

Budget Scrutiny Sub - group report to Cabinet

Author: Budget Sub-group

Tel: 0191 643 5318

Wards: All

1 Purpose of Report

To provide further views to Cabinet on its 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.

2 Background

The Budget sub-group met on the 16 December where the Head of Resources and Senior Officers presented the 2020/24 Financial Planning and Budget Process: Cabinets Initial Budget proposals and Business Cases.

The sub-group reported its views to Overview, Scrutiny & Policy Development Committee at its meeting on the 13 January 2020, which then were considered by Cabinet at its meeting on the 3 February 2020.

Overview, Scrutiny & Policy Development Committee at its meeting on the 13 January 2020, gave delegation to the Budget Sub-group following its meeting on the 4 February 2020 to make any further recommendations/views on behalf of the Committee to Cabinet Final Budget Proposals that will take place on 20 February 2020.

This report details the views from the meeting of the 4 February 2020 and should be viewed in conjunction with its report to Overview, Scrutiny & Policy Development Committee 13 January 2020.

3 Membership

The following Members attended the meeting:

Councillor S Graham

Councillor P Richardson

Councillor K Barrie

Councillor Willie Samuel

Councillor J O'Shea

Councillor Judith Wallace

4 Final Budget Proposals

The Budget Sub-group was provided a presentation from the Head of Resources on Cabinets Final Budget proposals. The Sub-group had been provided the full report in advance of the meeting.

The presentation outlined the changes to the budget from November 2019 to January 2020, with explanations and actions undertaken, in relation to Provisional Government Finance

Settlement, changes to the General Fund Revenue and Investment Plan since the November Cabinet meeting.

Provisional Government Finance Settlement

Business Rates

In relation to the Business Rates Retention Scheme the multiplier based on September consumer price index (CPI) will increase from 49.1p to 49.9p in 2020/21, an increase of 1.7%. There would also be a continuation of the compensation for under indexation of the Business Rates multiplier in 2020/21.

Council Tax

In the spending round 2019 (SR19), the chancellor proposed a £2.9bn increase in local government core spending power, to come from an extra £1.2bn in social care grant funding for local authorities. The £1.7bn is expected to come from an increase in Council Tax, the Social Care Precept and Business rates. The sub-group was informed that the Council Tax thresholds would see a maximum general increase in Band D of 1.99% in 2020/21. This was lower than the threshold in previous 2 years.

There would also be a continuation of the Adult Social Care Precept, maximum flexibility of 2% in 2020/21.

At the time of the meeting the Police and Crime Commissioners precept had not been announced.

New Homes Bonus (NHB)

The national baseline for NHB would remain 0.4% for 2020/21, with a change that would see amounts earned in year 10 will only attract a NHB reward for one year (2020/21). In 2021/22 rewards will only be paid in respect of years 8 and 9 and in 2022/23 only for year 9.

Social Care Grants

Previous grants announced in 2018 Autumn Budget will continue in 2020/21 and Winter pressures funding of £1.031m will be received, grant rolled into IBCF.

Of the Social Care Support Grant, the Authority will receive £1.761m and £4.446m of Social Care Grant for lifetime of the parliament.

In relation to the Public Health Grant, where a real terms increase was announced in SR19. The Authority is yet to receive National total or individual authority allocations for 2020/21.

Former Independent Living Fund Recipient Grant will continue in 2020/21 and the Authority will receive £0.612m.

Poverty Intervention Fund

The sub-group was informed of the Poverty Intervention Fund, which would support residents experiencing poverty and financial hardship due to the impact of welfare reforms.

The fund would provide focus and direction on targeted support for residents and would be led by the Deputy Mayor and Cabinet Member for Finance. The proposal would be supported by £1.000m, earmarked from Strategic Reserve.

Investment Plan Movement

The sub-group were informed of awarded £0.207m School Nursery Capital funding 2020/21 and details of reprogramming of £7.758m from 2019/20 to 2020/21 that was reported as part of 20 January 2020 Financial Management report to Cabinet and £0.400m to be reported to Cabinet on 30 March 2020.

Member Discussion

A member sought to increase the level of income arising from assumptions in the Council Tax calculations, and queried the level of prudence currently applied to those calculations.

Officers informed the sub-group that the assumptions, prior to council tax increases were based on an estimate on information at the time based on planning approvals, and a prudent assessment is taken as there is uncertainty when planning approval would be made, or indeed when following approval houses would actually built. It was emphasised that this is always an estimate figure.

A further member stated and was supported by other members of the sub-group that they understood that it would be difficult to know when planning approvals would be made and supported the S151 officer's prudent management and assessment and the proposed budget should retain the figures given.

A member referred to the proposal to introduce free pest control for Council tenants and enquired as to the viability of an expanded service across the borough.

A member raised that Council tenants would receive this service funded from the HRA through rent management payments and the proposal put forward would need to come from the General Fund.

In response, the member suggested that any additional cost could be provided through the provision of further shared services, together with reduced staff travel costs and increased offence-based income.

It was questioned if the proposal funding would cover all cost if the scheme was widened across all tenures.

The member indicated that the impact of the suggested alterations would best be calculated by the Finance service, but that a previous estimate of the necessary additional expenditure was in the region of £115k.

It was asked if all the recommendations that would be put to cabinet would need to be agreed by the sub-group.

Advice given was that if recommendations proposed were not unanimous then all views would be noted within the report to Cabinet, this would allow Cabinet the opportunity to understand and consider the differing views of the scrutiny sub-group.

The sub-group understood that Cabinet would receive the range of views put forward.

A member sought clarification as to the status of non-DSG payments to schools.

Advice was given that the Pupil Premium was given to schools directly and not the responsibility of the authority. Further advice was given to the responsibility that the Authority plays in the management of the Dedicated Schools Grant and hence in the budget papers.

A member sought further clarification in relation to achieving further savings through changes to treasury management.

Officers provided advice to how the figure of treasury management savings was carried out and stated that it was an assessment made whilst taking into consideration of the risks around borrowing rates. The assumptions were made for both short- and long-term borrowing, and all risks needed to be considered. An example was given where members were informed that a 1% in-year increase had taken place in relation to Public Works Loan Board (PWLB) without notice in 2019/20 which had an impact on the Authority budget, and immediately increases the rate at which the authority can undertake both short and long term borrowing

Another member stated that the current cautious approach had been successful for several years and supported the S151 officer in this approach.

It was asked and the sub-group were informed how Treasury Management was monitored and that the Authority approach had not been endorsed without challenge, and interest projections were based on external advice and information from a number of sources.

A member raised the feasibility of further staffing-related reductions with associated savings, together with printing reductions, and alterations to some on-street parking arrangements.

The member went on to suggest that such savings could be applied to additional staffing and capital- and revenue-based costs, and to offset revenue-based income.

A member expressed the view that any staffing-related reduction which impacted upon Trade Union facility time would amount to a reduction in support to Council employees, which in their opinion was the Authority greatest resource and it would be a retrograde step for the Authority.

The Chair reminded the sub-group that a similar proposal was made in previous years and Council heard that through working with staff through their trade unions had saved jobs and services.

A view was also put forward that any printing changes which led to a reduction in the number of editions of the Council Magazine would be adverse, and stated that it was the only contact and resource for information that some residents had available to them about the services of the Council.

A member sought clarification in relation to elements of unplanned staffing costs for the forthcoming financial year.

Officers stated that there was no expressed allowance made for such costs and the Authority does not plan for these to happen. If they do arise, consideration is given of what would be needed to change within the authority.

A member raised and it was confirmed that if the Council Tax was not applied as set out in the Budget then the Authority would see an increased cumulative impact of the funding gap for future years.

Feedback Engagement

The sub-group were provided an update to the outcome of the engagement that had been undertaken. Around 250 people took part in the process this year, with the majority of the feedback for the Council Plan and the initial budget proposals being positive.

There was strong support that the North Tyneside Council Plan and the budget approach was the right approach and aligned it its priorities.

5 Conclusion

In respect to the updated information received the sub-group was reassured that there were no fundamental changes since the September Spending Round (SR19) and the assumptions made by the Cabinet and officers were in line with the SR19.

The majority also recognised that the Council Tax increase of 1.99% and 2% (precept for social care) and increase in business rate baseline funding inline with inflation was also aligned to with what was expected in the Chancellors Spending Round (SR19). It noted that the level of precept for the Police and Crime Commissioners had not been announced.

Local Government has had to manage austerity measures for a number of years, and it was recognised that many difficult decisions have been made in North Tyneside to maximised the opportunities and services to its residents, businesses, visitors and it's staff.

The sub-group were informed of the many facets of consideration needed for good treasury management. It would like to thank those professional officers whose responsibility it is to ensure that this activity is undertaken in a prudent manner and the advice given to Cabinet, especially in a time when many assumptions to what future funding levels is uncertain.

The Sub-group acknowledged that it was a difficult activity to draft a budget based on many assumptions due to elements outside the Authority's control. However, following receipt of the updated information it was encouraged that the outcome of the proposed 2020/21 Budget was a balanced Budget.

6 Presenting Officers

The following officers presented to the sub-group:

Janice Gillespie - Head of Resources

Claire Emmerson - Senior Manager Financial Planning and Strategy

Cathy Davison - Principal Accountant (Corporate Accounting and Investment)

David Dunford - Senior Business Partner