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HEAD OF FINANCE AND COMMERCIAL SERVICES

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Date : 19 February 2014

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

Dear Councillor or Co-opted Member,

2014-2018 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 15 January 2014 and the Council meeting of 6 February 2014. Cabinet, at its meeting on 15 January 2014 granted delegated authority to 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 2014/15 (delegation 1.2.1 (aa) in the original Cabinet report refers).

The outstanding information reported to Council on 6 February 2014 (paragraph 1.1 of Annex 1 of the report refers) related to the following items:

1. The Final Local Government Finance Settlement announcements for 2014/15, including Capital announcements and Specific Grants (including the Dedicated Schools Grant (DSG)) final detailed information;
2. Assessment of the final Business Rates position of the Authority;
3. Police and Crime Commissioner for Northumbria and Tyne and Wear Fire and Rescue Authority Precepts;
4. Levies;
5. Tyne and Wear Joint Service Budgets and,
6. 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. The Final Local Government Finance Settlement announcements for 2014/15, including Capital announcements and Specific Grants (including the Dedicated Schools Grant (DSG)) final detailed information

(a) The Final Local Government Finance Settlement

The Final Local Government Finance Settlement for 2014/15 was announced by the Department for Communities and Local Government (DCLG) on 4 February 2014. The Government within this announcement confirmed a Council Tax Referendum limit of 2% for 2014/15. In relation to the actual Settlement, this contained a number of minor changes since the Provisional Settlement was announced on 18 December 2013.

2014/15

The 2014/15 Settlement Funding Assessment income for North Tyneside Council increased by **£0.013m** between the Provisional and Final Settlement. The only other change in the 2014/15 Settlement directly impacting on our Resources was a reduction in our New Homes Bonus grant for 2014/15 by **£0.003m** from £2.088m to £2.085m.

2015/16

The 2015/16 Settlement Funding Assessment income for North Tyneside Council is unchanged at £82.600m between the Provisional and Final Settlement. The 2015/16 sees a further marginal reduction to our New Homes Bonus grant of £0.007m.

(b) 2014-2018 Investment Plan

Education Capital Grants

Capital allocations from the Department for Education have been received. These include the Devolved Formula Capital £0.587m, and Schools Capital Maintenance £2.730m.

The revised Investment 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 1: Summary of Base Investment Plan 2014-2018 / Prudential Indicator 6

Spend	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	Total £000's
Our People	13,857	1,718	1,486	1,083	18,144
Our Places	17,701	13,674	11,161	5,125	47,661
Our Economy	17,627	0	0	0	17,627
Corporate	6,298	5,294	5,273	3,950	20,815
General Fund total	55,483	20,686	17,920	10,158	104,247
Housing - HRA	23,936	25,427	24,303	24,731	98,397
Total	79,419	46,113	42,223	34,889	202,644

Capital Financing

Table 2 below summarises the proposed financing of the Investment Plan:

Table 2: Summary of Capital Financing 2014-2018

Resources	2014/15 £000's	2015/16 £000's	2016/17 £000's	2017/18 £000's	Total £000's
<u>General Fund</u>					
Council Contribution:					
Unsupported Borrowing	18,870	14,415	10,552	9,515	53,352
Capital Receipts	5,540	0	0	0	5,540
	24,410	14,415	10,552	9,515	58,892
Grants & Contributions	31,073	6,271	7,368	643	45,355
Total General Fund Resources	55,483	20,686	17,920	10,158	104,247
<u>Housing - HRA</u>					
Capital Receipts	2,574	1,489	868	544	5,475
Revenue Contribution	6,913	9,351	8,309	8,937	33,510
Major Repairs Reserve	13,399	13,870	14,409	14,533	56,211
House Building Fund	1,050	717	717	717	3,201
Total Housing - HRA Resources	23,936	25,427	24,303	24,731	98,397
TOTAL RESOURCES	79,419	46,113	42,223	34,889	202,644

Reserve List

No changes are proposed to the Reserve List previously presented. Appendix B(ii) to the 6 February 2014 Council Report lists bids received but not included in the proposed 2014-2018 Investment Plan. A prioritisation process would be applied to release a reserve project from the list.

Prudential Indicators

The indicators are changed to reflect the change in the Net Budget and the additional Education Capital grants.

Annual Minimum Revenue Provision (MRP) Statement

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

2. The Assessment of the Final Business Rates Position of the Authority

North Tyneside Council Business Rates Taxbase

Under the Business Rates Retention Scheme, from 1 April 2013 each local authority retains a percentage of the rates it collects locally. It is now an obligation for the authority to formally calculate the estimated level of Business Rates (the Business Rates Taxbase) it anticipates in collecting each year and pass this information to precepting authorities by 31 January each year. The Business Rates Taxbase is dependent on the information included in the the final National Non-Domestic Rates (NNDR1) Form for each local authority.

Under the Business Rates Retention Scheme, the percentage share of Business Rates for North Tyneside Council is as follows:

	Share
Share to Central Government	50%
Distribution to the Tyne and Wear Fire and Rescue Authority	1%
Retained by North Tyneside Council	49%

The 2014/15 NNDR1 Form for North Tyneside Council ultimately calculates the total amounts due to be retained by the billing authority, its major precepting authorities and central government in 2014/15. The NNDR1 Form for North Tyneside Council was submitted to the Department for Communities and Local Government on 31 January 2014. The final NNDR1 results are the figures shown in Table 3 below for North Tyneside Council.

Table 3: 2014/15 North Tyneside Council Business Rates Calculation

	2014/15 £m
Central Government Share	26.753
Tyne and Wear Fire and Rescue Authority Share	0.535
North Tyneside Council Retained Business Rates	26.467
Total	53.755

The outcome of the North Tyneside Council NNDR1 Form for 2014/15 is to result in re-calculated resources of **£0.547m** being available to the Council for 2014/15.

As outlined in the 15 January 2014 Cabinet Budget Report, the Autumn Statement of 5 December 2013 announced a significant number of business rate changes including:

- Business rates increases - Business Rates were originally intended to increase by 3.2% from 1 April 2014, will be capped at an increase of 1.95% for one year.
- Business rates: discount - The government will introduce a business rates discount of £1,000 for retail and food and drink premises with a rateable value below £50,000 for 2 years up to the state aid limits from 1 April 2014.
- Business rates: reoccupation relief – The government will introduce a 50% business rates relief for 18 months up to the state aid limits for businesses that move into retail premises that have been empty for a year or more. Businesses which move into empty premises between 1 April 2014 and 31 March 2016 will be eligible for the relief.
- Small Business Rate Relief (SBRR) – The government will extend the doubling of SBRR for a further year from 1 April 2014.
- Small Business Rate Relief on second properties – The government will relax the SBRR rules to allow businesses in receipt of SBRR taking on an additional property to retain SBRR on the first property for 1 year, with effect from 1 April 2014.
- Business rates: payment – The government will allow businesses to pay business rates over 12 months rather than 10 months, with effect from 1 April 2014. North Tyneside Council currently allows businesses to pay over 12 months, so there is no impact from this announcement.
- Business rates: appeals – The government will consult on reforms to the business rates appeals process and will commit to clear 95% of the September 2013 backlog of appeals before July 2015.

The Government outlined their intention to fully refund local authorities for these changes and to pay this money back to local authorities via Section 31 grants. The anticipated level of these grants that the Council will receive in 2014/15 has now been calculated from the NNDR 1 Form for 2014/15, and these total **£1.511m**.

3. Police and Fire Precepts

The final amendments to the Fire and Police Precepts for 2014/15 are as follows:

(a) Tyne & Wear Fire and Rescue Authority

Precept increase of **0%** over the 2014/15 level was approved on 17 February 2014 and,

(b) Police and Crime Commissioner for Northumbria

Precept increase of **0%** over the 2014/15 level was approved on 13 February 2014.

4. Levies:

The final amendments to Levies for 2014/15 are as follows:

(a) Tyne Port Health Authority Levy – **£0.005m** reduction compared with original estimate;

(b) Environment Agency Levy – **£0.012m** increase compared with original estimate; and,

(c) Northumberland Inshore Fisheries and Conservation Authority (IFCA) – **£0.008m** reduction compared with original estimate.

5. Tyne and Wear Joint Service Budgets

There is no change to the Tyne and Wear Joint Service Budgets information since 15 January 2014 Cabinet Budget meeting.

6. Consideration of the impact of the economic climate on the residents of the borough and council tax payers

2014/15 Council Tax Base

Cabinet, at its meeting on 30 January 2014, approved the 2014/15 Council Taxbase as 55,400 Band D equivalent properties.

Effect of Amendments to the 2014/15 General Fund Revenue Budget

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

Table 4: Effect of Amendments to 2014/15 General Fund Revenue Budget

Item	Change in Spending Power since 15 January 2014	Change £'000
	Spending Changes	
4. (a)	Tyne Port Health Authority Levy	-5
4. (b)	Environment Agency Levy	+12
4. (c)	Northumberland Inshore Fisheries and Conservation Authority Levy	-8
6.	Pension Fund Deficit Contribution and the increase in the Employers Superannuation Rate	-91
	Total Spending Changes	-92
	Resource Changes	
1.	Final Settlement Funding Assessment	-13
1.	Reduction in New Homes Bonus Grant	+3
2.	Final Section 31 Grant to compensate Local Authorities for the cost of changes to the Business Rates system announced in the 2013 Autumn Statement – Cumulative 2014/15 Change	-1,511
2.	Re-calculated Resources as a result of the final NNDR1 Form for 2014/15	-547
	Total Resource Changes	-2,068
	Increase in Spending Power since 15 January 2014	-2,160

Note: Additional resources are shown as a negative (-) and reduced expenditure budgets are shown as a negative (-).

Final Proposals for the 2014/15 General Fund Revenue Budget

In accordance with the delegation, the Elected Mayor has given due consideration to the impact of the change in available resources in determining the council tax level for 2014/15 and proposes the following:

Table 5: Final Proposals for the 2014/15 General Fund Revenue Budget

Proposals as at 19 February 2014	Mayoral Amendments £000's
Committed Revenue Contribution to Pinch Point from ITA Levy Reduction	+365
Making the Service Improvement Fund a permanent budget	+500
Removal of the use of Strategic Reserve 2014/15	+1,295
TOTAL	+2,160

Council Tax Increase for 2014/15

The North Tyneside element of the council tax level for 2014/15 (excluding precepts) is therefore proposed to be unchanged from 2013/14 i.e. a 0% increase, as previously proposed in the report to Cabinet on 15 January 2014.

Council Tax Setting Resolution

It is important that all Members of the Council are made aware of these changes in advance of the 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 Notices of Objection on 20 February 2014.

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

Yours sincerely

Fiona Rooney
Head of Finance and Commercial Services
(Chief Finance Officer)

Copies to: Elected Mayor
Patrick Melia, Chief Executive
Paul Hanson, Deputy Chief Executive
Senior Leadership Team (SLT)
Employee Joint Consultative Forum via Paul Wheeler, Democratic Services

Sent via E-mail and Courier to all addressees