

North Tyneside Council

Report to Council

Date: 20 February 2020

Title: 2020-2024 Financial Planning and Budget Process: Elected Mayor and Cabinet Budget and Council Tax Requirement Resolution for 2020/21

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

Report from: Senior Leadership Team

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

Wards affected: All

PART 1

1.1 Executive Summary:

1.1.1 The Constitution sets out, in its Budget and Policy Framework Procedure Rules, the process that the Authority has agreed for setting the Budget and the Council Tax Requirement. The 2020–2024 Financial Planning and Budget process, incorporating the 2020/21 Budget, reflects these requirements. Further details of the decision-making process are set out in paragraphs 1.5.20 to 1.5.27 of this report.

1.1.2 This report, supporting Annex 1 and its Appendices sets out the 2020-2021 Council Tax Requirement and the Council Tax calculation of estimates and amounts that was considered by Cabinet on 3 February 2020. The report attached at Annex 1 presented the 2020-2021 Council Tax Requirement and the estimates and amounts for all aspects of the Elected Mayor and Cabinet’s proposed spending and resource plans for the General Fund Revenue Budget (including the Dedicated Schools Grant), the 2020-2025 Investment Plan and the Treasury Management Strategy and Annual Investment Strategy for 2020/21. The report also indicated the proposed Council Tax Level for 2020/21 that would be required to fund the spending plans outlined in the report. It is important to note that the report attached at Annex 1 includes Cabinet’s consideration of the

Housing Revenue Account Budget. Although these elements are included, they are not for consideration by Council at this meeting.

- 1.1.3 Following Cabinet's decisions on 3 February 2020, the report is now being submitted to be received by full Council at this meeting. At its meeting on 3 February 2020, Cabinet granted delegated authority to the Elected Mayor to make any final amendments to Cabinet's proposals in relation to information still outstanding, in order that due consideration could be given to the final level of Council Tax that Cabinet wishes to put forward to full Council for approval for 2020/21 (recommendation 1.2.1 (q) in the original Cabinet report refers).

At the time of writing this report the following information has yet to be received:

- Tyne & Wear Fire and Rescue Authority precept;
- Public Health Grant allocation;
- Tyne and Wear Joint Service Budgets;
- Youth Justice Board Grant allocation;
- Northumberland Inshore Fisheries and Conservation Authority Levy; and
- Tyne Port Health Authority Levy.

- 1.1.4 The proposed increase to the Tyne & Wear Fire and Rescue Authority precept for 2020/21 is 1.99%. A decision on the proposed increase is not due to be taken by the Fire Authority until 17 February 2020. In line with the delegation granted to the Elected Mayor, where necessary, amendments to the Budget and Council Tax Requirement Resolution arising from the outstanding information detailed above will be notified to all Members and Co-opted Members of the Council in the week commencing 17 February 2020. All amendments will be incorporated into the Cabinet's formal Budget Resolution for 2020/21. Any Notice(s) of Objection will be submitted on the same basis.

- 1.1.5 This report is now presented by the Elected Mayor and Cabinet to Council, recommending the Authority's 2020-2024 Our North Tyneside Plan, the 2020/21 General Fund Revenue Budget, Council Tax Requirement and Council Tax Level, the 2020-2025 Investment Plan and the Treasury Management Strategy Annual Investment Strategy for 2020/21.

- 1.1.6 The purpose of this report is therefore to present, for Council's consideration and approval:

- (a) The 2020-2024 Our North Tyneside Plan;
- (b) The Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution in order to set the 2020/21 General Fund Revenue Budget and 2020/21 Council Tax Requirement and the Council Tax Level for 2020/21;
- (c) The Elected Mayor and Cabinet's proposals for the 2020-2025 Investment Plan, including the Capital Investment Strategy and proposed prudential indicators for 2020/24; and
- (d) The Elected Mayor and Cabinet's proposals for the Treasury Management Strategy and Annual Investment Strategy for 2020/21.

There is also a requirement to obtain appropriate delegations as set out in this report.

1.2 Recommendations:

1.2.1 Council is recommended to:

- (a) Agree the 2020-2024 Our North Tyneside Plan, which now takes into consideration the comments received from the engagement process and the recommendations of Overview and Scrutiny's Budget Sub Group. The 2020-2024 Our North Tyneside Plan is attached in the Annex 1, Appendix A to this report;
- (b) Agree the recommendations and delegations set down in paragraph 1.5.29 of this report in relation to the 2020/21 General Fund Revenue Account Budget, the 2020/21 Council Tax Requirement and Council Tax Level for 2020/21, being the Elected Mayor and Cabinet's Budget and Council Tax Requirement Resolution;
- (c) Agree the Elected Mayor and Cabinet's proposals for the 2020-2025 Investment Plan, including the Capital Investment Strategy and proposed prudential indicators for 2020/21. previously agreed at Cabinet on 3 February 2020, attached in the Annex 1, Appendix D (i), (iii) and (iv) of Appendix A to this report; and
- (d) Agree the Elected Mayor and Cabinet's proposals for the Treasury Management Strategy and Annual Investment Strategy for 2020/21, attached in the Annex 1, Appendix E of Appendix A to this report.

1.3 Forward Plan:

- 1.3.1 The report first appeared on the Forward Plan that was published on 23 December 2019.

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 Constitution. The Budget-setting process is 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 during the preparation of the Annual Governance Statement.

1.5 Information:

The 2020/21 General Fund Revenue Budget and Council Tax Level

2020/21 Financial Plan and Budget

- 1.5.1 At its meeting on 9 September 2019, Cabinet approved the process and timetable to be adopted for the preparation of the draft 2020-2024 Financial Plan, 2020/21 Revenue Budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2020-2025 Investment Plan, as part of the overall Financial Planning and Budget process for 2020-2024. Cabinet also approved the Budget Engagement Strategy.
- 1.5.2 Budget engagement in line with the Strategy agreed by Cabinet on 9 September 2019, has been undertaken and is summarised in the 3 February 2020 Financial Planning and Budget Report to Cabinet.
- 1.5.3 The following delegations and authorisations were recommended and agreed at Cabinet on 3 February 2020:
- (a) Authorise the Elected Mayor to make any final amendments to the Cabinet's proposals in relation to that information which is still outstanding to enable due consideration to be given to the final level of Council Tax the Cabinet proposes to full Council for approval for 2020/21;
 - (b) Authorise the Chief Executive, in consultation with the Elected Mayor, Deputy Mayor, Cabinet Member for Finance and Resources and the Senior Leadership Team to manage the overall Efficiency Programme and note that decisions made under this delegated authority will be reported to Cabinet as part of the regular budget monitoring information provided; and
 - (c) Grant delegated authority to the Chief Executive, in consultation with the Elected Mayor and Head of Resources to authorise the purchase of homes, on the open market, using S106 monies received by the Authority for affordable housing, 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 social rent is progressed in line with the Cabinet's priorities.
- 1.5.4 The Overview, Scrutiny and Policy Development Committee Budget Study Group met on 13 January 2020 to consider the Budget Study Groups report on Cabinet's initial Budget proposals. This report was subsequently received by Cabinet at its meeting on 3 February 2020. At that meeting Cabinet also set out its final Budget proposals. These were considered by the Overview, Scrutiny and Policy Development Committee Budget Study Group on 4 February 2020. An extraordinary Cabinet meeting was held on 10 February 2020 where Cabinet noted that the Budget Study Group had made no further recommendations.

1.5.5 Since the Cabinet meeting on 3 February 2020, some information remains outstanding as set out in paragraph 1.1.3. This includes the Tyne & Wear Fire and Rescue Authority precept, the Public Health Grant, the Tyne Port Health Authority and the Environment Agency levies and the Tyne and Wear Joint Service Budgets. In line with the delegation granted to the Elected Mayor, where necessary, amendments to the Budget and Council Tax Requirement Resolution arising from the outstanding information detailed above will be notified to all Members and Co-opted Members of the Council in the week commencing 17 February 2020. All amendments will be incorporated into an amended Budget Resolution for 2020/21. Any Notice(s) of Objection will be submitted on the same basis.

Where information has been received this has been incorporated into the Budget and Council Tax Requirement Resolution and are repeated in Table 3 below for completeness; they are as follows:

1. Final Local Government Finance Settlement announcement for 2020/21

1.5.6 The Final Local Government Finance Settlement for 2020/21 was announced via written statement on 6 February 2020. There was no change to the Provisional Settlement.

2. Police and Crime Commissioner for Northumbria Precept

1.5.7 Police and Crime Commissioner for Northumbria

Precept increase of 1.99% over the 2019/20 level was approved on 4 February 2020.

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

North Tyneside Council Business Rates Taxbase

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

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

Table 1: 2020/21 Percentage share of Business Rates for the Authority

	Share
Share to Government	50%
Distribution to the Tyne and Wear Fire and Rescue Authority	1%

Retained by North Tyneside Council	49%
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1.5.10 The 2020/21 NNDR1 form for the Authority ultimately calculates the total amounts due to be retained by the billing authority, its major precepting authorities and the Government in 2020/21. The NNDR1 form for the Authority was submitted to the Ministry of Housing, Communities and Local Government on 28 January 2020. The final NNDR1 results are the figures shown in Table 2 below for the Authority:

Table 2: 2020/21 North Tyneside Council Business Rates Calculation

	2020/21 £m
Central Government Share	28.555
Tyne and Wear Fire and Rescue Authority Share	0.571
North Tyneside Council Retained Business Rates	27.955
Total	57.081

1.5.11 The outcome of the Authority's NNDR1 form for 2020/21 is to result in an estimated £0.020m decrease to Section 31 grant available to the Authority and a £0.003m increase in the cost of collection.

4. Local Council Tax Support (LCTS) Administration Subsidy Grant

1.5.12 The LTCS Administration Subsidy Grant has been confirmed at £0.279m for 2020/21, a decrease in cost of £0.004m.

5. Housing Benefit Subsidy Administration Support Grant

1.5.13 The Housing Benefit Subsidy Administration Support Grant has been confirmed at £0.696m in 2020/21, a decrease in cost of £0.080m.

6. Tyne and Wear Transport Levy

1.5.14 The Authority's share of the Tyne and Wear Transport Levy was confirmed at £11.075m in 2020/21, an increase in cost of £0.014m.

7. Environment Agency Levy

1.5.15 The final Environment Agency Levy for 2020/21 is £0.200m, an increase in cost of £0.006m.

Effect of Amendments to the 2020/21 General Fund Revenue Budget

1.5.16 The effect of the above amendments is set out in Table 3 below:

Table 3: Effect of Amendments to 2020/21 General Fund Revenue Budget

Item	Change in Spending Power since 3 February 2020	Change £000s
	Spending Changes	
3	NNDR Cost of Collection	+3
4	Localised Council Tax Support (LTCS) Administration Subsidy Grant	-4
5	Housing Benefit Subsidy Administration Support Grant	-80
6	Tyne and Wear Transport levy	+14
7	Environment Agency Levy	+6
	Total Spending changes	-61
	Resources Changes	
3	Section 31 grant (as a result of final NNDR1 form 2020/21) and total	20
	Change in Spending Power since 3 February 2020	-41

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

Final Proposals for the 2020/21 General Fund Revenue Budget

1.5.17 In accordance with the delegation, as referred to in recommendation 1.2.1 (q) in the 3 February 2020 Cabinet report, the Elected Mayor has given due consideration to the impact of the change in available resources in determining the Council Tax Level for 2020/21. The amendments, shown in Table 3 above, allow for an increase in spend of (£0.041m). It is proposed to allocate this £0.041m to contingencies.

Spending Changes	Change £000s
Increase in contingencies	+41
Net Change	+41

Council Tax Increase for 2020/21

- 1.5.18 The Authority's element of the Council Tax Level for 2020/21 (excluding precepts) is proposed to be as set out in the report to Cabinet on 3 February 2020 i.e. a general 1.99% increase in Council Tax and Adult Social Care Precept 2%. This is in line with the Government's assumptions.

Business Community Engagement

- 1.5.19 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 24 January 2020.

Process for Consideration and Determination of the Budget

- 1.5.20 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 to ensure compliance with the statutory requirements, which is set out in the Budget & Policy Framework Procedure Rules in the Constitution.
- 1.5.21 At this meeting, full Council will debate and give detailed consideration to Cabinet's Budget estimates of amounts and the Council Tax Requirement. The full Council is able to raise objections to the Cabinet's proposals and final Notices of Objection should be submitted to the Head of Resources on behalf of the Chief Executive by 4pm on 18 February 2020.
- 1.5.22 Although at the time of writing this report the Tyne and Wear Fire and Rescue Authority precept has yet to be confirmed. This Authority anticipated that the proposed increase of 1.99% will be confirmed on 17 February 2020. Therefore, it is possible for the Council Tax Requirement to be set at this meeting. The outstanding information in relation to the Police precept and the Final Local Government Finance Settlement has now been received and assessed.
- 1.5.23 Following this meeting, the Elected Mayor may be required to reconsider the Cabinet's proposals, taking into account any objections agreed by full Council. A Cabinet meeting has been scheduled for 24 February 2020, if required, for this purpose.
- 1.5.24 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 2020/21 set. This meeting, if required will take place on 5 March 2020. 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 2020/21

- 1.5.25 The Localism Act 2011, introduced changes which impact on the Council Tax calculation for 2020/21 as part of the formal Budget and Council Tax Resolution.
- 1.5.26 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 for Housing, Communities and Local Government and agreed by Parliament.
- 1.5.27 The Council Tax referendum principles for 2019/20 were that any authority who proposed to increase Council Tax by 3% or more, excluding the social care precept, would be subject to a binding referendum of the local electorate. The 2020/21 Local Government Finance Settlement included a decrease of 1% to the Council Tax referendum limit for 2020/21.

Council Tax Requirement

- 1.5.28 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 the Authority for 2020/21, based on the 2020/21 Budget Requirement is set out in Table 4 below:

Table 4: 2020/21 Council Tax Requirement for North Tyneside Council

	£	£
2020/21 Budget Requirement		161,361,086
Financed by:		
Revenue Support Grant	(11,379,952)	
Retained Business Rates	(27,954,628)	
Business Rates Top Up	(20,505,024)	
Council Tax Collection Fund Surplus	<u>(635,642)</u>	
		<u>(60,475,246)</u>
Council Tax Requirement		100,885,840

2020/21 Council Tax Requirement Resolution

- 1.5.29 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 noting the estimated allocation of £165.721m in Dedicated Schools Grant, for 2020/21:

£

General Fund Revenue Budget	161,361,086
Total	<u>161,361,086</u>

2. The following levies be included in the 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	11,075,330
Environment Agency	<u>200,346</u>
Total	<u>11,275,676</u>

3. The contingency be set as follows:

	£
Contingency	<u>6,983,255</u>
Total	<u>6,983,255</u>

4. Note that at its meeting held on 20 January 2020, Cabinet agreed the Council Tax base for 2020/21 for the whole Authority area as 61,870 (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 2020/21 is £100,885,840 (as set down in paragraph 1.5.28, Table 4).
6. Agrees that the following amounts now calculated by the Authority for the year 2020/21 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992, as amended (the Act):
- (a) £368,036,610 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(2) of the Act.
- (b) £267,150,770 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 31A(3) of the Act.
- (c) £100,885,840 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) £1,630.61 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	1,087.07
B	1,268.26
C	1,449.43
D	1,630.61
E	1,992.96
F	2,355.33
G	2,717.68
H	3,261.22

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 2020/21 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	91.33
B	106.56
C	121.78
D	137.00
E	167.44
F	197.89
G	228.33
H	274.00

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

Note that for the year 2020/21 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	55.98
B	65.31
C	74.64
D	83.97
E	102.63
F	121.29
G	139.95
H	167.94

(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 2020/21 for each part of its area and for each of the categories of dwellings shown below:

Council Tax Band	£
A	1,234.38
B	1,440.13
C	1,645.85
D	1,851.58
E	2,263.03
F	2,674.51
G	3,085.96
H	3,703.16

7. The Authority's relevant basic amount of Council Tax for 2020/21 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 £6.983m as pressures incurred during 2019/20 have been recognised as part of the 2020/21 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 is adopted as set out and is subject to review at least annually.
12. The Chief Executive, in consultation with the Elected Mayor, Deputy Mayor, Cabinet Member for Finance and Resources and the Senior Leadership Team to manage the overall Efficiency Programme and note that decisions made under this delegated authority will be reported to Cabinet as part of the regular budget monitoring information provided.
13. The Chief Executive, in consultation with the Elected Mayor and Head of Resources, to authorise the purchase of properties, on the open market, providing value for money is demonstrated and the cost can be contained within existing financial resources of the Authority. This is to ensure that the programme of delivery of affordable homes and homes at social 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 Rates 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 its 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.

2020-2025 Investment Plan

- 1.5.30 Full Council is requested to approve the proposals for the 2020-2025 Investment Plan, set out in the Annex 1, Appendix D (i), (iii) and (iv) to this report.

Statement to Council by the Chief Finance Officer

Background

- 1.5.31 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.

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

1.5.33 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 consideration will be given to CIPFA's guidance in relation to the adequacy of reserves and balances.
Statement

Robustness of Estimates

1.5.34 In assessing the robustness of estimates, the Chief Finance Officer has considered the following issues:

- The general financial standing of the Authority;
- The underlying Budget assumptions from the Medium-Term Financial Strategy;
- Future Budget pressures and growth proposals, including the impact of prudential borrowing for the 2020-2025 draft Investment Plan;
- The adequacy of budget monitoring and the 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 2018/19 Statement of Accounts, presented to full Council on 25 July 2019;
- The adequacy of unearmarked and earmarked reserves to cover any potential financial risks faced by the Authority; and
- The outcome of the 2020 Provisional Local Government Finance Settlement, the Spending Round 2019 of 4 September 2019 and the Final Local Government Finance Settlement released on 6 February 2020 and the implications for the Authority.

1.5.35 The level of contingencies will be £6.983m in recognition of the emerging pressures identified in during 2019/20 and the on-going demand pressures in adult and children's social care.

1.5.36 Reserves are relatively low and at a minimum level when considering the risks, the Authority faces, and the level of efficiencies required to be achieved in the medium-term.

1.5.37 The Cabinet is aware it must keep its Medium-Term Financial Strategy and four-year Medium-Term Financial Plan under review, in the context of the 2020-2024 Our North Tyneside Plan and known key financial risks. Future pressures need to be considered and the Authority cannot take 2020/21 in isolation to future years' needs and pressures. Each year's Budget must continue to be considered

within the context of at least a four-year Medium-Term Financial Plan, the five-year Investment Plan, the Medium-Term Financial Strategy, the global economic position prevailing at the time, and the impact of the UK leaving the European Union.

- 1.5.38 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 recognised as set out in the Authority's Financial Regulations and in the roles and responsibilities section of the Authority's Budget Management Handbook.

Capital Investment Strategy

- 1.5.39 In line with the 2017 changes to the Prudential Code's 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'. The Authority have ensured that that all projects within the 2020-2025 proposed 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.
- 1.5.40 In terms of the overall investment position of the Authority, as set out above, a Capital 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 Authority's ambition for North Tyneside.

Adequacy of Financial Reserves

General Fund

- 1.5.41 The 2020-2024 Medium-Term Financial Plan currently assumes no use of reserves to support the Budget. The current Plan maintains the Strategic Reserve at least the planned level of £10.000m over the life of the Plan. In line with the Authority's agreed Reserves and Balances Policy. Any unplanned use of the Strategic Reserve over the Plan may take the level outside of this boundary and corrective action would be needed to demonstrate how the £10.000m agreed level would be restored.
- 1.5.42 Guidance on Local Authority Reserves and Balances is given in Local Authority Accounting Panel Bulletin 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 2020/21 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 2020-2024 Medium-Term 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 2020/21 is set down in paragraph 1.5.28 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 the Council Tax Requirement. Full Council will consider whether it has any objections to Cabinet's proposals.
- 1.6.3 Although at the time of writing this report the Tyne and Wear Fire and Rescue Authority precept has yet to be confirmed. This Authority anticipated that the proposed increase of 1.99% will be confirmed on 17 February 2020. Therefore, it is possible for the Council Tax Requirement to be set at this meeting. The outstanding information in relation to the Police precept and the Final Local Government Finance Settlement has now been received and assessed. The Local Government Finance Settlement is going through due approval process.
- 1.6.4 Following this meeting, the Elected Mayor may be required to reconsider Cabinet's proposals, taking into account any objections of full Council. A Cabinet meeting has been scheduled for 24 February 2020, 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 Authority's Budget and Council Tax Requirement calculation will be agreed and the Council Tax Level for 2020/21 set. This meeting will take place on 5 March 2020. 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 2.2.1 to 2.2.4 of this report.

1.8 Appendices:

Appendix A: 2020-2024 Financial Planning and Budget Process: Cabinet's Final Budget and Council Tax Requirement Proposals, Cabinet 3 February 2020

Appendix B: Efficiency Business Cases.

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) Calculation of the 2020/21 Council Tax Base for North Tyneside Council, Cabinet 20 January 2020
- (d) 2020/21 Final Local Government Finance Settlement
- (e) 2020/21 Provisional Local Government Finance Settlement
- (f) Spending Round 2019
- (g) Council General Fund Budget Summaries
- (h) Localism Act 2011
- (i) Local Government (Finance) Act 1992
- (j) 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 2020/21. Decisions on the Budget in relation to the General Fund, Schools' funding, Treasury Management Strategy and Annual Investment

Strategy and Investment Plan need to be made within the overall context of the resources available to the Authority and within the legal framework for setting the Budget, and the statutory Council requirement.

- 2.1.2 Full Council need to have due regard to the Chief Finance Officer's advice in relation to the robustness of the estimates used and to the levels of reserves and balances proposed as part of the four-year Medium-Term Financial Plan for 2020-2024, 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 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 1.5.28. 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 Housing, Communities and Local Government 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 2020/21 Financial Planning and Budget Process has been prepared to comply with the timescales 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 the Final Local Government Finance Settlement received, 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, Head of Resources, Heads of Service, the Elected Mayor and Cabinet.

Community engagement

- 2.3.2 The 2020/21 Budget Engagement Strategy was agreed at Cabinet on 9 September 2019. The Authority's overall approach to engagement ensures that the public should have opportunities to have their say throughout the year. Engagement on the Cabinet's initial Budget proposals and Our North Tyneside Plan priorities took place between 2 November 2019 to 21 January 2020. The Budget proposals have been shaped in the context of the refreshed Our North Tyneside Plan 2020-2024.
- 2.3.3 The engagement gave residents the opportunity to have their say online, via social media and at discussion events. There have also been meetings with key stakeholder groups 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 laws. 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 (EIA) 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 available at the offices of the author.

2.6 Risk management

- 2.6.1 Individual projects within the 2020-2024 Medium-Term Financial Plan and Budget are subject to full risk reviews. For larger projects, individual project risk registers are / will be established as part of the Authority's agreed approach to project management. Risks will be entered into the appropriate operational, strategic, corporate or project risk register(s) and will be subject to ongoing management to reduce the likelihood and impact of each risk.

2.7 Crime and disorder

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

2.8 Environment and sustainability

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

PART 3 - SIGN OFF

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