

Extraordinary Cabinet

25 November 2013

Present: N Redfearn (Elected Mayor) (in the Chair)
Councillors CA Burdis, EN Darke, R Glindon, I Grayson,
JLL Harrison, F Lott, CB Pickard, L Spillard and JJ Stirling

CAB129/11/13 Apologies

There were no apologies received.

CAB130/11/13 Declarations of Interest

There were no declarations of interest made.

CAB131/11/13 2014-2018 Financial Planning and Budget Process : Cabinet's Initial Budget Proposals (All Wards)

Cabinet considered a report which detailed the initial outcomes of the process for the preparation of the draft Financial Plan, 2014/15 revenue budgets in respect of the General Fund, dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2014-2018 Capital Plan as part of the overall Financial and Budget Planning process for 2014-18. The report detailed Cabinet's initial budget proposals, in accordance with the time-scales set down in the Authority's Constitution and Budget & Policy Framework Procedure Rules. The proposals covered a four-year planning period from 2014-2018, including the Capital Plan which was now also set within a four-year planning horizon.

Cabinet had approved the process and timetable, including the Budget Engagement Strategy at its meeting on 9 September 2013 (Minute CAB82/09/13 refers).

The Cabinet Member for Finance and Resources introduced the report by stating that Local Government was undergoing significant change. Due to significant reductions in Central Government funding, tough decisions had to be taken, just to balance the budget. As a result, the Authority had to find efficiency savings of £20 million for 2014/15, this was part of a total of £64 million savings over the next four years.

To reshape the organisation and make sure the Authority's services were efficient and effective, it was intended to:

- Reduce management costs
- Minimise the cost of centralised back office services
- Ensure the public receive maximum benefit from the Authority's partnerships
- Find new ways to generate income by better trading of services and expertise
- Carrying out more in-depth reviews of key areas of spending.

The development of the Financial Plan and Budget had followed the same timetable as in previous years. The priorities in the 2014-2018 Council Plan - 'Our North Tyneside' 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.

Annex 1 of the report set out in detail the Cabinet's 2014-2018 initial Budget proposals for the General Fund Revenue Budget, Dedicated Schools Grant, Housing Revenue Account and associated Business Plan, the 2014-2018 Capital Plan and the Treasury Management Statement and Annual Investment Strategy for 2014/15.

The contents of Annex 1 covered:

- The 2014-2018 Council Plan - 'Our North Tyneside'
- The 2014-2018 Financial Planning and Budget Process;
- Local Government Finance;
- The Financial Strategy 2014-2018;
- Cabinet's initial budget proposals for the 2014/15 Council Tax Requirement including the General Fund Revenue Budget and 2014-2018 Financial Plan and the Dedicated Schools Grant;
- Cabinet's initial budget proposals for the 2014-2018 Capital Plan and Prudential Indicators;
- Cabinet's initial budget proposals for the Treasury Management Statement and Annual Investment Strategy 2014/15;
- Provisional Statement to Council by the Chief Finance Officer; and
- Cabinet's initial budget proposals for the 2014-2018 Housing Revenue Account and associated Business Plan.

The 'Our North Tyneside' Plan had been developed to reflect the Authority's priorities and had been approved by the North Tyneside Strategic Partnership and then full Council on 26 September 2013. The 'Our North Tyneside Plan' provided the policy direction and strategic priorities for the 2014/15 Budget and the period of the current Financial Plan.

The Budget proposals had been developed in the context of the 'Our North Tyneside Plan' and reflected the Plan priorities. The overall direction was outlined in Annex 1, Section 1 of the report. The savings to be delivered would be managed through the Change Efficiency and Improvement (CEI) programme as in previous years.

The financial year 2013/14 had seen the introduction of a number of significant changes to the system of Local Government Finance through for example the Business Rates Retention Scheme and the Localised Council Tax Support Scheme. The way in which North Tyneside Council dealt with these changes had been reported on extensively as part of the 2013-2015 Financial Planning and Budget process. The implications of any changes in relation to 2014/15 would be reported through specific reports to Cabinet and Council and as part of the 2014-2018 Financial Planning and Budget reports up to February 2014.

In the previous year, a two year financial planning process had been in place, which was in line with the planning horizon of the current Spending Review due to end in March 2015. For the 2014/15 Financial Planning and Budget process it was proposed to introduce a four-year financial planning process covering the years 2014-2018. Provisional information on the 2014/15 Local Government Finance Settlement had been issued in late December 2012, and on the 26 June 2013 the Government had announced the Spending Round for 2015/16 only. A two-year Local Government Finance Settlement covering 2014-2016 would be issued in late December 2013. Detailed future funding for Local Government beyond 2015/16 was yet to be confirmed, but was likely to follow a similar trajectory to the current Spending Review.

It was noted that as the 2014-2016 Provisional Local Government Finance Settlement, was not anticipated to be received until late December 2013, the budget proposals were necessarily draft at this stage.

Until further information on the financial position of the Authority was known from Central Government, it was not possible to quantify with reasonable certainty the level of further savings that would have to be achieved in 2015-2018 through the Change, Efficiency and Improvement (CEI) Programme.

Engagement on the budget proposals would take place between 26 November 2013 and 7 February 2014. It would involve information and feedback through the Authority's website as well as focus group activity with staff, residents, businesses and strategic partners.

Reference was made in relation to a number of recent legal challenges to the setting of council budgets in relation to equality and diversity considerations. In order to comply with current requirements where the Authority's Financial Planning and Budget proposals affected individuals with protected characteristics under the Equality Act 2010 an Equality Impact Assessment would be included. The timescale for Equality Impact Assessments to be completed had been aligned with the Financial Planning and Budget process.

Initial assessments had been completed in order to inform Cabinet's decisions on the initial Budget proposals for 2014/15. More detailed assessments would be carried out following the engagement on the initial proposals and would be included in the Budget proposals to be considered by Cabinet in January 2014. Full assessments would be completed and be available to decision-makers prior to decisions being taken to implement any proposals as part of the budget setting process.

Cabinet's initial Budget proposals were presented based upon available information and judgements at the time of writing. There were a number of assumptions and judgements built into the figures presented that lay mainly outside the control of the Authority and needed to be finalised. The initial budget proposals would therefore need to be subject to further review before they could be confirmed. The information to be assessed and finalised was:

- (a) Police and Crime Commissioner for Northumbria and Tyne and Wear Fire and Rescue Authority Precepts (due 8 February 2014 and 17 February 2014 respectively);
- (b) Levies, including the Tyne and Wear Integrated Transport Authority (ITA) (due January / February 2014);
- (c) Tyne and Wear Joint Service Budgets (due January / February 2014);
- (d) The Final Local Government Finance Settlement announcements for 2014/15, including Capital announcements and Specific Grants (including the Dedicated Schools Grant (DSG), Council Tax Freeze Grant and Council Tax Support funding) final detailed information (due December 2013); and
- (e) Consideration of the impact of the economic climate on the residents of the Borough and council tax payers.

The Budget proposals took account of future pressures such as rising costs, a changing population with added demand for adult social care and looked after children services and increased pension contributions. To support delivery of services a Service Improvement Fund was to be established, which would provide flexibility for the Authority to make service improvement choices during the year, based on feedback from residents and key stakeholders.

In meeting the financial challenges the Authority had a responsibility to consider the needs of people at the centre of its budget plans and to help ease the financial burden, the proposed Budget assumed no increase in Council Tax for residents.

Cabinet considered the following decision options: either to agree the recommendations as set out in Section 1.2 of the report, or alternatively to disagree with the proposals and suggest further/alternative options for consideration by Senior Leadership Team.

- Resolved** that (1) the progress made in relation to this year's Financial Planning and Budget process, be noted;
- (2) it be noted that the Our North Tyneside Plan forms the Policy Framework for the Financial Planning and Budget Process for 2014-2018;
- (3) it be noted that on 9 December 2013 Cabinet will consider the proposed performance management and reporting framework around the Council Plan;
- (4) the key principles being adopted in preparing the Financial Strategy for the Authority, subject to an annual review, be approved;
- (5) the medium-term financial challenges and financial risks facing the Authority be noted and these issues be addressed as part of the Change, Efficiency and Improvement Programme for the Authority, to deliver continued financial stability and prudent management of the Authority's financial resources;
- (6) the approach being taken in relation to the Change, Efficiency and Improvement Programme for the next four years, starting in 2014/15, be approved;
- (7) the initial budget proposals in relation to the 2014-2018 General Fund Revenue Budget and Dedicated Schools Grant, including the assessment in relation to the current year's budget monitoring information (2013/14), be approved;
- (8) the initial proposals in relation to the 2014-2018 Capital Plan, including initial prudential indicators for 2014-2018 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, be approved;
- (9) the proposed Reserve List of Schemes, to be considered should additional funding become available, be approved;
- (10) it be noted that all approved schemes within the 2014-2018 Capital Plan will be kept under corporate review by the Capital Programme Management and Finance Group to ensure that necessary information has been supplied prior to any expenditure taking place;
- (11) the initial proposals in relation to the Treasury Management Statement and Annual Investment Strategy 2014/15, be approved;
- (12) the Provisional Statement by the Chief Finance Officer, be noted;
- (13) the initial budget proposals in relation to the 2014-2018 Housing Revenue Account budget, and associated Business Plan, including an assessment in relation to the current year's budget monitoring information (2013/14), be approved;
- (14) the proposed April 2014 rent increase (calculated in line with the Government's revised rent restructure formula) and the initial proposals in relation to housing service charges and garage rents for 2014/15, be noted;
- (15) the Elected Mayor, in conjunction with the Cabinet Member for Finance and Resources and other Cabinet Members, be authorised to work with the Senior Leadership Team to continue their joint review of these initial proposals;
- (16) the Chief Executive, in consultation with the Elected Mayor, Deputy Mayor, Cabinet Member for Finance and Resources and the Senior Leadership Team, be authorised to manage the overall Change, Efficiency and Improvement Programme and it be noted that progress in achieving the Programme will be reported to Cabinet as part of the regular budget monitoring information provided; and,
- (17) the Elected Mayor, in consultation with the Strategic Property Group, be authorised to keep under review the Reserve list of Schemes within the 2014-2018 Capital Plan.

(Reason for Decision – Due to outstanding external information, Cabinet is not in a position to finalise setting its proposed council tax level for 2014/15 in relation to the general fund. However, the Elected Mayor is committed to freezing the Council Tax for 2014/15. This report will form the basis of Budget Engagement and Scrutiny over the next two months, but further work will inevitably be required before final decisions are made on the budgets for next year.)

CAB132/11/13 Council Tax Support Scheme 2014-15(All Wards)

Cabinet considered a report which detailed the outcome of the consultation exercise on the proposals for the 2014/15 Council Tax Support Scheme, and the estimated costs of providing the 2014/15 Council Tax Support Scheme.

On 1st April 2013 the national Council Tax Benefit scheme was abolished and in its place Local Authorities received funding to provide a local scheme, referred to in North Tyneside as the Council Tax Support Scheme. The Council Tax Support Scheme was a means tested discount and helped residents with low household income to pay their Council Tax. Local Authorities could decide entitlement rules for working age claimants. However any local scheme also had to adopt prescribed pensionable age rules around entitlement along with some prescribed rules for working age claimants. These were decided by the Department for Communities and Local Government (DCLG).

In North Tyneside, Council Tax Support for working age claimants was calculated on 93% of their Council Tax liability. Pensionable Age claimants were entitled to support based on 100% of the Council Tax liability as this was prescribed in legislation. The Local Government Finance Act 1992 as amended, stated that 'For each financial year, each billing authority must consider whether to revise its scheme or replace it with another scheme'. The Authority 'must make any revision to its scheme, or any replacement no later than 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect'.

A further provision within the legislation stated 'If any revision to a scheme, or any replacement scheme, had the effect of reducing or removing a reduction to which any class was entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the authority thinks fit'.

As part of considering whether to revise the scheme, Cabinet on 9 September 2013 proposed that a consultation exercise be carried out on the proposal to keep the same level of support available for working age claimants for 2014/15 as was currently available (Minute CAB84/09/13 refers).

Consultation took place over a three week period starting on 7 October 2013. 134 people had submitted a consultation response. The greatest number of respondents were in favour of keeping support for working age claimants based on 93% of Council Tax liability.

Since April 2013 the number of claimants in receipt of Council Tax Support had reduced from 22,700 to just over 22,400 as at 21 October 2013. This was split between 10,800 pensionable age claimants and 11,600 working age claimants. A DWP statement forecasted a reduction in pensionable caseload both for 2013/14 and 2014/15, which was in line with the changes to the Service's caseload in 2013/14.

As at 31 October 2013, £16,500,000 of Council Tax Support had been awarded to claimants since 1 April 2013.

The current scheme was means tested, where income was compared against a 'personal allowance'. The personal allowance was made up of an applicable amount and premiums depending on the claimant's circumstances. Income below the personal allowance would result in the maximum amount of support being awarded. Income above the personal allowance would result in a reduction in the maximum amount of support.

Collection rates had been positive with 83% of those now having to pay the 7% additional charge either being up to date with their Council Tax or in advance. The Authority did take a more supportive approach to recovery for first time payers, with a gentle reminder and offers of support before starting the statutory recovery process. The summons action allowed the Local Authority to obtain a Liability Order from the Court that permitted reductions directly from an individual's State Benefits towards the payment of the outstanding Council Tax debt. This was currently set at just under £4.00 per week and would see Council Tax liability cleared in this financial year. Additionally costs were kept to an absolute minimum of £10.00 instead of the normal £80.00.

There had been minimal adverse reaction to the scheme. There had also been no appeals to the Appeals Tribunal regarding the scheme.

In September 2013 DCLG had outlined its intentions through its document 'Statement of intent on up-rating for pensioners on Council Tax Support' which advised that the Government was committed to protecting pensioners on low incomes, who it did not want to see disadvantaged as a result of the introduction of local Council Tax Support. To deliver this protection, the Prescribed Requirements Regulations contained provisions that had to be included in a billing authority's Council Tax reduction scheme in relation to pensioners.

The intention had always been that the provisions would replicate as far as possible the provisions under which pensioner eligibility for Council Tax Benefit was assessed.

To ensure that this protection was maintained, the Government intended to amend the Prescribed Requirements Regulations to up-rate the allowances, premiums and non-dependant deductions for pensioners for 2014-15. They would be amended again to up-rate for 2015-16. This replicated the way up-rating was done under Council Tax Benefit. The amendments would be made in December 2013 in line with Pension Credit up-rating. The Government intended to up-rate:

- a) personal allowances in line with Pension Credit rates, and
- b) most premiums in line with CPI; and
- c) non-dependant deductions in line with growth in eligible council tax

Within the current scheme there was also the provision to take a similar approach for working age claimants and up rate standard applicable amounts, premiums etc. The intention was to up rate these standard rates, in line with the standard rates used in the assessment of Housing Benefit to provide a consistent approach. This would replicate the provisions under which working age entitlement for council tax benefit was assessed in previous years.

Based on the current indicative cost of the scheme in 2013/14 the estimated cost of the discount provided for Local Council Tax Support was £14.730m which was the basis on which Cabinet's draft 2014/15 budget proposals had been based. A Transitional Grant totalling £386,000 which was available to support the Local Council Tax Support for 2013/14 would not be available for 2014/15. This reduction in funding had been reflected in Cabinet's draft 2014-2015 budget proposals.

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New burdens funding of £129,858 had been provided by DCLG for 2014/15 to cover costs associated with the administration of Council Tax Support which would cover any additional costs of collection. This was a reduction of £9,777 in funding from 2013/14 and was reflected in the draft 2014/15 budget proposals.

Cabinet considered the following decision options either to agree the recommendations as set out in Section 1.2 and Option 1 of Section 1.6 of the report, or alternatively to disagree with the proposals and refer the matter back to officers for further consideration.

Resolved that (1) the Authority continues with the current scheme which allows Council Tax Support for working age claimants to be calculated on 93% of Council Tax liability; (2) the standard rates be uprated to calculate Council Tax Support, which will replicate the provisions under which working age entitlement for council tax benefit was assessed in previous years; (3) the Authority continues to take the same supportive approach with regard to reduced recovery costs as was taken in 2013/14; and (4) Cabinet propose these resolutions as a recommendation to full Council at its meeting on 23 January 2014 as the scheme to be adopted for the financial year 2014/2015.

(Reason for decision - 46% of those who took part in the consultation felt that keeping the level of 93% eligible for support for working age claimants for 2014 -15 was fair; claimants will continue to be supported in the same way as in 2013/14 and scheme would be familiar to claimants; the collection rate of for 2013/14 has been positive is expected to continue in 2014/15; and there is no need to consider Transitional Protection as there are no changes to the scheme that will make a claimant worse off in 2014/15 than in 2013/14.)

CAB133/11/13 Date and Time of Next Meetings

6.00pm on Monday 9 December 2013.

Minutes published on Thursday 28 November 2013.