



North Tyneside Council

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

Dear Councillor or Co-opted Member,

2015-2018 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 28 January 2015 and the Council meeting of 5 February 2015. Cabinet, at its meeting on 28 January 2015 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 2015/16 (delegation 1.2.1 (t) in the original Cabinet report refers).

The outstanding information reported to Council on 5 February 2015 (paragraph 2.1 of Annex 1 of the report refers) related to the following items:

1. The Final Local Government Finance Settlement announcements for 2015/16, including Capital announcements and Specific Grants (including the Dedicated Schools Grant (DSG)).
2. Police and Crime Commissioner for Northumbria and Tyne and Wear Fire and Rescue Authority Precepts.
3. Levies, including the Tyne and Wear element of the Durham, Gateshead, Newcastle Upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority Transport Levy.
4. Tyne and Wear Joint Service Budgets.
5. Consideration of the impact of the economic climate on the residents of the borough and council tax payers.
6. Assessment of the final Business Rates position of the Authority;

Information has now been received / is anticipated as follows:

1. The Final Local Government Finance Settlement announcements for 2015/16, 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 2015/16 was announced by the Department for Communities and Local Government (DCLG) on 3 February 2015. The Government within this announcement confirmed a Council Tax Referendum limit of 2% for 2015/16.

The key change between the 2015/16 Provisional and Final Local Government Finance Settlement was a national increase of £74m in the amount allocated to Local Government.

For North Tyneside Council between the 2015/16 Provisional and Final Settlement, the increase in our Settlement Funding Assessment income was £0.348m. This additional allocation is to be distributed to the Authority as upper tier funding, with the entire increase in allocation coming to the Authority as Revenue Support Grant. The only other change in the 2015/16 Settlement directly impacting on our Resources was a reduction in our New Homes Bonus grant for 2015/16 by £0.001m from £2.646m to £2.645m.

(b) 2015-2019 Investment Plan

The School Condition Funding: Capital Allocations for 2015-2018 were announced by the Education Funding Agency on 9 February 2015. The allocations for North Tyneside are as set out in Table 1 below:

Table 1: School Condition Funding: Capital Allocations for 2015-2018

Spend	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	Total £000's
Devolved Formula Capital	589	589	589	0	1,767
School Capital Allocation	3,612	3,612	3,612	0	10,836
Total	4,201	4,201	4,201	0	12,603

The draft 2015-2019 Investment Plan has been revised to include this funding.

Table 2 below shows the revised 2015-2019 Investment Plan. A full breakdown of the plan will be shown within the Appendix (A) (i) of the 19 February 2015 Council Budget Report.

Table 2: Summary of Investment Plan 2015-2019

Spend	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	Total £000's
General Fund	54,484	39,392	22,339	8,817	125,032
Housing	29,268	24,530	24,963	26,544	105,305
Total	83,752	63,922	47,302	35,361	230,337

Capital Financing

Table 3 below summarises the revised financing of the draft 2015-2019 Investment Plan:

Table 3: Summary of Financing 2015-2019

Resources	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	Total £000's
<u>General Fund</u>					
Council					
Contribution:					
Unsupported	15,276	12,818	8,244	5,753	42,091
Borrowing					
Capital Receipts	3,869	0	0	0	3,869
Revenue	50	0	0	0	50
contribution					
	19,195	12,818	8,244	5,753	46,010
Grants & Contributions	35,289	26,574	14,095	3,064	79,022
Total General Fund Resources	54,484	39,392	22,339	8,817	125,032
<u>Housing – HRA</u>					
Capital Receipts	4,429	1,439	1,050	1,061	7,979
Revenue	8,236	7,359	7,972	9,481	33,048
Contribution					
Major Repairs	13,982	14,661	14,870	14,931	58,444
Reserve					
House Building	1,500	1,071	1,071	1,071	4,713
Fund					
Grants & Contributions	1,121	0	0	0	1,121
Total Housing - HRA Resources	29,268	24,530	24,963	26,544	105,305
Total Resources	83,752	63,922	47,302	35,361	230,337

2015-2018 Prudential Indicators

The amended 2015-2018 Prudential Indicators will be included within Appendix (A) (ii) of the 19 February 2015 Council Budget Report.

Annual Minimum Revenue Provision (MRP) Statement

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

2. Police and Crime Commissioner for Northumbria and Tyne and Wear Fire and Rescue Authority Precepts

The final amendments to the Fire and Police Precepts for 2015/16 are as follows:

(a) Tyne & Wear Fire and Rescue Authority

Precept increase of **1.9956%** over the 2014/15 level was approved on 16 February 2015 and,

(b) Police and Crime Commissioner for Northumbria

Precept increase of **1.99%** over the 2014/15 level was approved on 6 February 2015.

3. Levies:

The final amendments to Levies for 2015/16 are as follows:

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

(b) Northumberland Inshore Fisheries and Conservation Authority (IFCA) – **£0.003m** increase compared with original estimate.

4. Tyne and Wear Joint Service Budgets

There is no change to the Tyne and Wear Joint Service Budgets information since 28 January 2015 Cabinet Budget meeting.

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

2015/16 Council Tax Base

Cabinet, at its meeting on 28 January 2015, approved the 2015/16 Council Taxbase as 56,424 Band D equivalent properties.

2015-2018 Mayoral Amendments Letter (18 February 2015)

6. 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 collecting each year and pass this information to the Government and precepting authorities by 31 January each year. The Business Rates Taxbase is dependent on the information included in 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 2015/16 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 2015/16. The NNDR1 Form for North Tyneside Council was submitted to the Department for Communities and Local Government on 30 January 2015. The final NNDR1 results are the figures shown in Table 4 below for North Tyneside Council.

Table 4: 2015/16 North Tyneside Council Business Rates Calculation

	2015/16 £m
Central Government Share	26.653
Tyne and Wear Fire and Rescue Authority Share	0.533
North Tyneside Council Retained Business Rates	26.411
Total	53.597

The outcome of the North Tyneside Council NNDR1 Form for 2015/16 is to result in a reduction in re-calculated resources of **£2.064m** being available to the Council for 2015/16.

Due to the degree of uncertainty associated with the timing and value of the settlement of rating appeals and the potential impact on future resources, an Appeals Reserve was created as part of the 2013/14 Final Accounts process. The authority has recently been advised of the outcome of a series of rating appeals associated with the supply of office space across the borough and the impact has been significant. The consequential impact into 2015/16 on the Business Rates resource is such that the Appeals reserve is required to be released in 2015/16 to mitigate the reduction in resources. This release of the Business Rates Reserve is to be **£1.766m**.

The Autumn Statement 2014, on 3 December 2014 included a number of specific announcements in relation to business rates, these being:

Autumn Statement 2014 Business Rates Announcements

Area	Details
Business Rate increases	The 2% cap on the Retail Price Index increase in the business rates multiplier is being extended a further year from April 2015 to April 2016.
Small Business Rate Relief (SBBR)	The Government has announced the extending the doubling of Small Business Rate Relief one further year from April 2015 to April 2016. It is expected that around 385,000 of the smallest businesses will continue to receive 100% relief from business rates until April 2016, with around a further 190,000 benefiting from tapering relief.
Business Rates Discounts	Autumn Statement 2013 announced a new £1,000 business rate discount for retail premises from shops, pubs, cafes and restaurants with a rateable value of £50,000 or below due to end in 2015/16. This system will still end at that point, but for the next year the £1,000 discount will be increased to £1,500. This is expected to benefit 300,000 properties.
Business rates: transitional arrangements	The government will extend the transitional arrangements for properties with a rateable value of £50,000 and below facing significant bill increases due to the ending of Transitional Rate Relief from 1 April 2015 to 31 March 2017.

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 2015/16 has now been calculated from the NNDR 1 Form for 2015/16, and these total **£1.887m**. This leads to additional resources being available for the 2015/16 Budget of **£0.376m**.

Effect of Amendments to the 2015/16 General Fund Revenue Budget

The effect of the above amendments is set down in Table 5 below:

Table 5: Effect of Amendments to 2015/16 General Fund Revenue Budget

Item	Change in Spending Power since 28 January 2015	Change £'000
	Spending Changes	
3. (a)	Reduction in Tyne Port Health Authority Levy	-5
3. (b)	Increase in Northumberland Inshore Fisheries and Conservation Authority Levy	+3
5.	Increase in property pressures	+80
6.	Release of Business Rates Reserve	-1,766
	Total Spending Changes	-1,688
	Resource Changes	
1.	2015/16 Final Local Government Settlement – Increase in Settlement Funding Assessment	-348
1.	Reduction in New Homes Bonus Grant	+1
6.	Reduction in Resources as a result of the final NNDR1 Form for 2015/16	+2,064
6.	Increase in Final Section 31 Grant to compensate Local Authorities for the cost of changes to the Business Rates system announced in the 2014 Autumn Statement	-376
	Total Resource Changes	+1,341
	Increase in Spending Power since 28 January 2015	-347

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

Final Proposals for the 2015/16 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 2015/16 and proposes the following:

Table 6: Final Proposals for the 2015/16 General Fund Revenue Budget

Proposals as at 18 February 2015	Mayoral Amendments £000's
Additional Contribution to the Strategic Reserve	+347
TOTAL	+347

Council Tax Increase for 2015/16

The North Tyneside element of the council tax level for 2015/16 (excluding precepts) is therefore proposed to be unchanged from 2014/15 i.e. a 0% increase, as previously proposed in the report to Cabinet on 28 January 2015.

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 19 February 2015.

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

Yours sincerely

Patrick Melia
Chief Executive

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