

Extraordinary Cabinet

24 January 2018

Present: CB Pickard (Deputy Mayor) (in the Chair)
Councillors G Bell, CA Burdis, EN Darke,
R Glindon, JLL Harrison, M Hall, and JJ Stirling

In Attendance: R Layton (North Tyneside Joint Trade Union Committee)
P Ruddick (Business Sector)

CAB117/01/18 Apologies

Apologies were received from N Redfearn (Elected Mayor), A Caldwell (Age UK) and M Adams (North Tyneside Clinical Commissioning Group).

CAB118/01/18 Declarations of Interest and Dispensations

There were no declarations of interest or dispensations reported.

CAB119/01/18 Calculation of the 2018/19 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 2018/19 had been calculated and requested approval of the calculation for 2018/19, which had been calculated as 59,048 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 five years, for the calculation of the 2018/19 Council Tax Base, Council Tax Support took the form of reductions.

The calculation of the 2018/19 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 had 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 2018/19 Council Tax Base was based on the North Tyneside Council Local Council Tax Support Scheme for 2018/19 agreed by full Council at its meeting held on 18 January 2018 (Previous Minute C62/01/18).

The detailed Council Tax Base calculation for North Tyneside for 2018/19 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 had not applied to Band A properties. Instead of paying the normal Band A charge (six-ninths of the Band D) a qualifying Band A property was now charged five-ninths of the Band 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 2018/19.

In order to arrive at the Council Tax Base calculation for 2018/19, the number of dwellings within each of the Council Tax Bands, A – H, had been converted to their Band D equivalents, using the appropriate proportions. The result of this calculation for 2018/19 was to produce a total number of properties prior to an allowance for non-collection and contributions in lieu of 59,897.

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 from when Council Tax was introduced in 1993/94 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, since 2013/14, a lower collection rate of 98.50% had been proposed and agreed. This lower rate of 98.50% was set to reflect 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. Council Tax collection had remained consistent in each of the last three financial years. This was only however 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 in relation to the collection rate for 2018/19, which were detailed in the report, it was proposed that an assumed Council Tax Collection Rate of 98.50% be set as part of the 2018/19 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 Authority'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 2018/19 this figure for North Tyneside Council which related to Ministry of Defence properties is 50 Band D equivalent properties.

The 2018/19 Council Tax Base for the whole of North Tyneside after the allowance for non-collection and payments in lieu was 59,048 Band D equivalent properties. This equated to an increase of 846 Band D equivalent properties compared to the 2017/18 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 reserved for a decision for Council and the Local Council Tax Support Scheme for 2018/19 had been agreed by Council on 18 January 2018. Therefore Option 1 was to:

- set the 2018/19 Council Tax Base for North Tyneside Council using a assumed council tax collection rate of 98.50%; and
- note the Council Tax Support Scheme agreed at the full Council meeting held on 18 January 2018.

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. The current collection rate of 98.50% was proposed to remain unchanged for 2018/19. 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 rates was detailed in the report. For 2018/19 each 0.1% change to the collection rate would change the Council Tax Base by approximately 60 Band D equivalent properties which would equate to a change in resources of approximately £0.098m.

Resolved that the report on the calculation of North Tyneside's Council Tax Base for 2018/19 be noted; and the assumed Council Tax collection rate for 2018/19 remains at 98.50% and therefore the amount calculated by North Tyneside Council as its Council Tax Base for 2018/19 shall be 59,048 Band D equivalent properties.

(Reason for decision - The proposed 98.50% Council Tax collection rate, no change on the 2017/18 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 2019/20.)

CAB120/08/18 2018-2020 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 2018/19 Budget and Council Tax requirement.

North Tyneside Council continued to operate in a very difficult financial climate. Resources continued to reduce in both the General Fund and the Housing Revenue Account and costs continued to rise; particularly the need to continue to deliver statutory social care services for adults and children. Whilst the Government had made some steps toward recognising those rising costs, Government's recommended increase in Council Tax and

Better Care Fund placed the risks with local authorities and did not cover the full cost of rising demand and the impact of the National Living Wage in the care sector.

The draft budget proposals therefore included for consideration the Government's recommended 3% Council Tax increase to fund Adult Social Care and the Government's recommended 1.99% general Council Tax increase.

The budget proposals set out in the report had been developed in the context of the Our North Tyneside Plan and reflected the draft Plan priorities. The proposals aimed to reflect those matters which were important to residents and to protect vulnerable adults and children.

At its meeting on 11 September 2017, Cabinet had approved the process and timetable to be adopted for the preparation of the draft Financial Plan, 2018-19 revenue budgets in respect of the General Fund, Dedicated Schools Grant and Housing Revenue Account, the 2018-2021 Investment Plan and the 2018-19 Treasury Management Statement and Annual Investment Strategy, as part of the overall Financial Planning and Budget process for 2018-2020. Cabinet had also approved the budget engagement strategy as part of that report (Previous Minute CAB43/09/17).

The report presented the outcomes of the process with Cabinet's draft budget proposals, in accordance with the time-scales set down in the Authority's Constitutional requirements in the Budget and Policy Framework Procedure Rules. It proposed to cover a two-year planning period from 2018-2020 for the revenue budget and a three year planning horizon for the Investment Plan. The two year planning period for the revenue budget reflected the time remaining of the current Spending Review period to 2019-20. As there was no concrete financial information from Central Government available to local authorities post 2019-20, a two year planning period in line with this timescale had been determined to be the most meaningful.

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 the Authority announced as part of the 2016 Local Government Finance Settlement.

On 19 December 2017, the Provisional Local Government Finance Settlement for 2018/19 had been announced. The announcement had not led to a significant change to the Government's local funding reductions previously announced other than confirmation of the announcement made in the Autumn Budget that Business Rates would be increased by CPI (the Consumer Price Index) as opposed to RPI (Retail Price Index), and that authorities would be compensated for this change. In addition the provisional settlement had included an increase of 1% to the Council Tax referendum limit for 2018/19. A settlement Consultation had been published with a closing date of 16 January 2018.

On 27 November 2017, Cabinet had considered its initial budget proposals, based on information available at that point in time (Previous Minute CAB87/11/17). It was now necessary for Cabinet to consider its estimates of amounts for the 2018/19 Council Tax requirement including the General Fund Budget, the 2018-2021 Investment Plan, and the Treasury Management Statement and Annual Investment Strategy for 2018/19.

There were a number of assumptions and judgements built into the figures presented that mainly lay outside 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.

Cabinet had worked to consider options to meet the financial challenges and had considered proposals that would meet a funding gap in the region of £41m over the next two financial years. Sustained cuts in government funding and unfunded pressures together with unfunded new burdens meant that since 2010 the Authority had already made substantial efficiency savings. These sustained cuts came 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.

As part of the 2016 Spending Review the Government at that time had included assumptions regarding the increase in levels of Council Tax when determining the Settlement Funding Assessment for each Local Authority, and therefore the draft proposals included a 1.99% general increase in Council Tax.

As part of the 2017 Local Government Finance Settlement, in order to address the pressures faced by Adult Social Care Services, Central Government had introduced a social care precept of up to 6% across the period 2017/18 through to 2019/20. In line with this, these draft proposals included a 3% Adult Social Care precept. In addition to this, an improved Better Care Fund had been made available as part of the 2017 Spring Budget. These draft proposals were based on the assumption this funding was applied to the Local Authority's spend on Adult Social Care services. When the impact of the Central Government's assumed increase in Council Tax and the improved Better Care Fund were taken into consideration the resulting net efficiency requirement was in the region of £32m.

The Authority was experiencing an incredibly difficult period and 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 engaged with residents and had developed a clear plan for the future. The draft budget proposals in the report aimed to protect essential services for the people of North Tyneside, invest in the future of the borough, grow the local economy, create more jobs and opportunities and build a more modern Authority that enabled residents to do more for themselves.

With so many competing demands to pay for services the Elected Mayor and Cabinet had carefully scrutinised the Authority's finances. With the scale of the funding reductions, very difficult decisions have had to be made and unfortunately many more lay 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 an efficient a way as possible to provide excellent value for money for local taxpayers.

The 'Our North Tyneside' Plan was being refreshed as part of the 2018-2020 Financial Planning and Budget process to ensure it continued to reflect the updated priorities of the Elected Mayor and Cabinet and residents. The Budget proposals set out in the report had therefore been developed in the context of the draft 2018-2020 '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 continue to redefine, reshape and redesign how the Authority delivered the required outcomes through a Target Operating Model.

Between July and September 2017 there had been an extensive programme of public engagement throughout the borough through the Big Community Conversation. The feedback from this programme and other activity throughout the year, including the State of the Area event had informed the initial Cabinet budget proposals. Further engagement on Cabinet's initial budget proposals had taken place from the end November 2017 and continued through January 2018. The engagement had involved information and feedback

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through the Authority's website as well as focus group activity with staff, residents, businesses and strategic partners.

Annex 1 to the report set down in detail the Cabinet's 2018-2020 draft Budget proposals for the General Fund Revenue Budget, Dedicated Schools Grant and the 2018-2021 Investment Plan.

The Cabinet Member for Finance and Resources thanked Cabinet Members and Officers for their work in drawing up the proposals.

The Cabinet Member for Community Engagement stated that she was pleased to support the report and thanked officers for their hard work in engaging with the public.

The Deputy Mayor thanked the Cabinet Member and officers for the report and on behalf of the Elected Mayor stated that despite the very difficult position faced by the Authority, the budget proposals that had been made would ensure that the vision that had been set out in the refreshed Our North Tyneside Plan would be delivered. Also that the Authority had listened to residents and therefore the budget proposals and plans ensured that essential services would continue and that the Authority would continue to focus on things which were important to residents.

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 1 February 2018.

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 1 February 2018, in accordance with the Authority's Constitution and Budget and Policy Framework Procedure Rules;
(3) it be noted that Cabinet's proposals for the 2018-2021 Investment Plan, including the Investment Strategy and prudential indicators for 2018-2021 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 1 February 2018;
(4) it be noted that Cabinet's proposals for the Treasury Management Statement and Annual Investment Strategy for 2018/19 will be submitted to full Council for its meeting on 1 February 2018;
(5) it be noted that any implications that impact on this report arising from decisions of full Council on 18 January 2018 and Cabinet on 24 January 2018 will be provided as a supplementary report to full Council on 1 February 2018;
(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 2018/19 and future years be noted;
(7) the key aspects of the 2018/19 Local Government Finance Settlement announced on 19 December 2017, and how this has been incorporated into the financial strategy and

financial plan of the Authority be noted; in addition the outstanding information required to allow the Elected Mayor and Cabinet to finalise the proposals be also noted;

(8) the refreshed Our North Tyneside Council Plan, covering the period 2018-2020 be approved; and it be noted that the Plan will be submitted to full Council for its meeting on 1 February 2018 and subsequent approval;

(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 two 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) approval be given to the estimates of amounts for the 2018/19 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 (2017/18) and indications of the Financial Plan for 2019/20;

(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 15 February 2018, based upon the outcomes of Resolution (7) above;

(15) approval be given to the estimates of amounts in relation to the 2018-2021 Investment Plan, including prudential indicators for 2018-2021, 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 2018-2021 Investment Plan will be kept under corporate review by the Investment Programme Board;

(17) the Treasury Management Statement and Annual Investment Strategy 2018/19 be approved;

(18) the conclusions of the Overview, Scrutiny and Policy Development Committee's review of the 2018/19 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 2018/19;

(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 it be noted 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 to the conclusion of the Budget Engagement process, and present these as addenda to the report to full Council on 1 February 2018 and 15 February 2018; 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

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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.)

CAB121/01/18 Date and Time of Next Meeting

6.00pm on Monday 12 February 2018 (Ordinary Meeting)

Minutes published on Monday 29 January 2018.