

## **Extraordinary Cabinet**

**28 January 2015**

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

**Also Present:** R Layton (North Tyneside JTUC)

### **CAB132/01/15 Apologies**

Apologies were received from Councillor I Grayson.

### **CAB133/01/15 Declarations of Interest**

There were no declarations of interest or dispensations reported.

### **CAB134/01/15 Calculation of the 2015/16 Council Tax Base for North Tyneside Council (All Wards)**

Cabinet considered a report which provided an explanation of how the proposed North Tyneside Council Tax Base for 2015/16 had been calculated and requested approval of the calculation for 2015/16, which had been calculated as 56,424 Band D equivalent properties.

The Council Tax Base was an annual statutory calculation, used to determine the level of Council Tax for individual properties. The Tax Base represented the number of properties which would be subject to Council Tax, and which were expressed in terms of their Band D equivalents, after allowing for the effect of discounts, exemptions, and reliefs.

The agreed Tax Base for North Tyneside Council for 2015/16 would be used in the 2015/16 Budget and Council Tax calculation. Further information in relation to this was detailed in the Financial Implications section of the report. The Tax Base was also used as the basis for the major precepting authorities (Police and Crime Commissioner for Northumbria and the Tyne and Wear Fire and Rescue Authority) to determine their precept requirements.

The Welfare Reform Act 2012 had abolished Council Tax Benefit from 31 March 2013 and required that Local Authorities had to create a localised Council Tax Support Scheme with effect from 1 April 2013. Therefore, as with the last two years, for the calculation of the 2015/16 Council Tax Base, Council Tax Support took the form of reductions.

The calculation of the 2015/16 Council Tax Base had been prepared in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, which had come into force on 30 November 2012.

The Local Government Finance Act 2012 set out changes to Council Tax legislation and provided the statutory framework under which the decisions on local discounts and second homes could be made. Changes proposed in relation to Exemptions and Discounts for 2013/14, which were detailed in the report, had been agreed by full Council at its meeting on 24 January 2013 (Minute C17/01/13 refers)

No further changes had been proposed for 2014/15 but further changes to Council Tax discounts had been proposed for 2015/16. The changes which had been agreed by full Council at its meeting on 22 January 2015 (Minute C74/01/15 refers) were detailed in the report.

The Council Tax Support scheme made a significant change to the calculation of the Council Tax Base. The 2015/16 Council Tax Base, detailed in the report, was based on the assumption that there were no changes to the proposed North Tyneside Council Local Council Tax Support Scheme for 2015/16. This had been agreed by full Council at its meeting on 22 January 2015. This was an unchanged scheme from 2014/15.

The detailed Council Tax Base calculation for North Tyneside for 2015/16 was attached as Appendix A to the report, together with an explanation of the specific elements that formed part of the calculation. Within the calculation, adjustments had been made to reflect the effect of exempt properties, disabled relief and discounts. Applying the adjustments had the effect of reducing the total number of properties to a common base for each band, in terms of full year equivalents.

The Council Tax Base regulations ensured that the Council Tax Base for an area took into account the effect of disability reductions in respect of dwellings which fell within Band A. They had introduced an additional 'alternative valuation band' to allow Band A properties to qualify for a disabled reduction. Previously, properties adapted to meet the needs of a disabled person were charged at a rate equal to the next lowest valuation band, so for example a qualifying Band D property would be charged at a Band C rate, but this hadn't applied to Band A properties. Instead of paying the normal Band A charge (six-ninths of the Band D) a qualifying Band A property was now charged five-ninths of the Band D charge. For the purpose of the Council Tax Base calculation it was now necessary to show Band A properties which qualified for a disabled reduction as if it were an additional valuation band. Deductions were then made for exempt dwellings and the estimated impact of the Council Tax Support scheme for 2015/16.

The regulations also required that the Tax Base calculation was based on the position as at 30 November each year. The resulting 2015/16 Council Tax Base for North Tyneside Council was therefore slightly different to that used by the Department for Communities for Local Government (DCLG) as this information had been calculated on an earlier date, which for 2015/16 was the position as at 8 September 2014.

In order to arrive at the Council Tax Base calculation for 2015/16, the number of dwellings within each of the Council Tax Bands A – H had been converted to their Band D equivalents, using the appropriate proportions. The result of this calculation for 2015/16 was to produce a total number of properties prior to an allowance for non-collection and contributions in lieu of 57,232.

The next stage of the Council Tax Base calculation involved making a deduction for the non-collection of Council Tax. The non-collection element of the calculation was made in respect of the amounts that were legally due, but which, for varying reasons, may not be collected. The assumed Council Tax collection rates for North Tyneside had improved significantly since 1993/94, when the assumed collection rate was 95%. The assumed North Tyneside Council Tax collection rates for each year were detailed in the report.

A fundamental issue for the Council Tax Base calculation was the assumed percentage Council Tax collection rate to apply. The Authority's performance on Council Tax collection had been improving for many years, reaching a peak of 99.20% in 2012/13. However, for 2013/14 and 2014/15 a lower collection rate of 98.50% had been agreed.

This lower rate had been set to reflect the estimated impact of the Council Tax Support Scheme, the estimated impact of other Welfare Reform changes and changes to Exemptions and Discounts applied from 2013/14.

While Council Tax collection remained strong, in-year Council Tax collection had fallen from 96.9% in 2012/13 to 96.5% in 2013/14. Council Tax collection was forecast to be on target for 2014/15. This was an approximate indicator of the assumed Council Tax performance, given the significant time lag effect between in-year and ultimate Council Tax collection performance.

Having considered various issues, which were detailed in the report, in relation to the collection rate for 2015/16, it was proposed that an assumed Council Tax Collection Rate of 98.50% be set as part of the 2015/16 Council Tax Base calculation. This was felt prudent as the risk of setting a Council Tax Collection Rate too high was that this could result in a deficit position for the Council Tax element of the Collection Fund, which in turn would have to be funded by the Authority's General Fund. This calculation was reviewed on an annual basis.

The final stage of the Council Tax Base calculation involved adding an estimated amount in respect of contributions in lieu of Council Tax to be made to the Authority, which was expressed in terms of the number of Band D equivalent properties. For 2015/16 this figure for North Tyneside Council, which related to Ministry of Defence properties was 50 Band D equivalent properties.

The 2015/16 Council Tax Base for the whole of North Tyneside after the allowance for non-collection and payments in lieu was 56,424 Band D equivalent properties. This equated to an increase of 1,024 Band D equivalent properties compared to the 2014/15 figure. This change was due to the following:

- an additional 413 properties in the valuation list compared with 2014/15;
- the Council Tax Support Scheme continued to impact on the Tax base calculation for 2015/16; and
- the majority of the balance was accounted for by the changes being proposed to Discounts from April 2015.

Cabinet considered the following decision options:

Option 1 – Whilst the annual Council Tax Base calculation was a statutory calculation, there was always discretion to amend the assumed Council Tax collection rate each year, based on experience and actual / anticipated collection rates. Changes to Exemptions and Discounts and the Local Council Tax Support Scheme could also be made. However, changes to both Exemptions and Discounts and the Local Council Tax Support Scheme were a matter reserved as a decision for Council. Therefore, Option 1 was to

- set the 2015/16 Council Tax Base for North Tyneside Council using an assumed Council Tax collection rate of 98.50%;
- note the changes to Discounts agreed at the full Council meeting on 22 January 2015; and,
- note the Council Tax Support Scheme agreed at the full Council meeting on 22 January 2015.

Option 2 – The only available option for Cabinet following the setting of the Local Council Tax Support scheme by Full Council, were options for Cabinet to amend the assumed Council Tax collection rate. As explained in the report, the current collection rate of 98.50% was proposed to remain unchanged for 2015/16. An increase in the

collection rate would increase the Council Tax Base and a reduction in the collection rate would reduce the Council Tax Base. The impact of different Council Tax collection rates was detailed in the report. For 2015/16 each 0.1% change to the collection rate would change the Council Tax Base by approximately 57 Band D equivalent properties which would equate to a change in resources of approximately £0.076m.

**Resolved** that the report on the calculation of the North Tyneside Council Tax Base for 2015/16, be noted and the assumed Council Tax collection rate for 2015/16 remains at 98.50% and as a result the amount calculated by North Tyneside Council as its Council Tax Base for 2015/16 shall be 56,424 Band D equivalent properties.

(Reason for decision – The proposed 98.50% Council Tax collection rate, no change on the 2014/15 collection rate is felt to be prudent as the risk of setting a Council Tax collection rate too high is that this can result in a deficit position for the Council Tax element of the Collection Fund, which in turn will have to be funded by the Authority's General Fund. This collection rate is reviewed as part of the annual Council Tax Base calculation, and the 98.50% collection rate will be reviewed in determining the Council Tax Base for 2016/17.

The options set out in the report are based on the Local Council Tax Support Scheme and changes to Discounts agreed by full Council at its meeting held on 22 January 2015).

### **CAB135/01/15 2015-2018 Financial Planning and Budget Process: Cabinet's Draft Budget and Council Tax Requirement Proposals**

Cabinet considered a report on the Final Budget Proposals for the 2015/16 Budget and Council Tax requirement. Cabinet also received a presentation on the proposals from the Chief Executive.

The budget proposals had been developed in the context of the Our North Tyneside Plan. They reflected the Plan priorities and recognised the continued reduction in core funding and increasing demand for services.

At its meeting on 8 September 2014, Cabinet had approved the process and timetable to be adopted for the preparation of the draft Financial Plan, 2015/16 revenue budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2015-2019 Investment Plan, as part of the overall Financial Planning and Budget process for 2015-2018. Cabinet had also approved the Budget Engagement Strategy at that meeting (Minute CAB56/09/14 refers).

On 24 November 2014, Cabinet had considered its initial budget proposals, based on information available at that point in time (Minute CAB99/11/14 refers). It was now necessary for Cabinet to consider its estimates of amounts for the 2015/16 Council Tax requirement including the general fund budget, the 2015-2019 Investment Plan, and the Treasury Management Statement and Annual Investment Strategy for 2015/16.

Annex 1 of the report covered:

- 2014-2018 Council Plan – 'Our North Tyneside'
- The Financial Strategy 2015-2018
- Cabinet's Draft Budget Proposals for the 2015/16 Council Tax Requirement including the General Fund Revenue Budget and 2015/16 Financial Plan and the Dedicated Schools Grant
- Cabinet's Draft Budget Proposals for the 2015-2019 Investment Plan and 2015-2018 Prudential Indicators

- Cabinet's Draft Budget Proposals for the Treasury Management Statement and Annual investment Strategy 2015/16
- Response to Overview, Scrutiny and Policy Development Committee Recommendations
- Provisional Statement to Council by the Chief Finance Officer

Engagement with residents and other stakeholders on the budget proposals had commenced on 25 November 2014 and would continue until 29 January 2015. Cabinet received a summary of the findings to date.

As with previous years, reduced core funding and increasing demand for services would mean that the Council would have to find between £40m - £46m of efficiencies over the next three years. £14.158m of this had to be achieved in the next 12 months. The report provided details of the reduction in core funding since 2013/14 which had driven, in part, the level of efficiencies required to be delivered.

The savings to be delivered would be managed through the Creating a Brighter Future Programme which would redefine, reshape and redesign what North Tyneside Council was and would deliver going forward.

For the 2015/16 Financial Planning and Budget process a three-year financial planning process covering the years 2015-2018, was proposed. The Local Government Finance Settlement for 2015/16 had been issued on 18 December 2014 and was summarised in the Annex to the report. The Settlement outlined was for one year only. A Consultation on the Settlement had been issued with a closing date of 15 January 2015.

There had been a number of recent legal challenges to the setting of council budgets. In order to comply with current requirements, all Financial Planning and Budget proposals had to include an Equality Impact Assessment (EIA). The timescale for EIAs to be completed had been aligned with the Financial Planning and Budget process. EIAs would inform the development of specific budget proposals and Cabinet's decisions on the initial Budget proposals for 2015/16.

Updated EIAs had been written following engagement on the initial budget proposals and formed part of the proposals for consideration. Following Cabinet, the EIAs would be further updated and actions arising from them would be incorporated into the budget proposals. The EIAs would also be available to decision-makers prior to decisions to proceed with the implementation of proposals brought forward during the budget setting process.

Cabinet considered the following decision options:

Option 1 – Agree the proposals detailed in the report.

Option 2 – 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 5 February 2015.

Option 3 – Reject the proposals.

**Resolved** that:

**The 2015-2018 Financial Planning and Budget Process**

(1) the progress made in relation to this year's Financial Planning and Budget process, be noted;

(2) it be noted that Cabinet's estimates of amounts in the setting of the Council Tax requirement will be submitted to full Council for its meeting on 5 February 2015, in accordance with the Authority's Constitution and Budget and Policy Framework Procedure Rules;

(3) it be noted that Cabinet's proposals for the 2015-2019 Investment Plan, including Prudential Indicators for 2015-2018 in accordance with the Chartered Institute of Public Finance & Accountancy's (CIPFA's) Prudential Framework and the proposed Minimum Revenue Provision (MRP) Policy in line with capital finance regulations will be submitted to full Council at its meeting on 5 February 2015;

(4) it be noted that Cabinet's proposals for the Treasury Management Statement and Annual Investment Strategy for 2015/16 will be submitted to full Council at its meeting on 5 February 2015;

(5) it be noted that any implications that impact on this report arising from decisions of full Council on 22 January 2015 and Cabinet on 28 January 2015 will be provided as a supplementary report to full Council on 5 February 2015;

(6) the key messages that have emerged from the budget engagement process and how the results of this have influenced the draft Financial Planning and budget proposals for 2015/16 and future years, be noted;

(7) the key aspects of the 2015/16 Local Government Finance Settlement announced on 18 December 2014, and how this has been incorporated into the Financial Strategy and Financial Plan of the Authority, be noted; the outstanding information required to allow the Mayor and Cabinet to finalise the proposals be also noted;

### **The 2014-2018 Council Plan - 'Our North Tyneside'**

(8) it be noted that the Our North Tyneside Plan forms the Policy Framework for the Financial Planning and Budget Process for 2015-2018;

### **The Financial Strategy 2015-2018**

(9) the key principles being adopted in preparing the Financial Strategy for the Authority, subject to an annual review, be approved;

(10) the medium-term financial challenges and financial risks facing the Authority be noted and they be addressed as part of the Creating a Brighter Future Programme for the Authority, to deliver continued financial stability and prudent management of the Authority's financial resources;

(11) the approach being taken in relation to the Creating a Brighter Future Programme for the next three years, starting in 2015/16, be approved;

(12) the formal Reserves and Balances Policy for the Authority, subject to review at least annually, be approved;

### **2015/16 General Fund Revenue Budget and Dedicated Schools Grant**

(13) the estimates of amounts be approved for the 2015/16 setting of the Council Tax requirement including the General Fund Revenue Budget and Dedicated Schools Grant, thereby calculating the proposed level of Council Tax, to be recommended to full Council for approval, including the assessment in relation to the current year's budget monitoring information (2014/15) and indications of the Financial Plan for 2016/17 and the following year;

(14) the Chief Finance Officer be requested to prepare the appropriate Council Tax Requirement and budget resolution document for full Council's consideration at its meeting on 19 February 2015, based upon the outcomes of recommendation (10);

### **2015-2019 Investment Plan**

(15) the estimates of amounts in relation to the 2015-2019 Investment Plan, including Prudential Indicators for 2015-2018, be approved 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;

(16) it be noted that all approved schemes within the 2015-2019 Investment Plan will be kept under corporate review by the Investment Programme Board;

**Treasury Management Statement and Annual Investment Strategy 2015/16**

(17) the Treasury Management Statement and Annual Investment Strategy 2015/16 be approved;

**Response to the Overview, Scrutiny and Policy Development Committee Recommendations**

(18) the conclusions of the Overview, Scrutiny and Policy Development Committee's review of the 2015/16 budget proposals, be noted;

**Provisional Statement by the Chief Finance Officer**

(19) the Provisional Statement by the Chief Finance Officer, be noted;

**Delegations and Authorisations**

(20) the Elected Mayor be authorised 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 2015/16;

(21) 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 Creating a Brighter Future 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

(22) delegated authority be granted to the Elected Mayor, in consultation with the Deputy Mayor, Cabinet Member for Finance and Resources, the Chief Executive and the Strategic Manager Finance to consider any further comments received from residents after the drafting of this Cabinet report but on or before 29 January 2015, as the Budget Engagement process will continue until 29 January 2015, and present these as an addendum to the report to full Council on 5 February 2015 and 19 February 2015.

(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 financial implications arising from this report are appraised as part of the decisions made about what will be included in the Authority's Financial Plan, incorporating the 2015/16 budget setting process. Decisions on the budget in relation to the General Fund, Schools' funding, Treasury Management Statement and Annual Investment Strategy and Investment Plan need to be made within the overall context of the resources available to this 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 three-year resource planning period.

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 three-year Financial Plan for 2015-2018, as issued in guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) in November 2008. A provisional statement to Council by the Chief Finance Officer is included in the Annex of the report.

The Local Government Finance Act 1992 (Section 32: Calculation of Budget Requirement) requires the Council to set a balanced budget in the context of the resources available, including central government grants, business rates and council tax income. The Localism Act 2011 inserted a new Section 31 into the Local Government Finance Act 1992, which requires the calculation of a council tax requirement by billing authorities, rather than a budget requirement calculation, as previously. The Localism Act 2011 also abolished council tax capping in England. It instead introduced new provisions into the 1992 Act, making 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.

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

The 2015-2018 Financial Planning and Budget process has been prepared to comply with the time-scales required within the Budget and Policy Framework Procedure Rules contained in the Authority's Constitution and legislative requirements that the Council Tax requirement is determined before 11 March in any year.

### **CAB136/01/15 Date and Time of Next Meeting**

6.00pm on Monday 9 February 2015 (Ordinary Meeting)

6.00pm on Monday 23 February 2015 (Extraordinary Meeting)(If required)

**Minutes published on Monday 2 February 2012.**