

Extraordinary Cabinet

28 January 2013

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

CAB180/01/13 Apologies

There were no apologies for absence.

CAB181/01/13 Declarations of Interest

There were no declarations of interest made.

CAB182/01/13 Calculation of the 2013/14 Council Tax Base for North Tyneside Council (All Wards)

The Mayor informed Cabinet that consideration of the item would be deferred until 31 January 2013.

CAB182/01/13 2013-2015 Financial Planning and Budget Process: Cabinet's Draft Budget and Council Tax Requirement Proposals (All Wards)

Cabinet considered a report detailing its draft Budget and Council Tax Requirement Proposals, submitted for consideration as part of the 2013-2015 Financial Planning and Budget Process. An addendum to the report which detailed the key messages from engagement between the preparation of the report published on 18 January 2013 and 22 January 2013, was tabled

At its meeting on 10 September 2012, Cabinet had approved the process and timetable to be adopted for the preparation of the draft Financial Plan, 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 had also approved the budget engagement strategy at that meeting.

On 26 November 2012, Cabinet had considered its initial budget proposals, based on information available at that point in time. Cabinet were now required to receive this report and consider its estimates of amounts for the 2013/14 Council Tax requirement including the General Fund budget, the 2013-2023 Capital Plan and the Treasury Management Statement and Annual Investment Strategy for 2013/14.

The Budget and Policy Framework Procedure Rules were set out in Part 4.7 of the Authority's Constitution. The Budget was guided by paragraph 4.7.3 covering the process for the preparation, consideration and final approval of the Authority's budget. The statutory and Constitutional requirements for preparing, considering and approving the Budget drove the timetable for the Financial Planning and Budget process.

The development of the Financial Plan and Budget had followed the same timetable as in previous years. The priorities in the Sustainable Community Strategy provided the strategic framework within which budget resources were allocated.

The Financial Planning and Budget process was a fundamental part of the overall governance and assurance framework of the Authority. This in turn provided assurance that was considered as part of preparing the Annual Governance Statement each year.

Feedback through the Annual Governance Statement and the Overview and Scrutiny Committee's report into the 2011-2015 service and spending review process had been used to inform this year's process.

Annex 1 to the report detailed Cabinet's 2013-2015 Draft Budget proposals for the General Fund Revenue Budget, Dedicated Schools Grant, the Treasury Management Statement and Annual Investment Strategy for 2013/14 and the 2013-2023 Capital Plan.

The proposals covered a two year planning period from 2013-2015 to align with the Spending Review, except the Capital Plan which continued to be set within a ten-year planning horizon. Cabinet's estimates of amounts were presented based upon available information and judgements and a number of assumptions and judgements had been built into the figures that were mainly outside the control of the Authority and needed to be finalised. The estimates of amounts would therefore need to be subject to further review before full Council could approve the Council Tax level for 2013/14 and the 2013-23 Capital Plan.

In addition, there may be amendments to the proposals in response to any recommendations from the Overview and Scrutiny Committee. Also, as the budget engagement process would continue beyond 28 January 2013, any outcomes from budget engagement after that date would be considered by the Elected Mayor and provided as an Addendum to the report to full Council on 7 and 21 February 2013.

This covered:

- The 2013-2015 Financial Planning and Budget Process;
- Strategic Planning;
- Local Government Finance;
- The Financial Strategy 2013-2015;
- Cabinet's Estimates of Amounts for the 2013/14 Council Tax requirement including the General Fund Revenue Budget and 2013-2015 Financial Plan and the Dedicated Schools Grant;
- Cabinet's Estimates of Amounts for the 2013-2023 Capital Plan and Prudential Indicators;
- Treasury Management Statement and Annual Investment Strategy 2013/14;
- Response to Overview and Scrutiny Committee Recommendations; and,
- Provisional Statement to full Council by the Chief Finance Officer;

Following engagement on the initial proposals, Equality Impact Assessments had been carried out where appropriate and had been used to inform decisions on the budget proposals for 2013/14

In moving the recommendations the Cabinet Member for Finance referred to the current economic environment and lower national government funding. The Provisional Local Government Finance Settlement for 2013/14 had now been received and there had been no further reductions over those anticipated.

Taking into account the level of known pressures, particularly in demand-led services such as Adults' and Children's Social Care, the Change, Efficiency and Improvement (CEI) Programme had been updated and additional financial targets determined as part of ensuring a balanced Financial Plan and budget forecast for 2013/14. Budget engagement had focused on 'Choices for People', 'Choices for Services' and 'Choices for Places'.

The proposals took account of future pressures such as transport costs, the improved Joint Service Centres, rising energy costs and increased demand from adults' and children's social care. Services identified as important to the public, such as weekly refuse collection, had been protected. The proposals also included £18.5million additional investment for improvements to roads and pavements and for projects to prevent future flooding to ensure communities were better prepared when flooding occurred. £4.75million had been specifically allocated to address the recommendations of the Flooding Task and Finish Group.

The proposed budget also assumed no increase in Council Tax for a third successive year.

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

Cabinet considered the following decision options:

- a) Agree the proposals set down in the report.
- b) Agree a selection of the proposals and suggest that further / different options are considered by the Senior Leadership Team before submission to full Council on 7 February 2013.
- c) Disagree with the proposals.

Resolved that the proposals be approved as follows:

The 2013-2015 Financial Planning and Budget Process

- (1) the progress made in relation to this year's Financial Planning and Budget process, be noted;
- (2) the referral of Cabinet's estimates of amounts in the setting of the Council Tax requirement to full Council for its meeting on 7 February 2013, in accordance with the Authority's Constitution and Budget and Policy Framework Procedure Rules, be noted;

Strategic Planning

- (3) the Performance Framework for 2012/13 be continued into 2013/14;
- (4) the key messages that have emerged from the budget engagement process and how the results of this and other engagement activities have influenced the draft Financial Planning and budget proposals for 2013/14 and future years, be noted;

Local Government Finance

- (5) the key aspects of the recent consultation on the Business Rates Retention Scheme and the 2013/14 provisional Local Government Finance Settlement announced on 19 December 2012, and how this has been incorporated into the financial strategy and financial plan of the Authority, be noted;
- (6) the Strategic Director of Finance and Resources be authorised, as the Authority's Section 151 Officer to approve the final National Non-Domestic Rates 1 form for North Tyneside Council for 2013/14, by the deadline of 31 January 2013;

The Financial Strategy 2013-2015

- (7) the key principles being adopted in preparing the Financial Strategy for the Authority, subject to an annual review, be approved;
- (8) the formal Reserves and Balances Policy for the Authority, reviewed at least annually, be approved;

- (9) the medium-term financial challenges and financial risks facing the Authority be noted and these issues are addressed as part of the Change, Efficiency and Improvement Programme for the Authority, to deliver continued financial stability and prudent management of its financial resources;
- (10) the approach being taken in relation to the Change, Efficiency and Improvement Programme for the next two years, starting in 2013/14, be agreed;

Cabinet's Estimates of Amounts for the setting of the Council Tax Requirement including the 2013-2015 General Fund Revenue Budget and Dedicated Schools Budget

- (11) the estimates of amounts for the 2013/14 setting of the Council Tax requirement including the general fund revenue budget and dedicated schools grant be agreed, thereby calculating the level of Council Tax to be proposed, to be recommended to full Council for approval, including the assessment in relation to the current year's budget monitoring information (2012/13) and indications of the financial plan for 2014/15;
- (12) the Chief Finance Officer be requested to prepare the appropriate Council Tax Requirement and budget resolution document for the full Council's consideration at its meeting on 21 February 2013, based upon the outcomes of recommendation (10);

2013-2023 Capital Plan

- (13) the estimates of amounts in relation to the 2013-2023 Capital Plan be approved, including prudential indicators for 2013/14 in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Prudential Framework and a proposed Minimum Revenue Provision (MRP) policy in line with capital finance regulations;
- (14) the proposed Reserve List of Schemes that will be considered should additional funding become available, being funding by the Authority or otherwise, be approved;
- (15) all approved schemes within the 2013-2023 capital plan will be kept under corporate review by the Major Projects Group, to ensure that necessary information has been supplied prior to any expenditure taking place;

Treasury Management Statement and Annual Investment Strategy for 2013/14

- (16) the Treasury Management Statement incorporating the Annual Investment Strategy for 2013/14, be approved;
- (17) the revised Counterparty List amended under delegation to the Strategic Director of Finance and Resources, be noted;

Delegations and Authorisations

- (18) the Elected Mayor be authorised to make any final amendments to the Cabinet's proposals in relation to that information which is still outstanding in order that due consideration can be given to the final level of Council Tax the Cabinet wishes to put forward to full Council for approval for 2013/14;
- (19) the Chief Executive be authorised, in consultation with the Elected Mayor, Cabinet Member for Finance, the Strategic Director of Finance and Resources and the Senior Leadership Team to manage the overall Change, Efficiency and Improvement Programme and it be noted that decisions made under this delegated authority will be reported to Cabinet as part of the regular budget monitoring information provided;

- (20) delegated authority be granted to the Elected Mayor, in consultation with the Major Projects Group, to keep under review the 'reserve list' of schemes within the 2013-2023 capital plan and agree any changes considered appropriate subject to the Financial Regulations;
- (21) delegated authority be granted to the Elected Mayor, in consultation with the Cabinet Member for Finance, the Chief Executive and the Strategic Director of Finance and Resources to respond to any recommendations following Overview and Scrutiny Committee's consideration of the 2013-2015 Financial Planning and Budget process and Cabinet's draft budget proposals; and,
- (22) delegated authority be granted to the Elected Mayor, in consultation with the Cabinet Member for Finance, the Chief Executive and the Strategic Director of Finance and Resources to consider any further comments received from residents after the drafting of this Cabinet report but before 13 February 2013, as the Budget Engagement process will continue until 12 February 2013, and present these as an addendum to the report to full Council on 7 February 2013 and 21 February 2013.

(Reason for decision – the budget proposals have been worked through with all Cabinet Members and have taken due consideration of the budget engagement suggestions. The reasons for recommendations are mainly legal in nature, as stated in paragraphs 2.1 and 2.2 of this report, namely:

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 Council's Financial Plan, incorporating the 2013/14 Council Tax Requirement and budget process. Decisions on the budget in relation to the General Fund, schools' funding and Capital 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 its key funding partners and their proposed financial plans, including an assessment of the impact of any grant fall-out over the proposed two-year resource planning period.
- 2.1.2 Cabinet and full 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 two-year financial plan for 2013-2015, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in November 2008.

2.2 Legal

- 2.2.1 The Local Government Finance Act 1992 (Section 31A and Section 31B: Calculation of Council Tax Requirement and Calculation of Basic Amount of Tax) sets out specific obligations for the calculation of council tax requirement by authorities in England and calculation of the basic amount of tax by authorities in England
- 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, the Authority, which in this context means all Members, 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 2013-2015 Financial Planning and Budget process has been prepared to comply with the time-scales required within the Budget & Policy Framework Procedure Rules contained in the Authority's Constitution and statutory requirement to set the Council Tax by 11 March in the year preceding the year in which it is to have effect.'

CAB183/01/13 Local Council Tax Support Scheme (All Wards)

Cabinet considered a report which, following a referral from full Council, detailed further options for providing a Local Council Tax Support Scheme. The report had been submitted following determination of the level of Council Tax exemptions and discounts to be awarded in 2013, by Council at its meeting on 24 January 2013.

The Local Government Finance Act 1992 (as recently amended by the Local Government Finance Act 2012) required local authorities to have an agreed Council Tax Reduction Scheme (referred to in the report as a Local Council Tax Support Scheme) in place by 31 January 2013. Such a scheme was required to be adopted by that date to take effect in relation to the financial year beginning 1 April 2013, replacing the current Council Tax Benefit scheme.

Under Section 67 of the Local Government Finance Act 1992, responsibility for determining such a scheme (and for reviewing it on an annual basis) fell to full Council.

At its meeting on 24 January 2013 the Council had agreed recommendations made by Officers in the report on the Technical Reforms of Council Tax, and this decision provided additional funding. Council requested that Cabinet consider further options for the Council Tax Support Scheme based upon this additional funding. Cabinet were asked to make recommendations to Council for consideration at the reconvened Council meeting on 30 January 2013.

In moving the recommendation, the Mayor referred to the additional £980,000 generated following approval of officer recommendations on exemptions and discounts. Cabinet had to determine how best to utilise this.

The Mayor recommended that Cabinet should decide to reduce the impact for all Council Tax Benefit claimants receiving full benefit, so that no claimant was asked to pay more than 7% of their liability. This would cost £482,000 in 2013/14. The balance of the additional income should be used to top up the discretionary housing payment fund to the maximum allowed by Government i.e. £829,000 in 2013/14. This represented a fair use of the additional income and would enable those in the most difficult circumstances to be supported by the Council.

This accorded with the motion presented to Council which agreed that the Mayor researched the local government legislation relating to Wellbeing and Hardship matters and considered proposals to make use of this legislation to enable urgent decisions to be made to deal with the emergency situations.

The Mayor stressed that the matter had now become urgent as Council had to make a decision at the reconvened meeting so that Cabinet could meet on Thursday 31 January 2013 to set the council tax base for 2013/14. This was the legal deadline.

If Cabinet and Council agreed the recommended option (Option 4) the Mayor proposed that the Mayoral Task Group on Welfare Reform be asked to consider the criteria to be adopted by officers in using the Discretionary Housing Payment pot for the benefit of North Tyneside residents.

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

Cabinet considered the following decision options:

Option 1

- a) All those working age claimants in receipt of Council Tax Benefit will receive Council Tax Support based on 80% liability rather than the current 100%; approximately 11,700 claimants would be affected by this.
- b) There would be no Second Adult Rebate. Approximately 140 people claim this. Generally the Council Tax payer has sufficient income to pay their Council Tax themselves. If they do not, they can apply for Council Tax Support in their own right.
- c) Non-dependant deductions will increase by 20% for working age claimants. Approximately 350 claimants are affected by this (see Table 2). Non-dependant deductions were scheduled to increase in April 2013 under the national Council Tax Benefit Scheme, and have increased under amended regulations for pensionable age claimants under prescribed requirements and also under the default scheme.

This was the option agreed by Cabinet for which consultation was undertaken and upon which the current 2013/14 budget proposals were based. This option would result in current Council Tax Benefit recipients who currently paid no charge, having to pay £3.80 per week (or £2.85 for a single occupant).

Option 2

- a) All those working age claimants in receipt of Council Tax Benefit will receive Council Tax Support based on 91.5% liability rather than the current 100%; approximately 11,700 claimants would be affected by this.
- b) There would be no Second Adult Rebate. Approximately 140 people claim this. Generally the Council Tax payer has sufficient income to pay their Council Tax themselves. If they do not, they can apply for Council Tax Support in their own right.
- c) Non-dependant deductions will increase by 20% for working age claimants. Approximately 350 claimants are affected by this. Non-dependant deductions were scheduled to increase in April 2013 under the national Council Tax Benefit Scheme, and have increased under amended regulations for pensionable age claimants under prescribed requirements and also under the default scheme.

This option would result in current Council Tax Benefit recipients who currently paid no charge, having to pay £1.61 per week (or £1.21 for a single occupant).

Option 3

Cabinet may decide not to pass any charge on to the Council Tax Benefit recipient, which by its nature is the default scheme. 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.

Option 4

Having considered the discussion at full Council on 24 January 2013 with regard to a motion around providing additional support to residents impacted by the Welfare Reform changes, this option proposes a scheme which could increase the support to working age claimants up to 93% of their Council Tax liability. In addition it would allow for the increase in provision within the Discretionary Housing Payment Fund (D.H.P) to the maximum permitted level.

In 2012/13 the Council received a D.H.P. grant from Government of £117,000 to assist Housing Benefit claimants whose Housing Benefit did not meet their rental liability. Government announced an increase for North Tyneside to £331,000 for the financial year 2013/14. The Council have the option to add funding to this pot up to a maximum permitted level of £829,000 for 2013/14 (including the £331,000 referred to above). The Criteria for awarding D.H.P. were set out Appendix A of the report.

With the remaining funding from the changes to exemptions and discounts agreed by Council on 24 January 2013, Cabinet can recommend that the maximum level of funding be made available in the D.H.P. fund whilst still providing Council Tax Support for up to 93% of Council Tax liability for Working Age claimants.

This option would result in current Council Tax Benefit recipients who currently paid no charge, having to pay £1.33 per week (or £1.00 for a single occupant). The Task and Finish Group in respect of Welfare Reform announced by the Mayor at the Council meeting could monitor the effectiveness of the additional D.H.P. support and review the criteria to be adopted by Officers. This was the recommended option.

Additional costs associated with implementing each option were detailed in the Financial Implications section of the report.

Resolved that Option 4 as detailed in the report be agreed as the scheme for referral to Council at its meeting on 30 January 2013, for consideration and adoption as the Local Council Tax Support Scheme for North Tyneside with effect from 1 April 2013.

(Reason for decision – this option will:

- increase the support to Working Age Council Tax claimants to up to 93% of their Council Tax liability.
- provide a significant amount of additional support to residents impacted by the Welfare Reform changes.
- Specifically support the residents impacted by the reduction in Housing Benefit Support due to the changes in under occupancy rules.

In addition:

- The Council is aware that £1.7m less Housing Benefit is available in 2013/14 to North Tyneside Homes residents, as well as a further reduction of approximately £0.5m Housing Benefit being available to other social landlords.
- The £0.8m D.H.P. funding could provide greater flexibility and support in keeping residents in their homes and reducing the level of rent arrears and the risk of homelessness.

CAB184/01/13 Date and Time of Next Meeting

2.30pm on Thursday 31 January 2013 (Reconvened Extraordinary Meeting)

Minutes published on Tuesday 5 February 2013.