

**Cabinet
(Extraordinary Meeting)**

Monday, 3 February 2020

Present: N Redfearn (Elected Mayor) (in the Chair)
Councillors B Pickard, G Bell, C Burdis, S Cox, P Earley,
R Glindon, C Johnson and M Hall

In Attendance: T Bridges, Business representative
R Layton, North Tyneside Joint Trade Union Committee

**CAB101/20 To Receive any Declarations of Interest and Notification of any
Dispensations Granted**

There were no declarations of interest or dispensations reported.

**CAB102/20 2020-2024 Financial Planning and Budget Process: Cabinet's Draft
Budget and Council Tax Requirement Proposals and Final Budget
proposals for the Housing Revenue Account (HRA) Business Plan and
Budget**

The Cabinet considered a report on the 2020-2024 draft Budget and Council Tax proposals and final budget proposals for the Housing Revenue Account (HRA) Business Plan and Budget. The report presented proposals to cover a four-year planning period from 2020-2024 for the revenue Budget and a five-year planning horizon for the Investment Plan.

The Government had published the Provisional Local Government Finance Settlement for 2020/21 on 20 December 2019 via a written statement. The content of the Provisional Settlement had largely been known in advance as it was based on a technical consultation paper published in October 2019 that had set out in more detail the Government's plans for allocating the resources announced in the Spending Round 2019 (SR19).

In the SR19, the Chancellor had announced proposals for a £2.9 billion cash increase in local government's 'core spending power', to come from an extra £1.2 billion in social care grant funding for local authorities. The other £1.7 billion was expected to come from an increase in Council Tax (1.99% general Council Tax increase and a 2% precept for social care) and an increase in business rates baseline funding in line with inflation. These proposals remained unchanged and formed the basis of the Provisional Settlement.

The Elected Mayor and Cabinet's draft Budget proposals therefore included for consideration a 1.99% general Council Tax increase and a 2% Adult Social Care Precept. The Medium-Term Financial Plan (MTFP) included the cumulative impact of these increases for the subsequent financial years 2021/22 to 2023/24.

The draft Budget proposals for the General Fund set out in the report had been developed in the context of a refreshed Our North Tyneside Plan 2020-2024, as set out in Appendix A of the report. The Plan had been updated to reflect two key policy developments; the Council's declaration of a climate emergency and the context in which the Authority now

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operated as part of the North of Tyne Combined Authority.

There was significant uncertainty in relation to the level of funding beyond 2021, due to the one-year settlement for 2020/21 and the anticipated changes in the local government finance system. The impact of the move to 75% Business Rates Retention, alongside the Fair Funding Review and Business Rates Reset were unknown at this stage. These increased the level of risk to financial planning, requiring current Budget forecasts to be closely monitored, and potentially refreshed more frequently than usual, as consequences became clear. The current savings requirement was estimated to be £39.574m over the period 2020-2024, before any proposals around Council Tax increases or the Adult Social Care Precept were considered.

There were a number of assumptions and judgements built into the figures presented that were mainly 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, in its report of 25 November 2019, had set out the estimates for all aspects of the Elected Mayor and Cabinet's proposed spending and resource plans for the Housing Revenue Account (HRA) Budget for 2020-2024 and associated Investment Plan 2020-2025 (within Annex 1). In addition, the report had outlined the proposed changes to housing rent, garage rent and service charges for 2020/21.

Cabinet was now formally asked to approve the proposed spending and resource plans for the HRA Revenue Budget for 2020/21 in accordance with the responsibilities of Cabinet pursuant to the Local Government Act 2000. In addition, Cabinet was also asked to approve the housing element of the 2020-2025 Investment Plan, the proposed 2.7% rent increase from April 2020 (in line with Government policy), and the proposals in relation to housing service charges and garage rents for 2020/21. The proposed spending plans had been updated to reflect the 2019/20 in year monitoring position for the HRA as reported to Cabinet on 20 January 2020 and the updated balances position now anticipated for the beginning of the 2020/2021 financial year.

The Cabinet Member for Housing in presenting the Housing Revenue Account for 2020-24 (including the 30-year HRA Business Plan and HRA Investment Plan), stated that because of the savings being made through the in-sourcing of the repairs service, the Authority would be adding an extra £33m to the budget to build new council homes.

Engagement on both the refreshed Our North Tyneside Plan and the draft budget proposals had taken place from 26 November 2019 to 21 January 2020. The Cabinet Member for Community Safety and Engagement outlined the engagement activities undertaken and indicated that 150 responses to the survey had been received. Almost 250 face to face contacts had been made and residents were generally in agreement with the proposals.

As some external announcements were still to be received, it was recommended that Cabinet authorise the Elected Mayor, in conjunction with the Cabinet Member for Finance and Resources and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of these proposals and where necessary to make any required amendments.

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

The Elected Mayor thanked Cabinet Members and Officers for producing the Budget and refreshed Council Plan proposals and stated that the Authority had listened to residents and the budget proposals and plans ensured 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 proposals and suggest that further or different options are considered by the Senior Leadership Team before submission to full Council on 20 February 2020.

Option 3 – Reject the proposals.

Resolved that (a) in relation to the General Fund Revenue Budget, Dedicated Schools Grant and Investment Plan:

(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 the 20 February 2020, in accordance with the Authority's Constitution and Budget and Policy Framework Procedure Rules;

(3) it be noted that Cabinet's proposals for the 2020-2025 Investment Plan, including the draft

Capital Investment Strategy and Prudential Indicators for 2020-2025, in accordance with the Chartered Institute of Public Finance and 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 20 February 2020;

(4) the estimates of amounts in relation to the 2020/2025 Investment Plan, including prudential indicators for 2020-2025 in accordance with CIPFA's Prudential Framework and a proposed MRP Policy in line with capital finance regulations, be agreed;

(5) it be noted that all approved schemes within the 2020-2025 Investment Plan will be kept under review by the Investment Programme Board;

(6) the Treasury Management Statement and Annual Investment Strategy for 2020/21 be approved;

(7) it be noted that Cabinet's proposals for the Treasury Management Statement and Annual Investment Strategy for 2020/21 be submitted to full Council for its meeting on the 20 February 2020;

(8) it be noted that any implications that affect the information in the report arising from decisions of Cabinet on 3 and 10 February will be provided as a supplementary report to full Council on 20 February 2020;

(9) the outcomes from the engagement process on both the Council Plan and Budget proposals be noted;

(10) the formal Reserves and Balances Policy for the Authority, subject to review at least annually, be agreed;

(11) the key aspects of the 2020/21 Provisional Local Government Finance Settlement announced on 20 December 2019 and how this has been incorporated into the Medium-term Financial Strategy and Medium-term 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;

(12) the medium-term financial challenges and financial risks facing the Authority be noted and they be addressed as part of the Efficiency Programme for the Authority, to deliver continued financial stability and prudent management of the Authority's financial resources;

(14) the estimates of amounts for the 2020/21 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 an assessment in relation to the current year's budget monitoring information (2019/20) and indications for the Financial Plan for 2020/21, be agreed;

(15) 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 20 February 2020;

(16) the conclusions of the Overview, Scrutiny and Policy Development Committee's review of the 2020/21 initial Budget proposals and any impact the recommendations may have on the General Fund Budget proposals be noted; and it be noted that any recommendations of the Overview, Scrutiny and Policy Development Committee in relation to Cabinet's Final Budget proposals will be considered by Cabinet on 10 February 2020;

(17) the Provisional Statement to Council by the Chief Finance Officer be noted;

(18) the Elected Mayor be authorised to make any final amendments to Cabinet's proposals in relation to any outstanding information to enable due consideration to be given to the final level of Council Tax that Cabinet proposes to full Council for approval for 2020/21;

(19) 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 Efficiency 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;

(20) delegated authority be given to the Chief Executive, in consultation with the Elected Mayor and Head of Resources, 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 affordable homes and homes at market rent is progressed in line with Cabinet's priorities; and

(21) the changes to the Our North Tyneside Plan be endorsed.

(b) in relation to the Housing Revenue Account:

(1) the conclusion of the Overview, Scrutiny and Policy Development Committee's consideration of Cabinet's proposals for the 2020/21 Housing Revenue Account (HRA) Business Plan and Budget agreed by Cabinet on 25 November 2019 be noted;

(2) the final proposals in relation to the 2020/21 Housing Revenue Account Budget and associated Business Plan be agreed;

(3) individual Council housing rents be increased by 2.7% as outlined in section 5 of Annex 1 to the report and in the HRA section of the 25 November 2019 Cabinet report in line with the Government's policy for social rent, based on rent increases of Consumer Price Index (CPI) +1%;

(4) service charges for 2020/21 be increased in line with CPI except where reviews of services have taken place to reflect changes in actual costs; for the majority of service charges for 2020/21 the increase will be 1.7%;

- (5) it be agreed the garage rents for 2020/21 will have no indexation element applied whilst the new charging structure is embedded, and from 2021/22 the rent increase will return to being based on the long-term target for CPI (2%);
- (6) the assessment in relation to the current year's budget monitoring information (2019/20), and indications of financial plans for 2020-2024 for the Housing Revenue Account be noted;
- (7) the draft Capital Investment Strategy, which sets out the general principles followed by both the General Fund and HRA in relation to the Authority's approach to capital investment, be noted; and it be noted that the principles of the Investment Strategy will apply to the updated 2020-2025 Asset Management Strategy for the HRA;
- (8) the draft Treasury Management Statement and Annual Investment Strategy for 2020/21 which sets out the general principles followed by both the General Fund and HRA in relation to the Authority's management of investments, cash flows, banking, money market and capital transactions be noted; and the continued policy of paying off existing debt where affordable and appropriate within the HRA Business Plan, which will see an estimated £162.600m reduction in loans attributed to the HRA from the start of self-financing to the end of this 30-year plan be also noted;
- (9) the HRA Investment Plan 2020-2025 be agreed;
- (10) it be noted that 2017/18 saw the end of the 5-year transitional arrangements for the use of a "proxy" for calculating a depreciation charge, and that 2020/21 will see the continuation of the current method to calculate a "true" depreciation charge; and
- (11) the Prudential Indicators which are specific to the Housing Revenue Account as set out in the report, be approved.

(Reasons for decision: the Budget proposals have been worked through with all Cabinet Members and have taken due consideration of the Budget Engagement suggestions. The reasons for recommendations are mainly legal in nature, as stated in paragraphs 2.1 and 2.2 of the report.)

CAB103/20 Date and Time of Next Meeting

Monday 10 February 2020 at 6.00pm (Extraordinary meeting).

Minutes published on Thursday 6 February 2020.