

**Cabinet
(Extraordinary Meeting)**

Monday, 1 February 2021

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

In Attendance: D Bavaird (Business Representative)
R Layton (North Tyneside Joint Trades Union Committee)

Apologies: Councillor R Glindon
S McKenzie (Young Mayor)
R Fry (Voluntary and Community Sector Representative)
D McNally (Age UK)

CAB198/20 Introduction

Mrs Norma Redfearn, Elected Mayor, welcomed everyone to this virtual meeting of North Tyneside Council's Cabinet.

CAB199/20 To Receive any Declarations of Interest and Notification of any Dispensations Granted

No declarations of interest or dispensations were reported.

CAB200/20 2021-2025 Financial Planning and Budget Process: Cabinet's Draft Budget Proposals

The Cabinet considered a report on the 2021-2025 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 2021-2025 for the revenue Budget and a five-year planning horizon for the Investment Plan.

The Authority's 2020/21 Budget and accompanying Medium Term Financial Plan (MTFP) had been agreed by full Council in February 2020, prior to the significant escalation of the COVID-19 pandemic. Inevitably, the MTFP agreed in February 2020 could not foresee the adjustments which had been necessary to respond to COVID-19 during the current financial year.

The 2021/22 Budget was being prepared in exceptional circumstances and there was a significant level of risk and uncertainty in relation to the level of funding that would be available to local government in 2021/22 and beyond. Key reforms to local government funding, including the Fair Funding Review, Business Rates Retention and reform of adult social care funding had all been repeatedly delayed. Nationally, the Comprehensive Spending Review (CSR), which would have set out the Government's spending plans over the next three years, had been delayed. In November 2020, the Government had announced a one-year spending round for 2021/22 and on 17 December 2020 published the Provisional Local Government Finance Settlement for 2021/22. Full details of the

Provisional Settlement were included in Annex A, section 3 to the report.

The Provisional Settlement confirmed that Core Spending Power (CSP) for local authorities would increase by 4.5% in cash terms in 2021/22. The Government's assumption was that to achieve this increase all authorities would implement the maximum allowed Council Tax increase of 5%: a 2% increase for general Council Tax and a 3% increase for the Adult Social Care Precept. In calculating CSP, the Government had assumed that each authority's Council Tax Base, used to calculate the total level of Council Tax resources, had increased in line with their average Council Tax Base growth since 2016/17.

The Government had estimated that local authorities would have access to an additional £1.0bn of social care resources in 2021/22. However, of this, £0.700bn was assumed to be raised from the Adult Social Care Precept and £0.300bn had been identified as additional grant funding. Unlike in previous years there would be no New Homes Bonus returned surplus in 2021/22. The Government had used the surplus to partially fund the social care grant, the increase in revenue support grant and the new lower-tier services grant.

As in previous years, the key feature of the Provisional Settlement was the increased reliance on increasing Council Tax: 87% of the increase in CSP for 2021/22 was from assumed Council Tax increases (52% in 2020/21) and was accompanied by relatively low increases in grant funding. In recent Settlements, raising local taxation had, in the main, been the Government's short-term solution to the fact that there was still no sustainable Settlement for local government or a route to pay for rising demand and costs in social care.

The Elected Mayor and Cabinet's draft Budget proposals therefore included, for consideration, a 1.99% general Council Tax increase and a 3% Adult Social Care Precept increase. In proposing this rise the Authority had moved to protect those who would be hardest hit by providing discounts for Council Tax from one-off funding related to the pandemic and by continuing the Authority's work on poverty intervention. For the whole Borough, the Authority was directing those additional resources to important front-line services and investing in homes and jobs which would continue to make North Tyneside a great place to live, work and visit. The MTFP included the cumulative impact of these increases for the subsequent financial years 2022/23 to 2024/25.

Reports published by both the Office for National Statistics and the Office for Budget Responsibility described the significant economic impact that COVID-19 had had on public sector finances; this impact had also been felt locally. Whilst the Government had provided some additional funding to cover the financial impact suffered as a result of the pandemic in relation to lost income and additional expenditure, it did not cover all the financial pressures.

Throughout the response to the pandemic, the Authority had provided local leadership and had taken action to maintain the delivery of vital services to residents and businesses across the Borough. Additional support had also been given to the NHS and wider health system through enhanced hospital discharge processes to free up capacity, protect vulnerable people, support businesses, and ensure the safety of all staff delivering this vital work.

The ongoing impact of COVID-19, along with continued uncertainty about future funding, represented a significant challenge for the Authority. This report set out an approach for Budget-setting that took account of this. Despite the unprecedented level of risk and

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uncertainty, the Authority would continue to develop its Budget plans for 2021/22 and beyond on the basis of maintaining continued progress to deliver the Ambition for North Tyneside and the priorities of the Our North Tyneside Plan (the Council Plan).

The Spending Review 2020 announced on 25 November 2020 and the Provisional Settlement had confirmed some of the assumptions made in the preparation of these draft Budget proposals, but there remained a need for ongoing flexibility to respond to changing circumstances, particularly in light of the forecast economic impacts. The MTFP would continue to be updated in light of future Government announcements and as the scale of the impact of COVID-19 on the Authority became clear.

There were a number of assumptions and judgements built into the figures presented that lay 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 30 November 2020, 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 2021-2025 and associated Investment Plan 2021-2026 detailed in Annex 1. In addition, the report outlined the proposed changes to housing rent, garage rent and service charges for 2021/22.

Cabinet was now formally asked to approve the proposed spending and resource plans for the HRA Revenue Budget for 2021/22 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 2021-2026 Investment Plan, the proposed 1.5% rent increase from April 2021 (in line with Government policy), and the proposals in relation to housing service charges and garage rents for 2021/22. The proposed spending plans had been updated to reflect the 2020/21 in-year monitoring position for the HRA as reported to Cabinet on 25 January 2021 and the updated balances position now anticipated for the beginning of the 2021/22 financial year.

The Deputy Mayor, in introducing the report, made reference to a presentational issue in Table 9 in the General Fund Annex, and to Appendix D(iii) 2021-2025 Prudential Indicators regarding some technical changes to accounting for operating leases in future years (2022/23 - 2025/26), where a double count had occurred. These had no indications for the budget proposals and had now been corrected. The corrected version of both documents would be published on the Authority's website.

The Cabinet Member for Housing, in presenting the Housing Revenue Account for 2021-25 (including the 30-year HRA Business Plan and HRA Investment Plan), stated that it was important to highlight that the Authority worked within a legislative framework which was set by Central Government and 2021-2022 would be the second year of a return to annual rent increases based on the Consumer Prices Index (CPI) + 1%, following 4 years of rent reductions of 1% per annum, which had taken nearly £0.500b of resources out of the 30-year Business Plan.

The Cabinet Member for Community Safety and Engagement stated that the 2020/21 budget engagement approach had been different because of the impact that COVID had continued to have on the ability to hold face-to-face meetings with residents. Despite this

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impact, the Authority had agreed to push on with delivering engagement across December 2020 and January 2021 with successful Residents Panel meetings online, and online questionnaire which this year had been supported by a video explaining the context and proposals. Feedback from residents had been very positive, and despite the restrictions the engagement activity had been well received.

Cabinet's draft budget proposals were based upon available information and judgements at the time of writing the report. There were a number of assumptions and judgements built into the figures presented that were outside of the Authority's control and needed to be finalised. 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.

The Elected Mayor thanked Cabinet Members and Officers for producing the Budget 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. She also thanked residents, the voluntary sector and businesses for their tremendous efforts during the pandemic.

Cabinet considered the following decision options:

Option 1 – Agree the proposals detailed in the report.

Option 2 – Suggest that further or different options are considered by the Senior Leadership Team and be reported back for further consideration before submission to full Council on 18 February 2021.

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

(1) the key principles being adopted in preparing the Medium-Term Financial Strategy for the Authority, subject to an annual review, be agreed;

(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 18 February 2021, in accordance with the Authority's Constitution and Budget and Policy Framework Procedure Rules;

(3) it be noted that Cabinet's proposals for the 2021-2026 Investment Plan, including the draft

Capital Investment Strategy and Prudential Indicators for 2021-2026, 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 18 February 2021;

(4) the estimates of amounts in relation to the 2021-2026 Investment Plan, including prudential indicators for 2021-2026 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 2021-2026 Investment Plan will be kept under review by the Investment Programme Board;

(6) it be noted that Cabinet's proposals for the Treasury Management Statement and Annual Investment Strategy for 2021/22 will be submitted to full Council for its meeting on 18 February 2021;

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- (7) the Treasury Management Statement and Annual Investment Strategy for 2021/22 be approved;
- (8) the draft proposals in relation to the Treasury Management Statement, Annual Investment Strategy for 2021/22 and Treasury Management Practices, be agreed;
- (9) it be noted that any implications that affect the information in the report arising from decisions of Cabinet on 1 and 8 February will be provided as a supplementary report to full Council on 18 February 2021;
- (10) the outcomes from the engagement process on both the Council Plan and Budget proposals, be noted;
- (11) the formal Reserves and Balances Policy for the Authority, subject to review at least annually, be agreed;
- (12) the key aspects of the 2021/22 Provisional Local Government Finance Settlement announced on 17 December 2020 and how these have 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;
- (13) 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 2021/22 setting of the Council Tax requirement, including the General Fund Revenue Budget, 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 (2020/21) and indications for the Financial Plan for 2021/22, 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 18 February 2021;
- (16) the conclusions of the Overview, Scrutiny and Policy Development Committee's review of the 2021/22 initial Budget proposals and any impact the recommendations may have on the General Fund Budget proposals be noted; and it be also 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 8 February 2021;
- (17) the Provisional Statement 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 2021/22;
- (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; and
- (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.

(b) in relation to the Housing Revenue Account:

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- (1) the conclusions of the Overview, Scrutiny and Policy Development Committee's consideration of Cabinet's proposals for the 2021/22 Housing Revenue Account (HRA) Business Plan and Budget proposed by Cabinet on 30 November 2020 be noted;
- (2) the final proposals in relation to the 2021/22 Housing Revenue Account Budget and associated Business Plan be agreed;
- (3) individual Council housing rents be increased by 1.5% as outlined in Annex 1 HRA to the report and in the HRA section of the 30 November 2020 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 2021/22 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 2021/22 the increase will be 1.5%.
- (5) garage rents for 2021/22 be increased by 1.5%;
- (6) the assessment in relation to the current year's budget monitoring information (2020/21), and indications of financial plans for 2021-2025 for the Housing Revenue Account be noted;
- (7) the 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 this draft will be due for approval by full Council at the meeting on 18 February 2021 as part of the overall Financial Planning and Budget process; and in relation to the HRA, it be noted that the principles of the Investment Strategy will apply to the updated 2021-2026 Asset Management Strategy for the HRA;
- (8) the draft Treasury Management Statement and Annual Investment Strategy for 2021/22 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 £111.148m 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 2021-2026 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 2021/22 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: Due to external information still to be received, Cabinet is not in a position to finalise setting its proposed Council Tax level for 2021/22 in relation to the General Fund. These draft Budget proposals include an assumed general increase to Council Tax of 1.99% and an Adult Social Care Precept of 3% in 2021/22. Option 1 is the recommended option as 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.)

CAB201/20 Date and Time of Next Meeting

Monday 8 February 2020 at 6.00pm (Extraordinary meeting).

Minutes published on Thursday 4 February 2021.