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

Dear Councillor or Co-opted Member,

2018-2020 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 24 January 2018 and the Council meeting of 1 February 2018. Cabinet, at its meeting on 24 January 2018 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 2018/19 (delegation 1.2.1 (t) in the original Cabinet report refers).

The outstanding information reported to Council related to the following items:

1. The Final Local Government Finance Settlement announcements for 2018/19, 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. The retained Business Rates position of the Council as set out in the 2018/19 NNDR1 Return;
4. Tyne and Wear Joint Service Budgets;
5. Youth Justice Board grant allocations;

Information has now been received / is anticipated as follows:

1. **The Final Local Government Finance Settlement announcements for 2018/19, 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 2018/19 was announced on the 6 February 2018. There are three items of note to the final Settlement figures for 2018/19; these being:

- **£150m** of additional funding through **Adult Social Care Support Grant** – to be funded from “*anticipated underspend in existing departmental budgets, and will not affect existing revenue commitments made to local government*”. This is distributed according to the adult social care relative needs formula, the allocation for North Tyneside Council being £0.644m and will be received as a S31 Grant.
- **£16m** of additional funding through **Rural Services Delivery Grant** (taking funding from £65m to £81m in 2018/19). This is in addition to the increase of £15m that was made as part of the Provisional Settlement in December. The additional funding is distributed in line with the existing methodology. This change has no direct implications for North Tyneside Council.
- The **Capital receipts flexibility programme** has been extended for a further 3 years. This scheme gives local authorities the freedom to use capital receipts from the sale of their own assets to support transformation and unlock efficiency savings. This continues to be considered as part of the overall financial management of the Authority.

The £0.644m additional Adult Social Care Support Grant will be added to the Contingency budget, and a further adjustment made to reduce the Adult Social Care contingency by £0.644m and increase the Children’s Social Care contingency by £0.644m.

Dedicated Schools Grant (DSG)

Schools forum considered the proposals for the allocation of the Dedicated Schools Grant on the 10 January 2018. It was agreed that an amount of £0.068m in respect of SIMS IT be transferred from the newly created Central Schools Services Block to the Schools block. This increased the overall Schools block budget available for redistribution to schools.

Table 1 below sets out the revised 2018/19 DSG allocations.

Table 1: Revised DSG allocation

	2018/19 Schools block units of funding (£s)	Schools block	Central Schools Services block	Early Years block	High Needs block	Total DSG 2018/19
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		£m	£m	£m	£m	£m
Primary per pupil rate (£):	3,769.62					
Secondary per pupil rate (£):	5,272.53					
Block Value		£116.594	£2.314	£13.115	£19.977	£152.000
Deduction for direct funding of high needs places by ESFA					-£0.674	-£0.674
IT SIMS Capital		£0.068	-£0.068			£0.000
		£116.662	£2.246	£13.115	£19.303	£151.326

In addition, included within Cabinet's draft budget proposals was £0.050m on the assumption of changes of contributions from Schools to Council services provided. This growth item is no longer required.

(b) 2018-2021 Investment Plan

On 1 February 2018 the Authority received notification that it's bid for funding of £8.900m, to the Housing Investment Fund, for infrastructure works at Killingworth Moor, had been successful. The project is fully grant funded. This project has been included in the draft 2018-2021 Investment Plan attached as Appendix A to the 15 February 2018 Council Budget Report.

Table 2 below sets out the revised 2018-2021 draft Investment Plan.

Table 2: Summary of Investment Plan 2018-2021

Spend	2018/19 £000's	2019/20 £000's	2020/21 £000's	Total £000's
General Fund	56,145	19,925	11,803	87,873
Housing	27,914	23,291	20,270	71,475
Total	84,059	43,216	32,073	159,348

A full breakdown of the plan will be shown within the Appendix A of the 15 February 2018 Council Budget Report.

Capital Financing

Table 3 below summarises the revised financing of the draft 2018-2021 Investment Plan:

Table 3: Summary of Financing 2018-2021

Resources	2018/19 £000's	2019/20 £000's	2020/21 £000's	Total £000's
<u>General Fund</u>				
Council Contribution:				
Unsupported Borrowing	30,284	11,434	7,810	49,528
Capital Receipts	0	1,080	0	1,080
Revenue Contribution	68	0	0	68
	30,352	12,514	7,810	50,676
Grants & Contributions	25,793	7,411	3,993	37,197
Total General Fund Resources	56,145	19,925	11,803	87,873
<u>Housing – HRA</u>				
Capital Receipts	2,261	4,763	1,367	8,391
Revenue Contribution	9,570	6,136	6,079	21,785
Major Repairs Reserve	12,583	12,392	12,824	37,799
House Building Fund	3,500	0	0	3,500
Total Housing - HRA Resources	27,914	23,291	20,270	71,475
Total Resources	84,059	43,216	32,073	159,348

2018-2021 Prudential Indicators

Following the adjustment to the Investment Plan and the release of the new Minimum Revenue Provision (MRP) regulations (detailed below) the 2018-21 Prudential Indicators have been revised and are attached as Appendix A (ii) to the Council Report of 15 February 2018.

Annual Minimum Revenue Provision (MRP) Statement

Following consultation the MHCLG released revised regulations for Minimum Revenue Provision (MRP) on Friday 2 February 2018. The guidelines are effective from 1 April 2019 with the exception of revised guidance relating to backdating of previously overprovided MRP, where the effective date for implementation is 1 April 2018. The impact of this change is material for North Tyneside Council as the draft budget proposals included £3.000m in year saving for full effect of applying the MRP policy implemented in 2017/18. The application of the existing MRP Policy in 2017/18 will result in an in-year saving in the region of £2.000m. The intention is to set this surplus aside in a MRP reserve and release this reserve in 2018/19.

There are no changes recommended to the MRP policy for 2018/19 which is set out below:

- (a) Existing assets pre 1 April 2007 – MRP will be charged at 2% per annum;
- (b) Supported Borrowing – MRP will be charged at 2%;
- (c) Unsupported Borrowing – for all assets financed by unsupported borrowing, MRP will be charged over the estimated life of the assets. This may include assets financed through PFI schemes and finance leases;
- (d) Lease transactions treated as “on balance sheet” - an element of the annual charge to the Authority for the lease will be treated as repayment of capital (i.e. repayment of principal and interest). The principal element is effectively the MRP charge for the year. This MRP charge will be equal to the element of the rent/service charge that goes to write down the balance sheet liability; and,
- (e) Loans made for capital purposes for which borrowing is taken out – MRP will be based on the actual principal repayment schedule relating to the loan provided.

Treasury Management

The Treasury Management Strategy Statement (TMSS) has been updated with the current CIPFA Treasury Management definition as follows:-

The management of the local authorities borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

There is no impact for North Tyneside Council relating to this change.

New Homes bonus

The final New Homes Bonus allocations for 2018/19 have been issued resulting in a further £99,919 resource being available, taking the total New Homes Bonus allocation for 2018/19 to £2,320,552.

Other Grants

Further notification of the grant for Special Educational Needs and disability reforms has been received at £109,092. This has been included within contingencies for Children’s Social Care Services.

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 2018/19 are as follows:

- (a) Tyne & Wear Fire and Rescue Authority

Precept increase of 2.99% over the 2017/18 level was approved on 12 February 2018 and,

- (b) Police and Crime Commissioner for Northumbria

Precept increase of £12 at Band D i.e. 12.2% over the 2017/18 level was approved on 5 February 2018.

3. 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 value of Business Rates (the Business Rates Taxbase, based on the multiplier set by Central Government) 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 2018/19 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 2018/19. The NNDR1 Form for North Tyneside Council was submitted to the Department for Communities and Local Government on 30 January 2017. The final NNDR1 results are the figures shown in Table 4 below for North Tyneside Council.

Table 4: 2018/19 North Tyneside Council Business Rates Calculation

	2018/19 £m
Central Government Share	28.377
Tyne and Wear Fire and Rescue Authority Share	0.568
North Tyneside Council Retained Business Rates	27.825
Total	56.770

The outcome of the North Tyneside Council NNDR1 Form for 2018/19 is to result in an increase to resources available to the Council of £0.076m for 2018/19, additional resources of £0.414m of Section 31 grant income and a reduction in resources available from top-up business rates grant of £0.019m.

The completion of the 2018/19 NNDR1 has also resulted in a reduction in resources from the NNDR cost of collection grant of £0.001m.

Final notification from the MHCLG for a change to the NNDR1 in respect of the compensation multiplier for S31 grant has increased resources by £0.062m. This increase has been applied to increase the Children's Social Care contingency.

In addition, updated Council Tax estimates for 2018/19 result in a decrease in resources available to the Council in 2018/19 of £0.007m.

4. Tyne and Wear Joint Service Budgets

The Tyne and Wear Joint Service Budgets have been updated to reflect appropriate increases. See table 5 below.

5. Youth Justice Board Grant Allocations

The Final Youth Justice Board allocations for 2018/19 are yet to be received. For Budget Setting purposes, these are assumed to be in line with our projections. Any material changes to this grant will be reported as part of the regular Budget monitoring process.

6. Northumberland Inshore Fisheries and Conservation Authority Levy

The final Northumberland Inshore Fisheries and Conservation Authority Levy for 2018/19 is £0.137m, an increase of £0.003m compared with our original estimate (2017/18 £0.134m).

Effect of Amendments to the 2018/19 General Fund Revenue Budget

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

Table 5: Effect of Amendments to 2018/19 General Fund Revenue Budget

Item	Change in Spending Power since 24 January 2018	Change £'000
	Spending Changes	
6.	Increase in Northumberland Inshore Fisheries and Conservation Authority Levy	+3
4.	Tyne and Wear Joint Service Budgets	+16
1.	Schools funding changes	-50
1.	MRP Holiday Reversal	+3,000
1.	Increase in New Homes Bonus grant	-100
1./ 3.	Increase in base contingency provision for Children's services	+171
1.	Increase Contingency Provision for Adult Social Care through the use of the additional Adult Social Care Grant (Final Settlement)	+644
1.	Reduction in base contingency provision for Adult's services	-644
1.	Increase in base contingency provision for Children's services	+644
	Total Spending Changes	+3,684
	Resource Changes	
3.	Increase in Resources as a result of the Final NNDR1 form for	

	2018/19	-76
3.	Increase in Section 31 grant as a result of the Final NNDR1 form for 2018/19	-414
3.	Decrease in the NNDR cost of collection grant for 2018/19	+1
3.	Decrease in Business rates top-up grant for 2018/19	+19
3.	Decrease in Council Tax estimates for 2018/19	+7
1	Adult Social Care Grant announced in the Final Settlement	-644
1.	SEND Grant	-109
	Total Resource Changes	-1,216
	Reduction in Spending Power since 24 January 2018	+2,468

Note: Additional resources are shown as a negative (-) and reduced resources are shown as a positive (+).

Final Proposals for the 2018/19 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 2018/19 and proposes the following:

Table 6: Final Proposals for the 2018/19 General Fund Revenue Budget

Proposals as at 15 February 2018	Mayoral Amendments £000's
Reduction in the Strain on the Fund budget	-218
Reduction in the Pensions out of Revenue budget	-250
Use of MRP Reserve in 2018/19	-2,000
TOTAL	-2,468

Further review of Corporate budgets has determined that savings can be secured from the Strain on the Fund and Pensions out of Revenue budgets in 2018/19. The use of the MRP reserve is as described in Section 1 above.

Council Tax Increase for 2018/19

The North Tyneside element of the Council Tax level for 2018/19 (excluding precepts) is proposed to be as set out in report to Cabinet on 24 January 2018 i.e. a 3% increase to specifically fund Adult Social Care, and a general 1.998% increase in Council Tax. The total increase is rounded to 5.0% on Council Tax bills.

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 15 February 2018.

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

Yours sincerely

Janice Gillespie
Head of Finance
(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