

Cabinet (Extraordinary Meeting)

27 January 2016

Present: N Redfearn (Elected Mayor) (in the Chair)
Councillors CA Burdis, EN Darke, R Glindon, IR Grayson,
JLL Harrison, CB Pickard, LA Spillard, JJ Stirling and
A Waggott-Fairley.

In Attendance: M Almond (Voluntary and Community Sector)
J Hayburn (North Tyneside Clinical Commissioning Group)
R Layton (North Tyneside JTUC)

CAB119/01/16 Apologies

Apologies were received from A Caldwell (Age UK North Tyneside) and M Cushlow (North Tyneside Clinical Commissioning Group).

CAB120/01/16 Declarations of Interest and Dispensations

Councillor C Burdis declared a non-registerable personal interest in the item regarding the 2016-2019 Financial Planning and Budget Process: Cabinet's Draft Budget and Council Tax Requirement Proposals as she has a relation who works for the Authority.

Councillor R Glindon declared a non-registerable personal interest in the item regarding the 2016-2019 Financial Planning and Budget Process: Cabinet's Draft Budget and Council Tax Requirement Proposals as he has a relation who works for the Authority.

CAB121/01/16 Calculation of the 2016/17 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 2016/17 had been calculated and requested approval of the calculation for 2016/17, which had been calculated as 56,948 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 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 three years, for the calculation of the 2016/17 Council Tax Base, Council Tax Support took the form of reductions.

The calculation of the 2016/17 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. The 2016/17 Council Tax Base calculation for 2016/17 was based on the Local Council Tax Support Scheme for 2016/17 that had been agreed by full Council on 21 January 2016.

The detailed Council Tax Base calculation for North Tyneside for 2016/17 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 2016/17.

The regulations also required that the Tax Base calculation was based on the position as at 30 November each year. The resulting 2016/17 Council Tax Base for North Tyneside Council was therefore slightly different to that used by the Department for Communities for Local Government (DCLG).

In order to arrive at the Council Tax Base calculation for 2016/17, 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 2016/17 was to produce a total number of properties prior to an allowance for non-collection and contributions in lieu of 57,765.

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, 2014/15 and 2015/16 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 96.5% in 2013/14 to 96.4% in 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 2016/17, it was proposed that an assumed Council Tax Collection Rate of 98.50% be set as part of the 2016/17 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 2016/17 this figure for North Tyneside Council, which related to Ministry of Defence properties was 50 Band D equivalent properties.

The 2016/17 Council Tax Base for the whole of North Tyneside after the allowance for non-collection and payments in lieu was 56,948 Band D equivalent properties. This equated to an increase of 524 Band D equivalent properties compared to the 2015/16 figure.

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 were reserved as a decision for Council. No changes were proposed to Exemptions and Discounts this year. Therefore, Option 1 was to

- set the 2016/17 Council Tax Base for North Tyneside Council using an assumed Council Tax collection rate of 98.50%;
- note the Council Tax Support Scheme agreed at the full Council meeting on 21 January 2016.

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 2016/17. 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 2016/17 each 0.1% change to the collection rate would change the Council Tax Base by approximately 58 Band D equivalent properties which would equate to a change in resources of approximately £0.080m.

Resolved that the report on the calculation of the North Tyneside Council Tax Base for 2016/17 be noted and the assumed Council Tax collection rate for 2016/17 remains at 98.50% and therefore the amount calculated by North Tyneside Council as its Council Tax Base for 2016/17 shall be 56,948 Band D equivalent properties.

(Reason for decision – The proposed 98.50% Council Tax collection rate, no change on the 2015/16 collection rate is felt to be prudent. 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 2017/18.

The options set out in the report are based on the changes to Discounts for 2015/16 agreed by full Council at its meeting held on 22 January 2015 and the Local Council Tax Support Scheme agreed by full Council at its meeting held on 21 January 2016.)

CAB122/01/16 2016-2019 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 2016/17 Budget and Council Tax requirement.

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 Central Government funding and rising cost pressures, which were in part as a result of increasing demand for services. Included in the proposals was a proposed 2% increase in Council Tax to fund adult social care spend (as proposed in the Chancellor's Spending Review) and a general 2% increase in Council Tax in line with the expectations of Central Government's provisional 2016 settlement for local authorities. This general increase was to help continue to provide services over the coming years.

At its meeting on 14 September 2015, Cabinet had approved the process and timetable to be adopted for the preparation of the draft Financial Plan, 2016/17 revenue budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2016-2019 Investment Plan, as part of the overall Financial Planning and Budget process for 2016-2019. Cabinet had also approved the Budget Engagement Strategy at that meeting.

On 7 December 2015, Cabinet had considered its initial budget proposals, based on information available at that point in time. It was now necessary for Cabinet to consider its estimates of amounts for the 2016/17 Council Tax requirement including the general fund budget, the 2016-2019 Investment Plan, and the Treasury Management Statement and Annual Investment Strategy for 2016/17.

There were a number of assumptions and judgements built into the figures presented that were beyond the control of the Authority and needed to be finalised. The estimates of amounts would therefore need to be subject to further review before they could be confirmed.

Annex 1 of the report covered:

- 2016-2019 'Our North Tyneside'/Creating a Brighter Future/Target Operating Model
- The Financial Strategy 2016-2019
- Local Government Finance Settlement
- Cabinet's Draft Budget Proposals for the 2016/17 Council Tax Requirement including the General Fund Revenue Budget and 2016/17 Financial Plan and the Dedicated Schools Grant
- Cabinet's Draft Budget Proposals for the 2016-2019 Investment Plan and Prudential Indicators
- Cabinet's Draft Budget Proposals for the Treasury Management Statement and Annual investment Strategy 2016/17
- Response to Overview, Scrutiny and Policy Development Committee Recommendations; and
- Provisional Statement to Council by the Chief Finance Officer

Engagement on the Our North Tyneside Plan priorities and budget proposals had commenced in September 2015 and would continue until 31 January 2016. Cabinet received a summary of the findings to date.

In presenting the report, the Cabinet Member for Finance and Resources stated there were tough decisions to make as the Authority's services continued to see increased demand set against lower levels of national government funding. The Authority faced the challenge of maximising the use of limited resources to ensure the borough continued to grow through investment and that essential services continued to be delivered.

He pointed out that the provisional 4 year settlement would see a continued reduction in the revenue support grant to £11.2m by 2019/20, a 73% reduction on the restated position for 2015/16. In addition the provisional settlement assumed a 9% increase in the Authority's share of business rates based on RPI increases over the period of the spending review and more significantly a 31% increase in Council Tax resources. The settlement assumed that the 2% Adult Social Care increase would happen for the next 4 years in addition to a general increase in Council Tax, and significantly that the Council Tax Base would grow by an average 1000 band D properties per annum.

The budget and financial plan included set out savings proposals of nearly £16 million for 2016/17 and close to £56m over the next three years. As part of the budget it had been necessary to make the difficult decision to increase Council Tax for the first time in 5 years. This was to ensure that the Authority could continue to deliver the services that residents needed.

The Cabinet Member referred to the requirement to submit an NNDR 1 return to central government about business rates for 2016/17. The volume of outstanding Business Rates Appeals remained high and the Authority was reliant on the Valuation Office to settle these. The level of financial uncertainty associated with the appeals process had resulted in the need to make further provision for appeals which was funded by a call on reserves included in this budget.

It was anticipated that the NNDR 1 would be finalised at the end of this week, in addition to which confirmation about some grant details was still awaited.

The requirement to continue to deliver a sustained level of efficiencies meant the budget proposals were shaped by the Our North Tyneside Plan and would be delivered through the Creating a Brighter Future programme. The Council would change the way it operated through the development and implementation of a "Target operating Model". The longer-term plan set out to make a difference for residents by making the Council work smarter, putting people at the centre of what it does and ensuring that the organisation maximised how it used public money to achieve residents' priorities - including delivering economic success and jobs for the borough.

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 4 February 2016.

Option 3 – Reject the proposals.

Resolved that:

The 2016-2019 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 4 February 2016, in accordance with the Authority's Constitution and Budget and Policy Framework Procedure Rules;
- (3) it be noted that Cabinet's proposals for the 2016-2019 Investment Plan, including Prudential Indicators for 2016-2019 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 4 February 2016;
- (4) it be noted that Cabinet's proposals for the Treasury Management Statement and Annual Investment Strategy for 2016/17 will be submitted to full Council at its meeting on 4 February 2016;
- (5) it be noted that any implications that impact on this report arising from decisions of full Council on 21 January 2016 and Cabinet on 27 January 2016 will be provided as a supplementary report to full Council on 4 February 2016;
- (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 2016/17 and future years, be noted;
- (7) the key aspects of the 2016/17 Local Government Finance Settlement announced on 17 December 2015, 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;

'Our North Tyneside' Plan 2016-2019

- (8) it be agreed that the Our North Tyneside Plan priorities form the Policy Framework for the Financial Planning and Budget Process for 2016-2019;

The Financial Strategy 2016-2019

- (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 through the Target Operating Model 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 Target Operating Model and the Creating a Brighter Future Programme for the next three years, in order to deliver the Our North Tyneside Plan, be approved;
- (12) the formal Reserves and Balances Policy for the Authority, subject to review at least annually, be approved;

2016/17 General Fund Revenue Budget and Dedicated Schools Grant

- (13) the estimates of amounts be approved for the 2016/17 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 (2015/16) and indications of the Financial Plan for 2017/18 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 18 February 2016, based upon the outcomes of recommendation (10);

2016-2019 Investment Plan

(15) the estimates of amounts in relation to the 2016-2019 Investment Plan, including Prudential Indicators for 2016-2019, 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 2016-2019 Investment Plan will be kept under corporate review by the Investment Programme Board;

Treasury Management Statement and Annual Investment Strategy 2016/17

(17) the Treasury Management Statement and Annual Investment Strategy 2016/17 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 2016/17 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 2016/17;

(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 it be noted 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 Head of Finance to consider any further comments received from residents after the drafting of this Cabinet report but on or before 31 January 2016, as the Budget Engagement process will continue until 31 January 2016, and present these as an addendum to the report to full Council on 4 February 2016 and 18 February 2016.

(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 2016/17 budget setting process. Decisions on the budget in relation to the General Fund, Dedicated Schools Grant, Treasury Management Statement and Annual Investment Strategy and Investment Plan need to be made within the overall context of the resources available to the Authority and within the legal framework for setting 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 2016-2019, 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 to 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 2016-2019 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.

CAB123/01/16 Dates and Times of Next Meeting

6.00pm on Monday 8 February 2016 (Ordinary Meeting)

Minutes published on 1 February 2016.