and Resources
Community Safety and Engagement

Cabinet Member(s): Norma Redfearn
Councillor B Pickard
Councillor R Glendon
Councillor C Burdis

Report from Service Area: Finance

Responsible Officer: Janice Gillespie, Head of Resources **Tel:** (0191) 643 5701

Wards affected: All

PART 1

1.1 Executive Summary:

This is the initial report to Cabinet outlining the process to be adopted for the Authority's Financial Planning and Budget process for 2020/21 as part of the proposed framework for the four years 2020/21 to 2023/24. Further reports will follow as part of the process of setting the Authority's Budget for the financial year 2020/21. The next report to Cabinet will be on 25 November 2019, which will outline the initial Cabinet Budget proposals.

This report sets out information in relation to:

- The proposed 2020-2024 Financial Planning and Budget process, including information on the key decision milestones. This will include:
 - A review of the Medium-Term Financial Strategy (MTFS) and Medium-Term Financial Plan (MTFP);
 - Development of the detailed General Fund and Housing Revenue Account Budgets for 2020/21;
 - An update of the Investment Plan and the Treasury Management Strategy; and
 - Budget Engagement Strategy to be adopted as part of the 2020-2024 Financial Planning and Budget process.

1.2 Recommendation

It is recommended that Cabinet:

- (a) approves the proposed outline 2020-2024 Financial Planning and Budget process, which incorporates the key decision milestones and dates as set out at Appendix A to this report;
- (b) approves the Budget Engagement Strategy as part of the 2020-2024 Financial Planning and Budget process as set out at Appendix B to this report; and
- (c) authorises the Chief Executive in consultation with the Elected Mayor, Deputy Mayor, Cabinet Member for Finance and Resources, Cabinet Member for Community Safety and Engagement, the Head of Law and Governance and the Head of Resources, to make any changes necessary to the 2020-2024 Financial Planning and Budget process following the outcome of the Constitution review as described in section 1.4.2 of this 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 22 July 2019.

1.4 Information

Council Plan and Policy Framework

- 1.4.1 The Budget and Policy Framework Procedure Rules are set out in Part 4.7 of the Authority's Constitution. The Budget is guided by paragraph 4.7.3 covering the process for the preparation, consideration and final approval of the Authority's Budget. The constitutional requirements for preparing, considering and approving the Budget, drive the timetable for the Financial Planning and Budget process.
- 1.4.2 The development of the Budget will follow the process laid down in the Authority's Constitution. However, as Cabinet will be aware, the Constitution is presently under review, and that review will include the annual budget approval process. It is expected that any amendments to the process will be the subject of a report to Council at its meeting in November 2019, but it is anticipated that the decision-making meeting of Council to set the Budget and Council Tax level will remain as 20 February 2020. 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 the Budget is considered as part of preparing the Annual Governance Statement to Council each year.
- 1.4.3 The priorities in the Council Plan (the "Our North Tyneside Plan") will provide the strategic policy framework within which budget resources will be allocated for 2020-2024.

Background

- 1.4.4 The last few years have been uncertain but financial planning for 2020/21 is particularly difficult. The Social Care Green Paper is 2 years late, the promised Comprehensive Spending Review has yet to emerge, the Fair Funding and Business Rates Retention review is in doubt and the future of Government grants such as the Better Care Fund and Troubled Families are also uncertain.
- 1.4.5 The financial outlook for local government and public services as a whole remains challenging. Local government has faced significant funding reductions and these are

likely to continue into the future. In the first Spring Statement presented to Parliament on 13 March 2019, the former Chancellor, Philip Hammond, highlighted recent upturns in economic estimates but the statement also had undertones of caution needed for the years to come.

- 1.4.6 Medium-term financial planning remains difficult and reflects the continuing funding cuts for local government, coupled with welfare reform and with increased demand for social care and other unfunded pressures arising from pay and price inflation. There are indications that many authorities are overspending against budgets for both Adults and Children's Services in order to meet increasing cost due to the increased complexity of service users' needs. These pressures are evident in the Authority and as a consequence the Authority will need to explore new financial and organisational initiatives to meet this significant challenge.
- 1.4.7 At a local level, there are changes in North Tyneside's demography with an increasing population and a growing number of our most vulnerable residents requiring complex health and social care support. The Authority, wherever possible, aims to manage demand as effectively as possible, targeting services at those residents with greatest need. This can only contain, or at best slightly reduce, the overall size of the population in receipt of these services. However, the average cost of these services has risen due to the increased average complexity of the needs of those clients.
- 1.4.8 In the March 2017 Budget, the Government said that it would publish a Green Paper on social care during the summer of 2017 to allow a public consultation to be held. This publication was to set out proposals to ensure that the care and support system would be sustainable in the long-term was then delayed until just before the 2018 Parliamentary summer recess. The paper has been delayed again and it is unclear when the Government intends to publish it. When the Green Paper is published it is also intended that there will be a review of the current functioning and structure of the Better Care Fund to make sure that it supports the Governments future plans for social care.
- 1.4.9 On 10 April 2019 European Union leaders agreed to delay Brexit until 31 October 2019. Due to this, political uncertainty remains high and is causing a delay to many decisions throughout Whitehall. The former Chancellor had announced in the Spring Statement that the Spending Review 2019 (SR19) would be due later in the autumn and would cover the period 2020/21 to 2022/23. However, the current Chancellor, Sajid Javid, announced on 8 August 2019 that there would be a fast-tracked one-year Spending Round to ensure departments can focus on delivering Brexit by 31 October 2019.

Details of the Spending Round have yet to be released but is expected that this will be completed in September 2019. A one-year settlement is likely to be on the basis of a roll-forward with current resources remaining the same as those in 2019/20. In real terms, this would mean that the settlement would be "cash flat" with the potential for additional funding for social care.

- 1.4.10 A one-year settlement will have implications for the Fair Funding Review (FFR) and reform of the Business Rate Retention Scheme (BRRS). The FFR had been scheduled for implementation from April 2020 alongside a move to 75% BRR. Uncertainty will remain as to future local government allocations post 2020/21. Significant risks remain to the Authority's funding around the principles yet to be agreed for fair funding distribution and how the move to 75% BRR is implemented.

- 1.4.11 The current Medium-Term Financial Plan (MTFP) covers the period to the end of 2022/23. Whilst there is a great deal of financial uncertainty, recommended practice suggests that due consideration is given not only to the short-term but to how the Authority will continue to finance its activities in the medium-term. It is therefore recommended at this stage that the MTFP covers the four-year period 2020/21 to 2023/24.

1.5 Background

Council Plan 2018-2020

- 1.5.1 The current Council Plan (the “Our North Tyneside Plan”) was approved by Council on 15 February 2018. The Plan, which was developed through the North Tyneside Strategic Partnership, sets out the overall vision and policy context within which the Financial Plan and Budget proposals are set. It provides a clear strategic framework for the Authority and its partners to operate within. The Plan also provides the strategic policy context for all financial decisions and delivery of services. This programme is designed to reshape services to ensure that the outcomes set out in the Council Plan can be delivered within the resources allocated through the Financial Planning and Budget Setting process.
- 1.5.2 The Our North Tyneside Plan is focused on ensuring that the Authority works better for its residents. It is supported by three key plans, “We Serve”, “An Ambition for North Tyneside and the Medium-term Financial Plan.

The Plan has three key themes – Our People, Our Places and Our Economy. These themes are based on the Mayor’s priorities for her second term. The Plan includes descriptions of how the organisation will support people in accessing high quality education, deliver regeneration projects across the borough and ensure that North Tyneside is business-friendly. The outcomes for the three themes are set out below:

Our People will:

- Be listened to so that their experience helps the Council work better for residents.
- Be ready for school – giving our children and their families the best start in life.
- Be ready for work and life – with the right skills and abilities to achieve their full potential, economic independence and meet business needs.
- Be healthy and well – with the information, skills and opportunities to maintain and improve their health, well-being and independence, especially if they are carers.
- Be cared for, protected and supported if they become vulnerable including if they become homeless.
- Be encouraged and enabled to, whenever possible, be more independent, to volunteer and to do more for themselves and their local communities.

Our Places will:

- Be great places to live by focusing on what is important to local people, such as by tackling the derelict properties that are blighting some of our neighbourhoods.
- Offer a good choice of quality housing appropriate to need, including affordable homes that will be available to buy or rent.

- Benefit from the completion of the North Tyneside Living project and by North Tyneside Council's housing stock being decent, well managed and its potential use maximised.
- Provide a clean, green, healthy, attractive, safe and sustainable environment. This will involve creating a cycle friendly borough, investing in energy efficiency schemes and by encouraging more recycling.
- Have an effective transport and physical infrastructure - including our roads, pavements, street lighting, drainage and public transport.
- Continue to be regenerated in Wallsend and Whitley Bay, through effective public, private and community partnerships, while ambitious plans will be developed for North Shields, Forest Hall and Killingworth.
- Be a thriving place of choice for visitors through the promotion of our award winning parks, beaches, festivals and seasonal activities.

Our Economy will:

- Grow by supporting new businesses and building on our strengths, including our existing world class companies, and small and growing enterprises.
- Be business friendly, ensuring the right skills and conditions are in place to support investment, and create and sustain new high quality jobs and apprenticeships for working age people.
- Continue to support investment in our business parks, units and town centres.

It is these key policy priorities that form the direction of resource allocation when developing the Budget and MTFP.

Review of the Medium-Term Financial Strategy (MTFS)

- 1.5.3 The Medium-Term Financial Strategy (MTFS) is developed within the context of the strategic priorities and policy decisions made by Cabinet. This ensures that the Authority's strategic plans can be delivered within the financial resources available. In addition, the MTFS ensures the Authority has a clear financial vision and direction for the medium-term and that Cabinet understands the financial implications of decisions that it is taking.
- 1.5.4 As part of the 2020-2024 Financial Planning process, a review of the MTFS will be carried out. It is proposed this will set out the following:
- Analysis of the current financial situation, including the main sources of income, the main financial commitments and the levels of reserves currently held;
 - Provision of a longer-term financial vision for the Authority which is consistent with the overall strategic aims; and
 - A set of actions that set out how the financial vision is to be achieved with appropriate timescales that can be integrated into the medium and short-term financial plans.
- 1.5.5 The Authority has previously agreed a set of principles as part of the process to develop the MTFP and Budget. These are based on best practice guidance produced by the Chartered Institute for Public Finance and Accountancy (CIPFA) and are set out below:
- 1) The overall financial strategy will be to ensure that the Authority's resources are directed to achieving the Council Plan and associated outcomes. The Authority's strategy will be reviewed on at least an annual basis;

- 2) Overall, Authority spending should be contained within original Budget estimates. If, following monthly budget monitoring, Service budgets are projected to exceed original estimates, plans should be prepared setting out the actions required to ensure spending at the end of the year does not exceed original estimates;
- 3) The Authority will maintain its General Fund Balance at a minimum level of £6.8m at the end of each year, subject to a risk assessment as part of the annual Budget-setting process;
- 4) The Authority will aim to balance its revenue Budget over the period of the MTFP without reliance on the use of the General Fund Balance;
- 5) The Authority will plan for any changes to specific grants/interim funding/financial settlement/legislation;
- 6) The Authority will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities. The use and level of earmarked reserves will be reviewed at least annually;
- 7) The Authority will continue to improve its approach to efficiency, commissioning and procurement to ensure value for money and to minimise the impact of savings on priority services as well as effectively managing the efficiency programme;
- 8) Opportunities for working in collaboration and partnership and for different ways of working will be identified and developed where this will support the delivery of the Authority's outcomes and improve service efficiency and delivery. This will include the use of wellbeing powers, development of trading opportunities and different business models, and the sourcing and securing of external funding;
- 9) The Authority will consider the use of prudential borrowing to support capital investment to deliver the Council Plan and will ensure that the full costs of borrowing are taken into account when investment decisions are taken;
- 10) The Authority will aim to promote and stimulate strong and sustainable economic growth leading to wellbeing and prosperity for residents and communities, supported by a planned approach to strategic investment managed through the Authority's Investment Plan;
- 11) The Authority will continue to review its strategic assets to maximise the potential to release value for strategic re-investment and to ensure that asset requirements are aligned to the delivery of services across the borough;
- 12) The Authority recognises the impact of increases in Council Tax levels and fees and charges on our residents, many of whom are struggling on relatively low income and low wealth and will therefore balance the need for increases against the delivery of the Our North Tyneside Plan and demand for services. This will include the consistent application of an agreed fees and charges policy;
- 13) The Authority will continue to consider business risk in all decision-making process and, alongside this, will ensure that resources are aligned to reduce any material financial risk to the Authority; and

- 14) The Authority will continue to review its Treasury Management Strategy and the efficient management of debt on an annual basis, with an ongoing focus on delivering safe stewardship.

These principles will be refreshed as part of the update to the MTFs.

Housing Revenue Account (HRA)

- 1.5.6 Since April 2019 the Housing Property and Construction service has been delivered by the Authority following the in-sourcing of the Kier Joint Venture. This move will see the Authority benefit from aligning the housing business to the Our North Tyneside Plan, deliver value for money to both the General Fund and the HRA and see greater flexibility between repairs and capital works resources to improve services to customers. The first set of benefits in financial terms, to be realised from the new service will be built into the HRA Business Plan from 2020. This will form part of the HRA Budget proposals which will be reported to Cabinet in November 2019.
- 1.5.7 The 2019/20 financial year marks the end of the four-year period of 1% per annum rent reductions for all housing stock introduced by the Government in the Welfare Reform and Work Act 2016. From April 2020 the Government has announced that rent policy will return to being based on increases of Consumer Prices Index (CPI) + 1% per annum for at least the next 5 years in order to give housing authorities greater planning certainty. The Authority is also facing the impact of the continued roll-out of Universal Credit and other welfare reforms.
- 1.5.8 In October 2018 the former Prime Minister, Theresa May, announced that the HRA borrowing cap would be lifted. This means that in future it is up to the Authority to satisfy itself that any borrowing undertaken for the HRA is prudent, affordable and in line with the principles already applied to the rest of the Authority's Investment Plan. This change will afford cabinet the opportunity to consider alternative approaches to debt management, which may have an impact of increasing the resources available for new build council housing. Cabinet should note however, that any change to the Authority's borrowing policy would need to be approved by Full Council. A review of the
- 1.5.9 The impact of the changes as outlined above will to be considered as part of the updating of the thirty-year HRA business plan, which aims to ensure the long-term viability of the HRA in line with the policy direction of the Mayor and Cabinet and the needs of tenants. The majority of this work has now been concluded, and the options available to Cabinet will be reported as part of the HRA Budget proposals which Cabinet will receive in November. For the purposes of the current Financial Planning and Budget process, a four-year revenue plan will be updated and presented in line with the principles adopted for the General Fund.

Investment, Prudential Borrowing and Treasury Management

- 1.5.10 The Capital Investment Strategy is the policy framework document that sets out the principles to be used to guide the allocation of capital investment across all the Authority's Services and informs decisions on capital spending priorities within the Authority's Investment Plan. Investment priorities are considered in the context of the strategic objectives of the Our North Tyneside Plan and other key strategies and plans of the Authority. The Ambition for North Tyneside report adopted by Cabinet on 26 November 2018, articulates the Elected Mayor and Cabinet's ambition for North Tyneside and explains in more detail their future ambitions for each part of the Borough. Delivery of these plans sets the challenge of meeting competing priorities against

limited financial resources. It is intended that a borrowing ceiling will be applied for the Authority in terms of both borrowing requirements and revenue costs.

The Authority's capital investment plans are set out in the Investment Plan, with the latest approved programme covering the period 2019/20 to 2022/23. The effective use of capital resources, including asset management, is fundamental to the Authority achieving its medium and long-term strategic objectives. Capital investment has a significant impact upon the local economy and helps to ensure that the Authority can continue to provide the best possible services and outcomes within North Tyneside.

- 1.5.11 Any capital investment decision will have implications for the Budget. The revenue costs over the lifetime of each proposed capital project are considered when the project is being developed to ensure that the impact can be incorporated within the Authority's financial plans and to demonstrate that the capital investment is affordable. Revenue implications may include the costs associated with supporting additional borrowing, as well as any changes to the running costs associated with the asset or wider benefits to the Authority such as the delivery of ongoing revenue savings or additional income through the generation of business rates, Council Tax or energy revenues.
- 1.5.12 The 2020-2024 Financial Planning and Budget process will include a review of the current Plan and the Capital Investment Strategy with a view to the development of a five-year Investment Plan for the period 2020/21 to 2024/25.
- 1.5.13 The Authority continues to explore external funding possibilities and other resources such as Community Infrastructure Levy (CIL) income, section 106 contributions and section 278 contributions when developing capital projects in order to minimise the borrowing requirement as far as possible. Within the MTFP, assumptions have been made around the level of external funding in the future but detailed work programmes are not committed to until the allocations have been confirmed. Projects and investment plans may therefore be re-prioritised depending on the availability of external funding and alignment with the policy direction of the Elected Mayor and Cabinet.
- 1.5.14 The generation of capital receipts can help to provide resources to support additional capital investment or to reduce the borrowing requirement (therefore the revenue costs). The availability of capital receipts has also reduced in recent years. Currently, no capital receipts have been included within the MTFP projections. If additional capital receipts are generated during the year, this provides the Authority with the flexibility to consider the introduction of additional projects to the Investment Plan or the ability to reduce its borrowing requirements.
- 1.5.15 The Treasury Management Strategy will be reviewed in light of the refreshed Investment Plan and the overall MTFP for both the General Fund and the HRA.

Update on developing the 2020-2024 General Fund Financial Plan and Budget

- 1.5.16 Whilst decisions around Budget-setting are approved on an annual basis, the Authority must demonstrate robust medium-term financial and resource planning. Best practice suggests between three and five years as a reasonable financial planning period.
- 1.5.17 Despite the level of uncertainty with regard to local government funding beyond 2019/20, a four-year Financial Plan is in development. This reflects, as far as possible, known pressures and changes but is based on assumptions in local government funding.

- 1.5.18 Local authorities are legally obliged to set a balanced Budget each year, and to ensure that they have sufficient reserves to cover any unexpected events. To legally balance the Budget, the Authority must make spending plans that match the estimated funding available over that time. The gap between available funds and planned net expenditure is referred to as the “funding gap” or efficiency requirement. In essence, the funding gap is the best estimate of additional resources, be those reductions in expenditure or increases in income, needed to cover rising cost pressures and demand for services alongside a reduced amount of funding from the Government and, to a lesser extent, other external sources.
- 1.5.19 Although there is a great deal of uncertainty, it is estimated currently that the Authority will need to close a gap of £31.730m by 2023/24. This funding gap is summarised in Table 1 below. The figures included below do not include any assumptions on Council Tax increases in the period of the MTFP.

However, when estimating the Core Spending Power for North Tyneside the Government has made an assumption that the Authority will increase Band D Council Tax and Adult Social Care (ASC) precept by the maximum available. North Tyneside used its full ASC precept increases in 2017/18 and 2018/19, therefore the maximum increase is 2.99%.

Table 1: 2020-2024 Indicative MTFP

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Estimated General Fund Base Budget	154.726	155.730	158.531	160.934	161.422
Estimated Growth / Pressures	11.557	13.188	7.263	8.388	9.473
Estimated Resources / Carry Forward General Fund Base Budget	(155.730)	(158.531)	(160.934)	(161.422)	(161.914)
Funding Gap / Efficiencies	10.553	10.387	4.860	7.900	8.981
Cumulative Funding Gap/Efficiencies		10.387	15.247	23.147	32.128

Financial Sustainability

- 1.5.20 As part of the update of the MTFs and the MTFP full consideration will be given to the Authority’s Reserves and Balances Policy and level of reserves to ensure adequate protection against unforeseen events. Within the existing statutory and regulatory framework, it is the responsibility of the Head of Resources (in her role as Chief Finance Officer) to advise the Authority about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use.
- 1.5.21 The Authority, acting on the advice of the Chief Finance Officer, must make its own judgments on the level of reserves and balances taking into account all the relevant local circumstances. These include operational and financial risks, and the arrangements in place to manage them, including adequate and effective systems of internal control. The duties of the Chief Finance Officer in relation to the level of reserves are covered by the legislative framework described in 1.4.1 above. Under the

Local Government Act 2003, the Chief Finance Officer must report to Council on the adequacy of reserves (section 27) and reserve transactions must be taken account of within the required budget monitoring arrangements (section 28).

1.5.22 Setting the level of reserves is just one of several related decisions in the formulation of the financial strategy and the Budget for a particular year. This is carried out as part of the Authority's Financial Planning and Budget process. Account is taken of the key financial assumptions underpinning the Budget, alongside consideration of the Authority's financial management arrangements. In addition to the cash flow requirements of the Authority, the following factors are considered:

- The treatment of inflation and interest rates;
- Estimates of the level and timing of capital receipts;
- The treatment of demand-led pressures;
- The treatment of planned efficiency savings / productivity gains;
- The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital investment developments;
- The availability of other funds to deal with major contingencies and the adequacy of provisions; and
- The general financial and economic climate in which the Authority operates.

1.5.23 Reserves are reviewed during the financial year and table 2 below shows the estimated use, following review of all General Fund reserves over the period to March 2024:

Table 2: General Fund Reserves Summary 2018/19 to 2023/24

Reserves Summary	Closing Balance 31/03/19 £m	Net Contribution(to) / From Reserves					Total
		2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	
General Fund Balances	(6.804)	0.000	0.000	0.000	0.000	0.000	(6.804)
General Fund Reserves	(44.809)	0.781	0.579	0.550	0.550	0.969	(41.380)
General Fund Grants	(3.795)	2.180	0.080	0.080	0.080	0.013	(1.362)
Total Reserves	(55.408)	2.961	0.659	0.630	0.630	0.982	(49.546)

1.5.24 In assessing the adequacy of reserves, consideration is given to the level of un-earmarked reserves available for the management of financial risk to the Authority. The General Fund reserves total of £44.809m includes £22.468m of earmarked reserves, and £22.341m of un-earmarked reserves. The un-earmarked reserves are made up of the following:-

- Strategic Reserve
- Support Change Fund Programme Reserve
- Redundancy and Remuneration Reserve

There is anticipated use of the Redundancy & Remuneration Reserve and the Support Change Fund Programme Reserve over the period of the MTFP leaving the Strategic Reserve as the only material reserve which is un-earmarked.

1.5.25 Table 3 below sets out the level of un-earmarked General Fund reserves held at the end of the 2018/19 financial year and the forecast position at 31 March 2024 as a proportion of Gross Expenditure Budget and General Fund Net Revenue Budget over the period of the MTFP.

Table 3: Reserves comparison for 2018/19 against North Tyneside Gross Expenditure and net General Fund Budget

	2018/19 Balance £m	Forecast 2023/24 Balance £m
Strategic Reserve	14.597	14.597
Support Change Fund Programme	4.894	2.894
Redundancy & Remuneration Reserve	2.850	2.850
Total Usable Reserves	22.341	20.341
Gross Expenditure Budget	354.696	379.062
Reserves as a % of Gross Expenditure Budget	6.30%	5.37%
General Fund Net Revenue Budget	154.725	161.914
Usable Reserves as a % of General Fund Net Revenue Budget	14.44%	12.56%

1.5.26 There are many factors involved when considering appropriate levels of reserves which need to be assessed by individual local authorities. Included in the 2018/19 Annual Completion Report from the external auditor was a comparison across the LA7 region of levels of balances. This indicated that un-earmarked reserves within North Tyneside are lower than most in the region.

1.5.27 The Chief Finance Officer considers that these reserve levels are adequate, particularly when considered against the degree of uncertainty surrounding local government finance. She also considers that the Strategic Reserve should be sustained at least at this level over the period of the four-year MTFP.

Equality and Diversity Considerations

1.5.28 The Authority has specific responsibilities under the Equality Act 2010 and Public Sector Equality Duty. Part of this is to ensure that the potential effects of decisions on those protected by the equalities legislation are considered prior to any decision being made. The Authority will continually monitor the effect of our Budget-setting process and decision-making by using equality impact assessments.

1.5.29 Full impact assessments will be included in all proposals for inclusion with the initial Budget proposals in November 2019 in order to be available to Cabinet when it further considers the MTFP and Budget proposals on 25 November 2019. An equality impact assessment is also carried out on the proposed Budget Engagement Strategy.

The Public Sector Equality Duty of the 2010 Equality Act requires that public sector organisations publish information annually relating to people with protected characteristics who are its employees or are affected by its policies and practices. In addition, at least once every four years, organisations should include consideration of

the equality objectives the organisation thinks it should achieve to meet the general equality duty.

The Authority fulfilled this duty by publishing its Annual Equality and Diversity Review in June 2019. A report outlining the review was presented to Cabinet on 29 July 2019, in accordance with the Authority's Equality and Diversity Policy governance arrangements.

2020/21 Financial Planning and Budget process Timetable of Key Decision Milestones

- 1.5.30 Key aspects of the 2020/21 Financial Planning and Budget process timetable are set out at Appendix A to this report. This highlights key decision milestones in the process.
- 1.5.31 The Elected Mayor and Cabinet are responsible for formulating the Authority's Budget. The Cabinet Member for Finance and Resources, in close consultation with the Elected Mayor, has been nominated as the lead Cabinet Member for the overarching 2020-2024 Financial Planning and Budget process. The Head of Resources will be the project sponsor.

The Budget Engagement Strategy

- 1.5.32 North Tyneside Council is committed to being an organisation that works better for residents and to ensure that it listens and cares. This commitment includes giving residents and other key stakeholders an opportunity to be involved in the Financial Planning and Budget process.
- 1.5.33 The aim of the Budget Engagement Strategy is to reach different sectors of the population through an approach that encompasses engagement with residents as a whole and customers/users of services as well as particular groups of people, including those with protected characteristics. The approach also ensures reach with particular interest groups such as carers, older people, children and young people, council housing tenants. The Budget Engagement Strategy also ensures targeted activity with specific external and internal stakeholder groups. Full details of the Budget Engagement Strategy are set out at Appendix B to this report.

1.6 Decision options:

- 1.6.1 The Authority's Constitution and Budget and Policy Framework Procedure Rules set out the stages to be completed in relation to agreeing the Budget of the Authority. There are no other options available in relation to this. The Budget Engagement Strategy forms part of the 2020-2024 Financial Planning and Budget process.
- 1.6.2 Cabinet is referred to the legal requirements as stated in paragraph 2.2 of this report.

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 – 2020/21 Financial Planning and Budget process: Timetable of Key Milestones

Appendix B – 2020/21 Budget Engagement Strategy

1.9. Contact officers:

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Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- (a) Authority's Constitution and Budget and Policy Framework Procedure Rules

http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=566296

N.B. The Budget and Policy Framework can be found at part 4.7 of the Constitution.

- (b) 2018-2020 Our North Tyneside Plan

[Our North Tyneside Plan 2018-2020 | North Tyneside Council](#)

- (c) Treasury Management Strategy

https://my.northtyneside.gov.uk/sites/default/files/meeting/related-documents/cabinet%20ex%20agenda%20for%2021%2001%202019_0.pdf

(Annex 1, Section 8, page 61)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

- 2.1.1 The financial implications arising from the outcomes of this report will be appraised as part of the decisions made as to what will be included in the Authority's 2020-2024 MTFP, incorporating the 2020/21 Budget-setting process. Decisions on the Budget in relation to the General Fund, Housing Revenue Account, school's funding and the Investment Plan need to be made within the overall context of the resources available to the Authority and within the legal framework for setting budgets. The Authority will need to examine closely the links with key funding partners and their proposed financial plans, including an assessment of the impact of any grant fall-out over the proposed four-year resource-planning period.
- 2.1.2 Cabinet and Council need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances proposed as part of the four-year MTFP for 2020-2024 in accordance with the Authority's Reserves and Balances Policy most recently agreed by Council on 21 February 2019.
- 2.1.3 The only direct financial implications arising from this report will be any residual costs arising from support for engagement activity. These costs will be met from existing budgets.

2.1.4 The Budget Engagement Strategy for 2020/21 will, in part, help to inform decisions about what will be included in the four-year MTFP for 2020-2024.

2.2 Legal

2.2.1 The Local Government Finance Act 1992 requires the Authority to set a balanced budget in the context of the resources available, including Government grants, business rates and Council Tax income.

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

2.2.3 The Council has agreed that the Council Plan is part of the policy framework (as a "local choice" plan) and as such it must be agreed in accordance with the rules of procedure relating to the Budget and Policy Framework (Part 4.7 of the Authority's Constitution).

2.2.4 The 2020-2024 Financial Planning and Budget process has been prepared to comply with the timescales required within the Budget and Policy Framework Procedure Rules contained within the Authority's Constitution. Decision-making in relation to the Housing Revenue Account is the responsibility of Cabinet, in accordance with section 9D of the Local Government Act 2000 (as amended).

2.3 Consultation/community engagement

2.3.1 Internal consultation

Consultation has been carried out with the Elected Mayor, Deputy Mayor, and the Cabinet Member for Finance and Resources, the Cabinet Member for Community Safety and Engagement, the Chief Executive and the Senior Leadership Team. At the appropriate stage in the process, and the Budget proposals will be scrutinised as set down in the Authority's Constitution and Budget and Policy Framework Procedure Rules.

2.3.2 External consultation / engagement

The Budget Engagement Strategy for 2020/21 as outlined in this report sets out the process by which residents and other stakeholders will be involved in the consultation on the 2020/21 Budget as part of the 2020-2024 Financial Planning and Budget process.

2.4 Human rights

All actions and spending contained within the Budget are fully compliant with national and international human rights law. This will be detailed as part of the Financial Plan and Budget at the appropriate stage in the process. 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

In undertaking the process for the Budget 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 the Authority will be taking a phased approach:

- An Equality Impact Assessment will be carried out on the proposals for the Budget Engagement Strategy. The aim will be to remove or minimise any disadvantage for people wishing to take part in the engagement activity. The Authority will make direct contact with groups representing persons with protected characteristics under the Equality Act 2010 to encourage participation and provide engagement in a manner that will meet their needs. Appendix B outlines the approach the Authority is taking.
- The outcome of any decisions made following engagement activity will be subject to further Equality Impact Assessment.

2.6 Risk management

Individual projects within the 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 Service or Corporate / Strategic 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 Individual proposals within this report do not themselves have direct implications for crime and disorder. However, ultimately decisions may be made and considered as part of the overall Financial Planning and Budget process, as set down in this report. These will be detailed as part of reporting the Budget at the appropriate stage in the process.
- 2.7.2 Under the 1998 Crime and Disorder Act, local authorities have a statutory duty to work with partners on the reduction of crime and disorder. This is fulfilled through the Safer North Tyneside partnership within the framework of the North Tyneside Strategic Partnership.

2.8 Environment and sustainability

The proposals within this report do not themselves have direct implications in relation to the environment and sustainability. However, ultimately decisions may be made and considered as part of the overall Financial Planning and Budget process of the Authority, as set down in this report. These will be detailed as part of the Budget at the appropriate stage in the process.

PART 3 - SIGN OFF

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