

Extraordinary Cabinet

25 January 2017

Present: N Redfearn (Elected Mayor) (in the Chair)
Councillors CA Burdis, EN Darke, R Glindon, IR Grayson,
M Hall, JLL Harrison, CB Pickard and JJ Stirling

In Attendance: R Layton (North Tyneside JTUC)
D Rose (Business Sector)

CAB120/01/17 Apologies

Apologies were received from Councillor A Waggott-Fairley.

CAB121/01/17 Declarations of Interest and Dispensations

There were no declarations of interest or dispensations reported.

CAB122/01/17 Calculation of the 2017/18 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 2017/18 had been calculated and requested approval of the calculation for 2017/18, which had been calculated as 58,202 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 2017/18 Council Tax Base, Council Tax Support took the form of reductions.

The calculation of the 2017/18 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 2017/18 Council Tax Base calculation was based on the Local Council Tax Support Scheme for 2017/18, and changes to exemptions and discounts that had been agreed by full Council on 19 January 2017.

The detailed Council Tax Base calculation for North Tyneside for 2017/18 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 B and A charge (six-ninths of the Band D) a qualifying Band A property was now charged five-ninths of the B and 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 2017/18.

In order to arrive at the Council Tax Base calculation for 2017/18, the number of dwellings within each of the Council Tax Bands A – H had been converted to their Band D equivalents, using the appropriate proportion. The result of this calculation for 2017/18 was to produce a total number of properties prior to an allowance for non-collection and contributions in lieu of 59,037.

The next stage of the Council Tax Base calculation involved making a deduction for the non-collection of Council Tax. This 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 setting the Council Tax Base for 2012/13. However, for 2013/14, 2014/15 and 2015/16 a lower collection rate of 98.50% had been agreed. This lower rate of 98.50% reflected 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.

Council Tax in year collection remained strong and Council Tax collection had remained consistent in each of the last three financial years. 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 2017/18, it was proposed that an assumed Council Tax Collection Rate of 98.50% was set as part of the 2017/18 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 Council'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 2017/18 this figure for North Tyneside Council, which related to Ministry of Defence properties was 50 Band D equivalent properties.

The 2017/18 Council Tax Base for the whole of North Tyneside after the allowance for non-collection and payments in lieu was 58,202 Band D equivalent properties. This equated to an increase of 1,254 Band D equivalent properties compared to the 2016/17 figure.

Cabinet considered the following decision options:

Option 1 - Whilst the annual Council Tax Base calculation is 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 a matter reserved as a decision for Council. Changes were proposed to Exemptions and Discounts for 2017/18, and the Local Council Tax Support Scheme for 2017/18 and had been agreed by full Council on 19 January 2017. Therefore Option 1 was to:

- set the 2017/18 Council Tax Base for North Tyneside Council using a assumed council tax collection rate of 98.50%; and
- note the Council Tax Support Scheme and changes to empty property discounts which were agreed at the full Council meeting on 19 January 2017.

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 noted earlier within this report, the current collection rate of 98.50% was proposed to remain unchanged for 2017/18. 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 was detailed in the report. For 2017/18 each 0.1% change to the collection rate would change the Council Tax Base by approximately 58 B and D equivalent properties which would equate to a change in resources of approximately £0.080m.

Resolved that the report on the calculation of North Tyneside's Council Tax Base for 2017/18 be noted, and the assumed Council Tax collection rate for 2017/18 remains at 98.50%, and therefore it be agreed that the amount calculated by North Tyneside Council as its Council Tax Base for 2017/18 shall be 58,202 Band D equivalent properties.

(Reason for decision: The proposed 98.50% Council Tax collection rate, no change on the 2016/17 collection rate is felt to be prudent for the reasons set out in paragraph 1.5.14 of the report. 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 2018/19.

The options set out within the report are based on the changes to Discounts for 2017/18 and the Local Council Tax Support Scheme agreed by full Council at its meeting on 19 January 2017.)

CAB123/01/17 2017-2020 Financial Planning and Budget Process: Cabinet's Draft Budget and Council Tax Requirement Proposals (All Wards)

Cabinet considered a report on the Final Budget Proposals for 2017/18 Budget and Council Tax requirement.

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The budget proposals had been developed in the context of the Our North Tyneside Plan and reflected the Plan priorities, but recognised the continued reduction in core funding, increasing cost pressures such as the impact of the National Living Wage and increasing demand for services in areas such as Adult Social Care and Children's Services. In line with Government guidelines, included in the proposals was a 3% increase in Council Tax to fund Adult Social Care spend and a general 1.998% increase in Council Tax in line with national government guidance.

At its meeting on 12 September 2016, Cabinet had approved the process and timetable to be adopted for the preparation of the draft Financial Plan, 2017/18 revenue budgets in respect of the General Fund, Dedicated Schools Grant (DSG) and Housing Revenue Account (HRA), and the 2017-2020 Investment Plan, as part of the overall Financial Planning and Budget process for 2017-2020. Cabinet had also approved the Budget Engagement Strategy as part of this report (Previous Minute CAB47/09/16).

An Efficiency Plan had been submitted to Central Government on 14 October 2016 in order to secure as far as possible the proposed level of Revenue Support Grant for this Authority that was announced as part of the 2016 Local Government Finance Settlement.

The Authority's approach for 2017-20 was to achieve savings early where possible, to mitigate against future financial risks whilst working in a very different way to ensure that resources were most effectively targeted at the people who need them most and to ensure that all residents had a successful, healthy and safe future, no matter where they live in the Borough. This meant that the Authority would need to:

- understand and manage demand;
- enable people to help themselves;
- use intelligence to target resources to best effect;
- maximise income and reduce long-term cost;
- work in partnership to improve outcomes; and
- be innovative and utilise technology to improve outcomes.

On 15 December 2016, the Provisional Local Government Finance Settlement for 2017/18 was announced. The announcement had not led to a significant change to the Government's local funding reductions previously announced. There were significant reductions to the amount of New Homes Bonus and Education Services Grant that were available to the Authority in 2017/18 but there was also an increase in the amount of Grant available to the Authority to fund Adult Social Care as well as an increase in Council Tax.

On 28 November 2016, Cabinet had considered its initial budget proposals, based on information available at that point in time (Previous Minute CAB96/11/16).

It was now necessary for Cabinet to consider its estimates of amounts for the 2017/18 Council Tax requirement including the General Fund Budget, the 2017-2020 Investment Plan, and the Treasury Management Statement and Annual Investment Strategy for 2017/18.

There were a number of assumptions and judgements built into the figures 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.

The Authority had to find efficiencies and resource changes in the General Fund budgets of up to £52m over the next three years as a result of sustained cuts in government funding and unfunded policies and pressures. Since 2010 the Authority, along with other local authorities, had faced unprecedented reductions in Government spending. The

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Authority had already made efficiency savings of more than £101m since 2010 and a further £22m must be saved in 2017/18. These huge cuts had come at a time when demand for some of the Authority's most costly services such as support to vulnerable adults and children's social care was increasing. These initial budget proposals aimed to achieve the required savings.

The Authority was facing an incredibly tough and challenging time as it was faced with steeply declining government funding as well as relentless pressure on its already reduced budgets. In light of this challenge, the Authority had listened to residents and had set out a clear plan for the future. These draft budget proposals would protect and improve essential services for the people of North Tyneside, invest in the future of the Borough, grow the local economy, creating more jobs and opportunities and build a more modern Authority that enabled people to do more for themselves.

With so many competing demands to pay for services the Elected Mayor and Cabinet had taken a lot of time to scrutinise the Authority's finances. With the scale of the funding reductions, very difficult decisions have had to be made and unfortunately many more lie ahead if the Authority was to manage with less money. These proposals aimed to protect essential services and make sure that the Authority operated in as efficient a way as possible, providing excellent value for money for local taxpayers.

The Budget proposals set out in the report had been developed in the context of the 2016-2019 'Our North Tyneside Plan' and reflected the Plan priorities. The savings to be delivered would be managed through the four service delivery themes of the Creating a Brighter Future programme which would redefine, reshape and redesign how North Tyneside Council delivered the required outcomes through a Target Operating Model.

Engagement on the Budget proposals had begun in Summer 2017 and continued from 29 November 2016 until 20 January 2017. It involved information and feedback through the Authority's website as well as focus group activity with staff, residents, businesses and strategic partners.

The assumptions in Cabinet's 2017-2020 Budget and financial plan proposals included an increase to Council Tax of 4.998% in 2017/18. This increase included a general amount of 1.998% and 3% for the Adult Social Care precept. Cabinet's draft proposals published on the 28 November 2016 included a social care precept increase of 2% so these final proposals included an additional 1% as recommended by Central Government. While the additional income was helpful (albeit reluctantly accepted by Cabinet in the absence of a sustainable national solution to the problems of adult and children's social care), and would help to mitigate the impact of these cost pressures on the Authority's overall budget, the amount raised (i.e. £2.25m) was a relatively small proportion of the adult social care cost pressures faced by the Authority. The remaining 1.998% increase in Council Tax would be used to fund cost pressures in other services areas.

Annex 1 to the report set down in detail the Cabinet's 2017-2020 draft Budget proposals for the General Fund Revenue Budget, Dedicated Schools Grant and the 2017-2020 Investment Plan.

For the 2017/18 Financial Planning and Budget process a three-year financial planning process covering the years 2017-2020 was proposed. The Provisional Local Government Finance Settlement for 2017/18 was issued on the 15 December 2016 and was also summarised in Annex 1 to the report.

The Head of Finance gave a presentation to complement the report which summarised the:

- Autumn Statement and Provisional Statement Review
- Resources available 2016/17-2019/20
- Financial Plan summary
- Efficiency savings
- Headline efficiencies under the Creating a Brighter Future key themes
- Investment Plan
- Treasury Management Strategy
- Prudential Indicators
- Reserves and Balances
- Engagement events

The Cabinet Member for Finance and Resources stated that it had been a particularly challenging year and thanked Cabinet Members and Officers for their tireless work in drawing up the proposals.

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 2 February 2017.

Option 3 - Reject the proposals.

Resolved that (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 2 February 2017, in accordance with the Authority's Constitution and Budget and Policy Framework Procedure Rules;

(3) it be noted that Cabinet's proposals for the 2017-2020 Investment Plan, including prudential indicators for 2017-2020 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 for its meeting on 2 February 2017;

(4) it be noted that Cabinet's proposals for the Treasury Management Statement and Annual Investment Strategy for 2017/18 will be submitted to full Council for its meeting on 2 February 2017;

(5) it be noted that any implications that impact on this report arising from decisions of full Council on the 19 January 2017 and Cabinet on the 25 January 2017 will be provided as a supplementary report to full Council on the 2 February 2017;

(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 2017/18 and future years, be noted;

(7) the key aspects of the 2017/18 Local Government Finance Settlement announced on 17 December 2016, 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;

(8) it be agreed that the Our North Tyneside Plan priorities form the Policy Framework for the Financial Planning and Budget Process for 2017-2020;

- (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;
- (13) the estimates of amounts be approved for the 2017/18 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 (2016/17) and indications of the Financial Plan for 2018/19 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 16 February 2017, based upon the outcomes of Resolution (7);
- (15) the estimates of amounts in relation to the 2017-2020 Investment Plan, including prudential indicators for 2017-2020, 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 2017-2020 Investment Plan will be kept under corporate review by the Investment Programme Board;
- (17) the Treasury Management Statement and Annual Investment Strategy 2017/18 be approved;
- (18) the conclusions of the Overview, Scrutiny and Policy Development Committee's review of the 2017/18 budget proposals be noted;
- (19) the Provisional Statement by the Chief Finance Officer be noted;
- (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 2017/18;
- (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;
- (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 20 January 2017, as the Budget Engagement process will continue until 20 January 2017, and present these as an addendum to the report to full Council on 2 February 2017 and 16 February 2017; and
- (23) delegated authority be granted to the Chief Executive, in consultation with the Elected Mayor and Head of Finance to authorise the purchase of homes, on the open market, providing value for money is demonstrated and the cost can be contained within existing financial resources of the Authority. This is to ensure the programme of delivery of affordable homes and homes at market rent is progressed in line with the Cabinet's priorities.

(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 2017/18 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 2017-2020, as issued in guidance from the Chartered Institute of Public Finance & Accountancy (CIPFA) in November 2008. A provisional statement to Council by the Chief Finance Officer is included in Annex 1 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 2017-2020 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 the 11 March in any year.)

CAB124/01/17 Date and Time of Next Meeting

6.00pm on Monday 13 February 2017

Minutes published on Monday 30 January 2017.