

Extraordinary Cabinet

16 January 2013

Present: Mrs L Arkley (Elected Mayor) (in the Chair),
Councillors E Hodson, D Lilly, P Mason,
Mrs JA Wallace and GC Westwater

CAB174/01/13 Apologies

Apologies were received from Councillor LJ Miller

CAB175/01/13 Declarations of Interest

The following declaration of interest was made:

Councillor Mrs JA Wallace – Registerable Personal Interest as she had a beneficial interest in property within the Borough, as declared in her registered personal interests. As the Item related to decision making on Council Tax discounts and exemptions, she would withdraw from the meeting during discussion and voting on the item.

CAB176/01/13 2013-2015 Financial Planning and Budget Process: Cabinet's Final Budget Proposals for the 2013/14 Housing Revenue Account (HRA) Business Plan and Budget (All Wards)

Cabinet considered a report on the Final Budget Proposals for the 2013/14 Housing Revenue Account (HRA) Business Plan and Budget.

At its meeting on 10 September 2012, Cabinet approved the process and timetable to be adopted for the preparation of the 2013/14 revenue budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2013-2023 Capital Plan, as part of the overall Financial Planning and Budget process for 2013-2015. Cabinet also approved the Budget Engagement Strategy at that meeting.

The Council's Constitution set out, in its Budget & Policy Framework Procedure Rules, the process agreed to be followed for setting the budget. Following the 2012/13 budget process and subsequent Counsel's advice regarding the respective responsibilities of Council and Cabinet, it was Cabinet's responsibility to set the Housing Revenue Account (HRA) budget, and for setting the rent increase and Capital Plan for 2013/14. The 2013-15 Financial Planning and Budget Setting Process reflected this advice.

Cabinet in its report of 26 November 2012 set out the estimates of amounts for all aspects of the Elected Mayor and Cabinet's proposed spending and resource plans for the General Fund and the Housing Revenue Account budget 2013/14 and associated Capital Plan 2013-2023. In addition the report outlined the proposed housing rent, garage rent and service charge increases for 2013/14.

The report requested approval of the housing rent, garage rent and service charge increases, along with the Housing element of the 2013-2023 Capital Plan. There had been no changes to the increases proposed or to the Housing Capital Plan from the figures presented on 26 November 2012.

Annex 1 of the report set down in detail Cabinet's 2013-2015 final budget proposals for the Housing Revenue Account and associated business plan, the 2013-2023 Housing Capital Plan and the Housing Treasury Management Statement and Annual Investment Strategy for 2013/14.

The 'Voice Your Choice' programme had informed the Council's budget engagement. The first phase ran from 8 October 2012 to 28 October 2012. Information from this phase fed into Cabinet's initial budget proposals. A further phase of engagement on Cabinet's initial proposals continued. The focus was on seeking views through a web based exercise and targeted service lead engagement with groups potentially impacted by the proposals. The exercise had been promoted through the media and the Council's website.

Since April 2012 the Council had engaged with over 300 tenants and leaseholders in detail in relation to the Housing Revenue Account (HRA) Budget changes as the Council had moved into a self financing Housing Revenue Account. Topics included the rent setting process, where money was spent and priorities for the budget moving forward.

Activities included briefings to the North Shields and North West Area Housing Forums on the housing budget and the Annual Gold Ticket Event in July 2012 where the HRA budget priorities and challenges for the year ahead were discussed with 140 tenants. Tenants had also been involved in the review and development of a new housing asset management strategy which set the key priorities for investment in the housing stock.

The Autumn Housing Matters distributed to all 15,500 tenants in November gave tenants information on the rent setting formula, the proposed rent increase for 2013/14 and information on how the rent money was spent. Housing Matters also contained information about current service delivery and the priorities for the future based upon tenant feedback.

Information on the Budget proposals for 2013/14 was available on the Council's website together with the opportunity for customers to feedback their views.

In October 2012 a presentation was provided to the Housing Overview Panel made up of representatives from Service Development Groups of tenants on the budget for 2013/14. This included progress on the budget savings for 2012/13, the rent setting process for 2013/14, potential rent increase and service charges for 2013/14, proposals relating to growth in the budget relating to financial inclusion, bad debt provision, right to buy changes, proposals for new build, inflationary pressures and changes arising out of the welfare reform changes.

Mini gold ticket events were held in the 4 localities of the Borough. The North West event was held on 5 November 2012, Wallsend on 31 October 2012, Whitley Bay on 23 October 2012 and North Shields on 14 November 2012. All were provided with a presentation by the Head of North Tyneside Homes on the draft budget information contained in the paper which was considered by Cabinet on 26 November 2012. Tenants had the opportunity to ask questions and raise issues about the budget directly with the Head of North Tyneside Homes.

All involved tenants were given a more detailed presentation and information on the budget on 13 December 2012, when they had the opportunity to ask questions and raise issues directly with the Head of North Tyneside Homes.

A STAR questionnaire was sent out to over 7,500 tenants and 1,209 completed questionnaires were returned. The main priorities for tenants who were able to select their top 3 choices were:

- High quality timely repairs 69.1%
- Being able to contact the right person to deal with their query 41.5%
- Tackling antisocial behaviour 35.6%
- Having well maintained estates 34.5%
- Value for money from rent and service charges 30.4%
- Making improvements to their homes 28.2%
- Supporting vulnerable customers 15.9%
- New fencing 14.5%
- Building new homes 9.7%.
- Preventing and tackling rent arrears 8.6%

The STAR survey had also identified that 74% of tenants believed that the rent they paid represented value for money.

The Overview and Scrutiny Committee had reviewed the HRA budget on 7 January 2013 and the Economic Prosperity and Housing Sub Committee would receive a presentation on the HRA budget on 14 January 2013. At present there were no recommendations from the Overview and Scrutiny Committee for Cabinet to consider.

The key issues arising from the consultation on Housing so far included:

- Support for building new council homes;
- Pressures on advice services arising from the Government's welfare reform changes;
- Concern at the cumulative impact of welfare reform on tenants of working age, on benefits and on tenants currently under occupying their homes;
- Support for proposals to make it easier for tenants to move home; and
- Tenants were pleased to see continued investment in maintaining their homes to the decent homes standard and the commencement of a fencing programme to start to deal with the fencing backlog.

Section 76 (2) of the Housing Act 1989 required each authority to produce a Housing Revenue Account budget in the January and February that immediately precede the financial year to which it would relate. In relation to the Housing Revenue Account (HRA) revenue budget, there was a legal requirement to give all tenants at least four weeks notice of any rent changes. By agreeing to set the rent increase and the HRA budget at this meeting, Cabinet would ensure that there would be time to comply with the notice period, and to allow time for the production and delivery of the appropriate notifications as well as all relevant system testing and changes to be made.

The Mayor referred to the self financing Housing Revenue Account, introduced as part of Housing Finance reform announced in 2007. She acknowledged the changes had been developed and delivered by Housing Ministers in both the previous and current Government. The Mayor indicated that she would write to them welcoming the new self financing system, providing details of the benefits it had and would bring to North Tyneside and its residents.

Members were given the opportunity to ask questions which were responded to appropriately.

Cabinet considered the following decision options: to agree the proposals set down in the report, or to suggest that further / different options are considered by the Senior Leadership Team.

Resolved that the proposals be approved as follows:

2013-2015 Housing Revenue Account Business Plan and Budget

- (1) the final proposals in relation to the 2013/14 Housing Revenue Account budget, and associated business plan, including an assessment in relation to the current year's budget monitoring information (2012/13), be agreed and the Housing Revenue Account Chief Finance Officer's statement to Cabinet, be noted;
- (2) individual council rents be increased as detailed in the report, to continue to meet the Government's rent restructuring formulae;
- (2) housing service charges and garage rents be increased by 2.6%;
- (3) the assessment in relation to the current year's budget monitoring information (2012/13) and indications of financial plans for 2013/14 and 2014/15 for the Housing Revenue Account, be noted;
- (4) the Housing (HRA) 2013-2023 Capital Plan, be approved;
- (5) the Strategic Director of Finance and Resources be authorised, in consultation with the Elected Mayor, Cabinet Member for Housing, Strategic Director of Community Services and Head of North Tyneside Homes to take appropriate action once the full implications of the Government's Welfare Reform, and the potential impact on the HRA are known, with particular reference to the level of in-year Bad Debt Provision within the HRA;
- (6) the Prudential Indicators specific to the Housing Revenue Account, be approved; and
- (7) the Elected Mayor writes to the Housing Minister welcoming the new self financing system, providing details of the benefits it had and would bring to North Tyneside and its residents.

Treasury Management Statement and Annual Investment Strategy 2013/14

- (8) the Housing Revenue Account Treasury Management Statement incorporating the Annual Investment Strategy for 2013/14 , be approved.

(Reason for decision - In order to maintain the integrity of the self-financing HRA Business Plan, the resources available to the HRA need to be maximised. This requires the Council to follow the path to rent convergence by 2015/16 as assumed in the self-financing model. The full implications of Welfare Reform are as yet unknown, but the Authority will be in a more difficult financial position if it cannot generate the income required to maintain and develop its housing stock.)

CAB177/01/13 Technical Reforms of Council Tax

(N.B. Councillor JA Wallace withdrew from the meeting during consideration and voting on this item.)

Cabinet considered a report which detailed the changes to Council Tax legislation included in the Local Government Finance Act 2012. The Act, which had been granted Royal Assent on 31 October 2012 provided the statutory framework under which the decisions on local discounts and second homes could be made.

The Government's purpose behind the technical reform proposals was to encourage prompt return of empty properties back into occupation by the removal of specified exemptions and the introduction of discounts in their place. The reforms also allowed

the level of discounts to be determined by the Local Authority, whereas exemption levels were prescribed in previous legislation.

There were currently a broad range of exemptions and discounts prescribed by law applicable to liability for Council Tax. Of these there were currently several exemptions and discounts which could be applied to empty and unfurnished properties, depending upon the circumstance of that property.

The recent Government reforms allowed Local Authorities to make their own determination as to how to apply reductions for certain categories of empty properties, and to subsequently retain any additional income generated. Cabinet was asked to bear in mind that while the Council had a strong Council Tax collection record, collection of debt from empty properties may be more difficult than collection from occupied properties.

Within North Tyneside a high proportion of properties were empty, for very short periods of time while owners exchanged contracts, decorated before moving in or where new tenancies were being arranged, etc. This factor had been taken into account in the formulation of the recommended options set out in the report.

The current Statutory Exemptions & Discounts before change on 1 April 2013 were noted as follows:

Class A Exemption - 100% exemption applied where a property was unoccupied and unfurnished and is deemed uninhabitable, as it required or was undergoing major work or structural alterations to make it habitable. The exemption was awarded for up to twelve months.

Class C Exemption - is a 100% exemption applied where a property is unoccupied and unfurnished. The exemption is awarded for up to six months.

Empty Homes 50% Discount - followed the application of an exemption and applied to long term empty properties. It is awarded in the following circumstances:

- An unoccupied and unfurnished property is vested in a deceased estate. The discount is awarded six months after probate is granted or letters of administration issued. This discount is currently granted for an indefinite period until the property is occupied or furnished.
- An unoccupied and unfurnished property awarded after the current Class C 100% exemption has expired. This discount is currently granted for an indefinite period until the property is occupied or furnished.
- An unoccupied and unfurnished property awarded after the 12 month Class A 100% exemption has expired. This discount is currently granted for an indefinite period until the property is occupied or furnished.
- An unoccupied and unfurnished property owned by a charity awarded after the Class B exemption specific to charitable organisations has expired. This discount is currently granted for an indefinite period until the property is occupied or furnished.

Second Home Discount applied when a property was:

- unoccupied but furnished. This currently is awarded a 10% discount until the property becomes occupied or furniture is removed.
- not the sole or main residence of anyone and they have an additional property which is their main residence. 10% discount awarded.

To determine the options available, an analysis of the data available for the last full financial year (2011/12), which was also indicative of trends in the previous 5 years, had

been undertaken. Any changes to 'Class C Exemptions' had to be considered in the context of any changes made to the category 'Empty 50% Discount' as there was a link between the two categories, in that the discount (if any) was applied after the maximum period of the exemption had been applied.

Regarding Class A Exemptions, during 2011/12 almost 1,000 properties of the 94,500 properties in the Borough had met the criteria of being uninhabitable or undergoing major repairs for a period of time, attracting a 100% exemption with a value equivalent to £257k. 46% of the properties were being renovated for sale or re-letting by landlords, investors and developers; 36% were being renovated with the intention of the owners moving in; 16% were flood damaged and awaiting renovation; and the remaining 2% required major work which would take in excess of 12 months.

Under the changes in the Local Government Finance Act 2012 for Class A exemptions, Local Authorities could alter the amount of discount but the period the discount was awarded remains fixed at a maximum of 12 months.

The following options for Cabinet's consideration in relation to Class A exemptions were:

Option 1. remove the exemption and apply a 0% discount. This would increase the debit to collect by approximately £257k.

Option 2. remove the exemption and apply a 25% discount. This would increase the debit to collect by approximately £192k.

Option 3. remove the exemption and apply a 50% discount. This would increase the debit to collect by approximately £128k.

Option 4. change the exemption to a 100% discount. This would maintain the status quo with no additional cost or income to the Council.

Regarding Class C Exemptions, during 2011/12, 8,213 properties of the 94,500 properties within the Borough were empty for a period of time, attracting a 100% exemption value equivalent to £1.3m.

Under the changes in the Local Government Finance Act 2012 for Class C exemptions Local Authorities could alter both the amount of discount and the period the discount was awarded.

The following options for Cabinet's consideration in relation to Class C exemptions were:

Option 1. remove the exemption completely and apply no discount. This would increase the debit to collect by approximately £1.3m.

Option 2. remove the exemption and apply a 25% discount. This would increase the debit to collect by approximately £975k.

Option 3. remove the exemption and apply a 50% discount. This would increase the debit to collect by approximately £650k.

Option 4. change the exemption to a 100% discount, which would maintain the status quo, with no additional cost or income to the Council.

Option 5. taking into account the relatively quick re-occupation of empty homes in the Borough, remove the exemption and apply a discount for a specified period of time. This would reduce the financial impact for a large percentage of Council Tax payers (including North Tyneside Homes and other registered social housing providers).

With regard to the Empty Homes 50% Discount, Local Authorities had had the power to remove or reduce this discount since 2003. The Council had chosen at each annual Council Tax Base setting since then not to reduce this discount as previously there had

been no financial gain to the Council. 50% of local authorities nationally had removed this discount.

During 2011/2012 at any given point in time approximately 1200 properties of the 94,500 properties within the Borough were subject to a 50% discount on the basis that they had been empty in excess of 6 months. The value of this discount was £616k.

The decision taken in respect of 'Class C Exemptions' directly impacted any decision in respect of this category, as currently 50% Empty Homes Discounts are awarded, where appropriate, after a Class C exemption had elapsed.

The following options for Cabinet's consideration in relation to Empty Homes Discount were:

Option 1, remove the discount. This would increase the debit to collect by approximately £616k.

Option 2, amend the discount and apply a 25% discount. This would increase the debit to collect by approximately £308k.

Option 3. amend the discount and apply a 10% discount. This would increase the debit to collect by approximately £123k,

Option 4. retain the discount at 50%. This would maintain the status quo with no additional cost or income to the Council.

Regarding the Second Homes Discount, Local Authorities had had the power to remove or reduce this discount since 2003. The Council had chosen at each annual Council Tax Base setting since 2004/05 to reduce this discount from 50%, to the lowest permitted level of 10%. The Local Government Finance Act 2012 now allowed Local Authorities to reduce this discount further to 0%.

During 2011/12 6,210 properties of the 94,500 properties within the Borough were subject to a 10% discount, for a period of time, on the basis that they were either a furnished letting or a second home. The value of this discount was £55k.

The following options for Cabinet's consideration in relation to the Second Home Discount were:

Option 1. amend the discount and apply a 0% discount. This would increase the debit to collect by approximately £55k.

Option 2. retain the discount at 10%. This would maintain the status quo with no additional cost or income to the Council.

In addition to proposals for amendments to existing exemptions and discounts, the Government would also permit councils to charge an empty homes premium on properties which had been empty in excess of 2 years. The premium could be 50% of the full charge. The Council, could in the future, increase the full charge on an empty property by up to a further 50% on top of the 100% unoccupied rate, after the property had been empty for 2 years.

Government was proposing to introduce exemptions from this additional charge where the properties were marketed for sale. Further work and analysis would be needed to determine whether this would be a useful option for the Council. It was considered unlikely that this would result in a large amount of additional income for the Council.

All additional money collected for each discount/exemption could be retained by the Council.

The report detailed the implications for each suggested option, including any anticipated impact on North Tyneside Homes and the Housing Revenue Account.

It was explained that Cabinet were being asked to agree which of the proposals should be referred to full Council, for consideration at its meeting on 24 January 2012, when the final decision would be made.

Members were given the opportunity to ask questions which were responded to appropriately.

In considering the options as detailed in the report, Cabinet acknowledged that full Council would be making the final decision.

Resolved that the report be noted and that no recommendations be referred to Council for consideration.

(Reason for decision – the ultimate decision regarding the Technical Reforms to Council Tax report will be made by full Council at its meeting on 24 January 2013 and it is felt appropriate that no recommendations are made.)

CAB178/01/13 Local Council Tax Support Scheme (All Wards)

Cabinet considered a report which detailed the options available for providing a Local Council Tax Support Scheme and requested a recommendation of a scheme to replace Council Tax Benefit from 1 April 2013, for referral to Council for consideration at its meeting on 24 January 2013.

Council Tax Benefit, would be abolished from April 2013 under the Welfare Reform Act 2012, and replaced by a Local Council Tax Support Scheme (also referred to as Council Tax Reduction Scheme under the Local Government Finance Act 2012, which amended the Local Government Finance Act 1992). Such a Scheme was based on a discount on liability for Council Tax, rather than as a benefit. Entitlement to the discount was still means tested against the claimant's and partner's income. Currently there were around 23,500 claimants of Council Tax in the Borough.

As part of the Provisional Local Government Finance settlement the funding allocation notified to the Authority at the end of December was £14,152,350 for the financial year 2013/14. Should the Authority wish to adopt a scheme that met the criteria of the Transitional Grant, a further £386,000 would be available for the first year of the Scheme.

At its meeting on 13 August 2012, Cabinet was provided with a number of options to consider and was requested to agree a proposed Council Tax Support Scheme on which to undertake consultation, as required under the then prospective legislation. Cabinet agreed the scheme referred to as Option 1 in the report. Consultation on the proposed scheme to replace the Council Tax Benefit Scheme from April 2013 took place for a period of 8 weeks from 24 August 2012 to 18 October 2012. Details of the consultation and its outcomes were detailed at Appendix 2 of the report.

Appendix 1 of the report contained a summary of the beneficial elements for specific claimants of a Local Council Tax Support Scheme which would be retained under all of the three scheme options.

Council had considered a report on 29 November 2012 regarding the options in respect of a Council Tax Support Scheme and had deferred the matter.

Funding to meet the costs of the scheme would be through an up-front fixed grant allocation, rather than as in previous years being met through subsidy payments based on demand to cover the full cost of the Council Tax Benefit Scheme.

In previous years, the level of subsidy increased in line with the financial demand on the scheme. The scheme had seen the number of claimants in receipt of Council Tax Benefit increase over the years. Under the new arrangements, the fixed grant allocation would remain in place for 2013-14 regardless of any increase in demand on the scheme.

Details of the Principal Funding Grant of £14,152,350 to provide a Council Tax Support Scheme in North Tyneside were received on 19 December 2012 as part of the Provisional Local Government Finance Settlement for 2013-14. Additional funding of £139,635 for additional financial burdens associated with implementing the Council Tax Support Scheme had also been provided for 2013-14.

In addition the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 came into force on 27 November 2012 and prescribed how local schemes should operate and in particular provide that Pensionable Age claimants must not be worse off because of this reduction in funding.

Under the new legislation, should the Authority fail to agree a Scheme by 31 January 2013, then a Default Scheme would be imposed and will take effect from April 2013. The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012 which came into force on 18 December 2012 governing such default schemes. Further regulations amending both the Prescribed Requirements and Default Scheme came into force on 10 January 2013, amending the Non-dependant charges and other financial elements. The default scheme would be based upon the current Council Tax Benefit Scheme and those residents in receipt of Council Tax Benefit would see no change to the way their Council Tax Support was calculated. If the default scheme came into operation the Council could not make adaptations to it. Funding for a default scheme would still be reduced as detailed in the report.

At the end of October 2012, after consultation had ended on Cabinet's proposed scheme, the Department for Communities and Local Government announced that in addition to the Principal Funding Grant, they would also provide a Transitional Grant for the first year of operation of the scheme. The Transitional Grant would only be payable if the scheme adopted by the Authority met the following criteria:

- a) those entitled to 100% support under current Council Tax Benefit arrangements pay between zero and no more than 8.5% of their net Council Tax liability;
- b) the taper did not increase above 25%; and
- c) there was no sharp reduction in support for those entering work. The taper should continue to operate as under current Council Tax Benefit Regulations – that is, to be applied to the excess income and in relation to the claimant's maximum eligible Council Tax reduction. Where an authority had decided to adopt a scheme in which the maximum eligible reduction was lower than 100% of the liability, this maximum eligible reduction would be at this level.

The taper is the amount by which Council Tax Support is reduced when income rises above the applicable amount. The applicable amount is the level of income under which a claimant would receive maximum Council Tax Benefit entitlement.

Application for the grant could be made after 31 January 2013. The Transitional Grant allocation for North Tyneside would be £0.386m.

Although not part of the conditions for additional funding, the Government did not expect authorities to impose large additional increases in non-dependant deductions.

In addition to the Principal Funding Grant and the Transitional Grant, the Authority could also choose to make use of funding generated from the Technical Reforms to Council Tax discounts and exemptions to help fund a local scheme.

The report to Council on 29 November 2012 requested that Council consider the three potential Council Tax Support Schemes, or alternatively defer the decision on the matter and authorise the Strategic Director of Finance and Resources, in consultation with the Elected Mayor, Group and Deputy Group Leaders (or their respective nominees), to identify and formulate an alternative scheme for referral to Cabinet. Council decided to defer its decision to the next Council meeting. In the interim period, in light of the option now available to the Authority associated with the Transitional Grant, it is felt appropriate to provide an opportunity for Cabinet to reconsider the options available prior to presenting a proposal to Council.

Cabinet considered the following decision options:

Option 1

- a) All those working age claimants in receipt of Council Tax Benefit to receive Council Tax Support based on 80% liability rather than the current 100%.
- b) There would be no Second Adult Rebate.
- c) Non-dependant deductions to increase by 20% for working age claimants.

This is the option agreed by Cabinet in August 2012 upon which consultation was undertaken and upon which the current 2013/14 budget proposals are based.

Option 2

- a) all those working age claimants in receipt of Council Tax Benefit to receive Council Tax Support based on 91.5% liability rather than the current 100%.
- b) There would be no Second Adult Rebate.
- c) Non-dependant deductions to increase by 20% for working age claimants.

Option 3

Council would be requested to consider both options and that, should Council not agree a Council Tax Support Scheme by 31 January 2013, by operation of law a "default scheme" would take effect.

Under the default scheme:

- a) All those currently in receipt of Council Tax Benefit would see no change to the way their Council Tax Support is calculated;
- b) The Authority would qualify for the Transitional Grant, as a fully funded scheme would meet the Transitional Grant conditions;
- c) Additional funding from other sources would be necessary to meet the gap in Government funding;
- d) There would be no additional costs incurred for collection;
- e) There would be no additional impacts on collection rates.

The report detailed the possible reductions in Council Tax Support and the associated funding implications for each suggested option.

Members were given the opportunity to ask questions which were responded to appropriately.

In considering the options as detailed in the report, Cabinet acknowledged that full Council would be making the final decision.

Resolved that the report be noted and that no recommendations be referred to Council for consideration.

(Reason for decision – the ultimate decision regarding the Technical Reforms to Council Tax report will be made by full Council at its meeting on 24 January 2013 and it is felt appropriate that no recommendations are made.)

CAB179/01/13 Date and Time of Next Meeting

6.00pm on Monday 28 January 2013 (Extraordinary Meeting)

Minutes published on Monday 24 January 2013.