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**To: All Members and Co-opted Members of the Council**

Dear Councillor or Co-opted Member,

### **2013-2015 Financial Planning and Budget Process**

#### **Notification of Final Amendments made under Delegated Authority to the Mayor**

I am writing further to the Cabinet meeting of 28 January 2013 and the Council meeting of 7 February 2013. Cabinet, at its meeting on 28 January 2013 authorised the Elected Mayor to make any final amendments to the Cabinet's proposals in relation to that information which was still outstanding. This was so that due consideration could be given to the final level of Council Tax the Cabinet wishes to put forward to Council for approval for 2013/14 (recommendation 1.2.1 (s) in the original Cabinet report refers).

The outstanding information reported to Council on 7 February 2013 (paragraph 1.1 of Annex 1 of the report refers) related to the following items:

1. Tyne and Wear Fire and Rescue Authority and Police and Crime Commissioner for Northumbria (formerly known as the Northumbria Police Authority) Precepts for 2013/14;
2. Levies, including the Tyne and Wear Integrated Transport Authority (ITA);
3. Tyne and Wear Joint Service Budgets;

4. The final Local Government Finance Settlement announcement for 2013/14, including Capital announcements, Specific Grants (including Dedicated Schools Grant), Council Tax Freeze Grant and Council Tax Support funding final detailed information; and,
5. Final consideration of the impact of the economic climate on the residents of the borough and council tax payers.

Information has now been received / is anticipated as follows:

## 1. **Police and Fire Precepts:**

The final amendments to the Fire and Police Precepts for 2013/14 are as follows:

### (a) **Tyne & Wear Fire and Rescue Authority**

Precept increase of 0% over the 2013/14 level was approved on 18 February 2013 and,

### (b) **Police and Crime Commissioner for Northumbria (formerly known as the Northumbria Police Authority)**

Precept increase of 3.5% over the 2013/14 level was approved on 6 February 2013.

## 2. **Levies:**

The final amendments to Levies for 2013/14 are as follows:

### (a) **Tyne & Wear Integrated Transport Authority Levy**

As part of the overall 0% increase, there will be an increase in the levy of £0.346m for North Tyneside for 2013/14 due to the increase in our population. In order to mitigate the impact on authorities, Nexus Reserves of £2.000m are being released back to councils in Tyne and Wear for both 2013/14 and 2014/15, to be distributed on the same population basis as the levy. North Tyneside's share of this will be £0.364m in 2013/14 (2014/15 indicative amount is £0.365m). The 2013-2023 Capital Plan has been updated to reflect these additional amounts.

### (b) **Tyne Port Health Authority Levy**

A £0.001m reduction compared with the original estimate;

### (c) **Environment Agency Levy**

No change compared with the original estimate; and,

(d) **Northumberland Inshore Fisheries and Conservation Authority (IFCA)  
(Formerly known as Northumbria Sea Fisheries)**

No change compared with the original estimate.

**3. Tyne and Wear Joint Service Budgets**

We are not aware of any further amendments to the Tyne and Wear Joint Service Budgets information since the 28 January 2013 Cabinet meeting.

**4. The final Local Government Finance Settlement announcement for 2013/14, including Capital announcements, Specific Grants (including Dedicated Schools Grant and Council Tax Freeze Grant) final detailed information**

**(a) The Final Local Government Finance Settlement**

The Final Local Government Finance Settlement for 2013/14 was announced by Communities and Local Government (CLG) on 4 February 2013. In relation to the 2013/14 Settlement, the Settlement contained a number of changes since the Provisional Settlement was announced on 19 December 2012.

The Final Local Government Finance Settlement for 2013/14 also included new calculations for the "Spending Power" of individual local authorities, both including and excluding the Public Health Grant. The North Tyneside Council loss of Spending Power is 2.2% for 2013/14 excluding the Public Health Grant, but including the Public Health Grant, this then reduces to a 1.8% reduction. Our loss of Spending Power in 2014/15 is 4.6% excluding the Public Health Grant, including the Public Health Grant, this then reduces to a 4.2% reduction.

**New Homes Bonus Adjustment Grant**

The 2013/14 Local Government Finance Settlement issued on 4 February 2013, included a new grant called the "New Homes Bonus Adjustment grant". This is the distribution of the national "top slice" amount total of £81.7m and the allocation for North Tyneside Council in 2013/14 is £0.358m.

**Start Up Funding Assessment**

There were minor changes to the Start Up Funding Assessment (SUFA) for North Tyneside Council between the Provisional and Final Settlement with SUFA reducing by £0.001m for 2013/14, but increasing by £0.052m for 2014/15.

**Council Tax Freeze Grant**

Council Tax Freeze grant allocations for 2013/14 and 2014/15 were unchanged from the Provisional Local Government Finance Settlement allocations. However, as these allocations are based on Tax Bases before the adoption of the new localised Council Tax Support schemes, by default these grant allocations are overstated. Our indicative allocations represent approximately 1.25% of

council tax funding, which it is anticipated may well reduce to about 1% of council tax when final allocations are determined in March 2013. It is therefore prudent to allow £0.130m in contingences for the likely reduction in grant.

### Education Services Grant

The final allocations for the Education Services Grant (ESG) are not expected to be announced until March 2013. This grant is a replacement of the Formula Grant adjustment for Central Education Services within Local Authority Central Spend Equivalent Grant (LACSEG). The anticipated Education Services grant for 2013/14 is estimated to be £3.769m, which is an anticipated shortfall in funding of £0.228m compared with the Formula Grant adjustment. If this pressure were not to materialise, then the underspend would be transferred to contingencies.

### North Tyneside Council Business Rates Baseline

As noted in the 28 January 2013 Report to Cabinet on the 2013-2015 Financial Planning and Budget Process, it is now an obligation for the authority to formally calculate the estimated level of Business Rates (the Business Rates Taxbase / Business Rates Baseline) it anticipates collecting for 2013/14. The Business Rates Baseline is dependent on the information included in the NNDR1 form for each local authority. The final NNDR1 form for 2013/14 for North Tyneside Council estimates that the business rates collected by the Authority will be £57.800m in 2013/14. The split between the amount retained by the Council and that to be paid over to Central Government and the Tyne and Wear Fire and Rescue Authority are set out in Table 1 below. The result for the Council is a retained share of £28.322m for 2013/14 which is £1.088m above Baseline.

**Table 1: 2013/14 North Tyneside Council Business Rates Baseline / Business Rates Taxbase**

	<b>2013/14 £m</b>
2013/14 North Tyneside Business Rates Baseline / Business Rates Taxbase	57.800
North Tyneside Council Retained Local Share (50%)	28.900
Of the Local Share:	
Amount Retained by North Tyneside Council (98%)	28.322
Amount Paid to the Tyne and Wear Fire and Rescue Authority (2%)	0.578
Amount Retained by North Tyneside Council	28.322
Business Rates Baseline for North Tyneside Council	27.234
Amount above Baseline	1.088

## **(b) 2013-2013 Capital Plan**

### Coastal Communities Grant

As recently announced, the Authority has been successful in bidding for Coastal Communities Fund grant funding. Funding of £1.991m has been awarded. Although final details have not yet been received, it is expected that £1.731m of the award will be for capital works and £0.260m revenue. The capital spend of £1.731m is expected to take place during 2012/13 (£0.070m) and 2013/14 (£1.661m). The 2013-2023 Capital Plan has been updated to reflect this.

### Integrated Transport Authority

As noted above, the Integrated Transport Authority (ITA) has agreed a payment will be made from the ITA to the districts for transport activities, North Tyneside's share of this will be £0.364m in 2013/14 (2014/15 indicative amount £0.365m). Also, £0.120m has been allocated for Public Transport schemes. The 2013-2023 Capital Plan has been updated to reflect these additional amounts.

### River Tyne Energy Innovation project

A refinement of the details of the River Tyne Energy Innovation project in consultation with the Department for Communities and Local Government (DCLG) has resulted in a reduction in the planned lettable floor space and subsequently a reduction in the European Regional Development Fund (ERDF) bid of £0.500m to £2.250m. This change has been reflected in the 2013-2023 Capital Plan.

### Education Capital Grants

Capital allocations from the Department for Education remain outstanding. An announcement is expected in late February 2013.

The revised Capital Plan is shown in Table 2 below: An updated schedule of individual projects will be set out at Appendix B(i) to the 21 February 2013 Report to Council. The revenue implications of these schemes have been included in the revenue budget.

**Table 2: Summary of Base Capital Plan 2013-2023 / Prudential Indicator 6**

<b>Spend</b>	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/23 £000's	Total £000's
Chief Executive's Office	20,877	18,305	9,126	30,564	78,872
Children, Young People and Learning	7,367	5,835	34	0	13,236
Community Services	2,727	566	0	0	3,293
Finance and Resources	1,600	1,000	1,000	6,000	9,600
Corporate items	1,500	500	500	3,000	5,500
<b>General Fund total</b>	<b>34,071</b>	<b>26,206</b>	<b>10,660</b>	<b>39,564</b>	<b>110,501</b>

### Capital Financing

Table 3 below summarises the proposed financing of the Capital Plan:

**Table 3: Summary of Capital Financing 2013-2023**

<b>Resources</b>	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016/23 £000's	Total £000's
<b>Council Contribution:</b>					
Unsupported	6,218	11,150	8,729	27,688	53,785
Borrowing					
Capital Receipts	8,914	3,065	2,065	9,886	23,930
	<b>15,132</b>	<b>14,215</b>	<b>10,794</b>	<b>37,574</b>	<b>77,715</b>
Grants & Contributions	18,939	11,991	-134	1,990	32,786
<b>Total Resources</b>	<b>34,071</b>	<b>26,206</b>	<b>10,660</b>	<b>39,564</b>	<b>110,501</b>

### Reserve List

No changes are proposed to the Reserve list previously presented. Appendix B(ii) to the 7 February 2013 Council Report lists bids received but not included in the proposed 2013-2023 Capital Plan plus those schemes remaining following a review of the 2012/13 Reserve List. A prioritisation process would be applied to release a reserve project from the list.

## **Prudential Indicators**

Prudential Indicator 6 has been amended and is shown in Table 2 above. There are no other changes to Prudential Indicators which are included as Appendix B(iii) to 7 February 2013 Report to Council.

## **Annual Minimum Revenue Provision (MRP) Statement**

No changes are proposed to the Annual Minimum Revenue Provision (MRP) Statement previously presented.

### **5. Final consideration of the impact of the economic climate on the residents of the borough and council tax payers**

#### **(a) Localised Council Tax Support Scheme**

Full Council, at its meeting on 30 January 2013, agreed the Localised Council Tax Support scheme for North Tyneside to be adopted for the financial year 2013/14. This scheme was agreed, using the additional funding available including from Exemptions and Discount changes, to increase support for working age claimants of up to 93% of their Council Tax liability. This scheme therefore qualifies for the Council Tax Support Transitional Grant scheme, which is available to any local authority who adopts a scheme resulting in increases of between zero and 8.5% of individuals council tax liability. This transitional grant is estimated as £0.386m for North Tyneside Council in 2013/14.

It was agreed that the remaining additional funding generated from increases to Exemptions and Discounts be used to increase provision within the Discretionary Housing Payment (DHP) Fund to the maximum permitted level, to support residents impacted by reductions in Housing Benefit support due to changes in under-occupancy rules. The impact of this change is £0.498m for North Tyneside Council in 2013/14. Another change in this context is the Discretionary Housing Payment grant of £0.331m with offsetting grant expenditure.

#### **(b) 2013/14 Council Tax Base**

The Cabinet's proposals as at 28 January 2013 were based on an assumed Council Tax Base of 53,034. Cabinet, at its meeting on 31 January 2013 approved the 2013/14 Council Taxbase as 53,006, reflecting the decisions made by full Council in agreeing the changes to Exemptions and Discounts and the Localised Council Tax Support Scheme to be adopted for 2013/14. This has the impact of a reduction in resources of £0.037m being available for the budget.

#### **(c) Collection Fund Surplus**

The final change in this category is the annual statutory collection fund surplus calculation which produces a £0.029m surplus for 2013/14.

The above mentioned changes are reflected in Table 4 below.

## Effect of Amendments to the 2013/14 General Fund Revenue Budget

The effect of the above amendments is set down in Table 4 below:

**Table 4: Effect of Amendments to 2013/14 General Fund Revenue Budget**

Item	Change in Spending Power since 28 January 2013	Change £'000
	<b>Spending Changes</b>	
2.(a)	Tyne and Wear Integrated Transport Authority Levy	+346
2.(b)	Tyne Port Health Authority Levy	-1
4.(a)	Increase in Contingencies for Council Tax Freeze grant allocations	+130
4.(b)	Coastal Communities Grant Expenditure	+260
5.(a)	Discretionary Housing Payment (DHP) Fund	+498
5.(a)	Discretionary Housing Payment Fund Grant Expenditure	+331
	<b>Total Spending Changes</b>	<b>+1,564</b>
	<b>Resource Changes</b>	
4.(a)	Reduction in Start Up Funding Assessment (SUFA)	+1
4.(a)	New Homes Bonus "Top Slice" Grant	-358
4.(a)	Education Services Grant 2013/14	+228
4.(a)	Anticipated Business Rates Income for 2013/14 – Business Rates Baseline	-1,088
4.(b)	Coastal Communities Grant – Revenue	-260
5.(a)	Council Tax Support Scheme Transitional Grant	-386
5.(a)	Discretionary Housing Payment Fund Grant Income	-331
5.(b)	Reduction in Resources as a result of Council setting the 2013/14 Council Tax Base on 31 January 2013	+37
5.(c)	Collection Fund Surplus	-29
	<b>Total Resource Changes</b>	<b>-2,186</b>
	<b>Increase in Spending Power since 28 January 2013</b>	<b>-622</b>

Note: Additional resources are shown as a negative (-) and reduced expenditure budgets are shown as a negative (-). Reductions in resources are shown as a positive (+) and increases in expenditure budgets are shown as a positive (+).

2013-2015 Financial Planning and Budget Process (Mayoral Amendments – 19 February 2013)



## Final Proposals for the 2013/14 General Fund Revenue Budget

In accordance with the authorisation, the Elected Mayor has given due consideration to the impact of the change in available resources in determining the council tax level for 2013/14 and proposes the following:

**Table 5: Final Proposals for the 2013/14 General Fund Revenue Budget**

<b>Proposals as at 19 February 2013</b>	<b>Mayoral Amendments £000's</b>
New Homes Bonus Expenditure (See Note 1)	+358
Increase in Contingencies for potential shortfall in Business Rates Growth	+264
<b>TOTAL</b>	<b>+622</b>

Note 1 – This additional resource will in the first instance be considered to support the Tynemouth Volunteer Life Brigade in improving their building facilities.

### Council Tax Increase for 2013/14

The North Tyneside element of the council tax level for 2013/14 (excluding precepts) is therefore proposed to be unchanged from 2012/13 i.e. a 0% increase, as previously proposed in the report to Cabinet on 28 January 2013.

The 3.5% increase in the Police and Crime Commissioner Precept for 2013/14 impacts on the overall Council Tax bill for North Tyneside, leading to an overall increase in council tax bills for 2013/14 of approximately 0.20% compared with 2012/13.

### Council Tax Setting Resolution

It is important that all Members of the Council are made aware of these changes in advance of the full Council meeting in order that you may properly exercise your duty to consider the Cabinet's final budget proposals. This has no impact on the consideration of Notice of Objections on 21 February 2013.

There is no new budgetary information to be included in the Resolution that Members have not already received.

Yours sincerely

**Fiona Rooney**  
**Strategic Director of Finance and Resources**  
**(Chief Finance Officer)**

Copies to: Elected Mayor  
Graham Haywood, Chief Executive  
All Strategic Directors and Heads of Service  
Employee Joint Consultative Forum via Paul Wheeler, Democratic  
Services

Sent via E-mail and Courier to all addressees