

Finance Sub-Committee

21 October 2015

Present: Councillor M Rankin (Deputy Chair, in the Chair)
Councillors K Bolger, S Day, SL Cox, J O'Shea and JA Wallace.

F23/10/15 Apologies

Apologies were received from Councillor A McMullen.

F24/10/15 Substitute Members

There were no substitute members reported.

F25/10/15 Declarations of Interest and Dispensations

Councillor K Bolger declared a registerable interest in relation to the Business and Technical Partnership Risks – Monitoring Report (Minute F29/10/15) as she was employed by Cofely GDF Suez, one of the Authority's partners detailed in the report.

F26/10/15 Minutes

Resolved that the Minutes of the meeting held on 23 September 2015, be confirmed and signed by the Chair.

F27/10/15 Medium Term Financial Plan Update Following Summer Budget 2015

The Sub-Committee considered a report which provided an update on the Authority's Medium Term Financial Plan position following two recent developments:

1. The Government's National Summer Budget of 8 July 2015.
2. The Government announcements of 21 July 2015, which set out:
 - (a) the date of the forthcoming Spending Review.
 - (b) that the Chief Secretary to the Treasury would write to government departments asking them to draw up plans to deliver the remaining required fiscal consolidation of £20 billion required by 2019/20.

The report had initially been considered by Cabinet at its meeting on 10 2015 (Minute CAB 29/08/15 refers).

Since the Coalition Government's four year Spending Review of 2010, and as a result of the one year Spending Review for 2015/16, North Tyneside Council had been required to make a significant level of efficiency savings each financial year. The savings that had been required over this period had been a combination of Government funding reductions and unavoidable spending pressures. Since the financial year 2013/14, efficiency savings of approximately £43 million had been made.

The report demonstrated that the Authority had consistently delivered substantial efficiency savings driven by the continued reduction in core funding and increasing demand for services. This financial climate continued into the current planning process for 2016-2019 with the continuing need for improved services to be delivered within a more challenging environment of reduced funding and the consequent requirement for further efficiency savings.

The Authority was currently developing a 3 year Financial Plan covering 2016-2019. Whilst there was still considerable uncertainty around the detailed financial implications of the forthcoming Spending Review, the 3 year planning assumption prior to the Summer Budget and subsequent announcements had been that the estimated savings required to be found for 2016-2019 were in the region of £44 million.

Following Budget 2015 of 18 March 2015, a second National Budget "Summer Budget 2015" took place on 8 July 2015. This Budget included a number of detailed announcements with implications for the financial position of the Authority.

The Summer Budget 2015 set out a number of housing and welfare related changes, which were part of the Welfare Reform and Work Bill. The key aspects of these changes, together with the implications for the Authority were detailed in the report. These covered:

- Reduction in Social Housing Rents 2016-2020
- Extension of Right To Buy and Sale of 'High Value' Council Housing
- Pay to Stay Policy
- Annual up-rating of working age benefits frozen for four years
- Reduction to Tax credits earnings disregards and taper
- Universal Credit – changes to various work allowances
- Housing Benefit – various changes
- Work Related Activity Group element of Employment Support Allowance – changes
- Reduction to overall Benefit Cap
- Child allowance changes
- Tax Credits and Universal Credit – family element
- Universal Credit and Housing Benefit – 18 – 21 year olds not automatically entitled

The report explained that to help mitigate the impact of the changes £800 million of national funding to local authorities for discretionary housing payments would be made available over the next five years.

The report also explained the implications relating to the National Living Wage increase and Public Sector Pay Awards.

The Spending Review would take place on 25 November 2015. The report also detailed that savings that each Government department would be asked to achieve were the same as those requested ahead of the Spending Review of 2010.

The Summer Budget had set out £17 billion of savings to be achieved nationally over the next 4 years, with £12 billion savings from welfare and £5 billion from addressing avoidance, evasion and imbalances in the tax system. Total savings required over the current Parliament were currently expected to be £37 billion. This meant that the reductions still to be met by Government Departments were £20 billion for the next four financial years from 2016/17 to 2019/20.

The announcement of Departmental Spending Reductions did not as yet provide detailed information on the potential financial impact for Local Government over the medium term. At this stage, therefore, it had been assumed that the current financial planning assumptions around the savings required for the next 3 years as a result of Government funding reductions was unchanged. This would be kept under constant review as more information became available.

Having considered the potential financial impact of the various Government announcements from the Summer Budget, the revised General Fund Financial position for North Tyneside Council for 2016-2019 would require an increase in estimated savings from £44 million to between £53 and £56 million.

In addition to the impact on the General Fund, the main impact in relation to Housing was a result of the Reduction in Social Housing Rents. At this stage, it was estimated that this would have a financial impact of over £400 million lost income from the Housing Revenue Account (HRA) Business Plan over 30 years. There were likely to be further financial implications as a result of other policies including Extension of Right to Buy and Sale of “High Value” Council Housing and “Pay to Stay” as well as an impact from the various Welfare Reform changes.

Members were given the opportunity to ask questions, which were responded to appropriately.

It was **Agreed** that the report be noted.

F28/10/15 Exclusion Resolution

Resolved that under Section 100A (4) of the Local Government Act 1972 (as amended) and having applied a public interest test as defined in Part 3 of Schedule 12A of the Act, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act.

F29/10/15 Business and Technical Partnership Risks - Monitoring

The Sub-Committee considered a report which provided the latest monitoring update on risks rated as red contained within the Strategic and Operational Risk Registers of the Business and Technical Partnerships with Cofely and Capita.

An extract of the latest risk registers, detailing the red (high) risks was submitted to, and examined by, the Sub-Committee.

Members were given the opportunity to ask questions which were responded to accordingly.

It was **Agreed** that the risks rated as red contained within the Strategic and Operational Risk Registers of the Business and Technical Partnerships with Cofely and Capita, be noted.