

# **Extraordinary Cabinet**

**27 November 2017**

**Present:** N Redfearn (Elected Mayor) (in the Chair)  
Councillors G Bell, CA Burdis, EN Darke, IR Grayson,  
R Glindon, JLL Harrison, M Hall, CB Pickard and JJ Stirling

**In Attendance:** R Layton (North Tyneside Joint Trade Union Committee)  
T Bridges (Business Sector)

## **CAB85/11/17 Apologies**

There were no apologies for absence reported.

## **CAB86/11/17 Declarations of Interest and Dispensations**

There were no declarations of interest or dispensations reported.

## **CAB87/11/17 2018-2020 Financial Planning and Budget Process: Cabinet's Initial Budget Proposals (All Wards)**

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 (DSG) and Housing Revenue Account (HRA), 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 (Minute CAB43/09/17 refers). Cabinet had also approved the Budget Engagement Strategy at that meeting.

A report was now submitted detailing Cabinet's initial Budget proposals which had been developed whilst the Authority 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, the nationally 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.

These initial budget proposals included for consideration the nationally recommended 3% Council Tax increase to fund Adult Social Care and nationally recommended 1.99% general Council Tax increase. The decision on any Council Tax increase would be finalised in the report to Cabinet on 24 January 2018 following the conclusion of the consultation process on Cabinet's initial proposals.

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 had therefore been developed in the context of the draft 2018-2020 'Our North Tyneside' Plan and reflected the Plan priorities. The proposals aimed to reflect those matters which were important to residents and doing the very best to protect vulnerable adults and children. The overall direction was outlined in Annex 1 to the report. 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.

The report presented the outcomes of that process so far with Cabinet's initial budget proposals, in accordance with the time-scales set down in the Authority's Constitutional requirements in the Budget and Policy Framework Procedure Rules. The proposals covered 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 this Authority announced as part of the 2016 Local Government Finance Settlement.

It was important to appreciate these proposals were based on several years of cumulative effort to respond to reducing resources and rising costs. They necessarily contained greater cumulative risk and required close attention to ensure delivery.

Cabinet had worked to consider options to meet the financial challenges and considered proposals that would meet an initial 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. Currently the cost of Looked after Children (LAC) care packages ranged from £0.016m for Internal Fostering support through to £0.207m for External Residential placements. In Adult Social Care the average cost of care packages ranged from £0.008m for Homecare/Extra care (over 1200 clients), £0.022m for Older People and those with Physical Disabilities (over 960 clients), £0.048m for over 100 clients with Learning Disabilities and Mental Health needs, and an average cost of over £0.055m for over 230 clients being supported through Independent Supported Living.

The HRA continued to face significant challenges, as Government legislation continued to embed and develop with potential implications for housing i.e. the Welfare Reform and Work Act 2016, and the Housing and Planning Act 2016. The Authority had continued with the implementation of the Government's policy to reduce rent by 1% for 2018/19 (3rd of 4 years) as enacted in the Welfare Reform and Work Act 2016 for all housing stock which included PFI sheltered accommodation homes. The Authority was also facing the impact of the continued roll-out of Universal Credit and other welfare reforms. The Authority had however very recently been advised that the planned roll out of universal credit would be delayed from February 2018 to May 2018. In addition, on 27 September 2017 Cabinet had agreed that it would not extend the Authority's Joint Venture partnership with Kier North Tyneside beyond March 2019 (Minute CAB55/09/17 refers). This gave rise to a challenge to create a fit for purpose construction and maintenance operation, to best meet the needs of the Authority's tenants and residents, whilst delivering greater efficiency and value for money.

These challenges continued to be considered as part of the updating of the 30-year plan which aimed to ensure the long-term viability of the HRA in line with the policy direction of the Mayor and Cabinet and the needs of tenants. For the purposes of the current Financial Planning and Budget process a two-year revenue plan had been developed in line with the

approach adopted for the General Fund. Cabinet was advised that the second year projections were only indicative at this stage.

Housing Revenue Account tenants would be consulted on these initial proposals and the final HRA budget would be presented to Cabinet on 15 January 2018. At that meeting Cabinet would be asked to approve the HRA Business Plan and Budget for 2018/19, including the housing rent, garage rent and service charge changes and the Housing Investment Plan.

Annex 1 to the report detailed the Cabinet's 2018-2020 initial Budget proposals for the General Fund Revenue Budget, Dedicated Schools Grant, Housing Revenue Account, 2018-2021 Investment Plan and the 2018/19 Treasury Management Statement and Annual Investment Strategy.

Engagement on the Budget proposals had started in the summer and would continue from end of November 2017 to January 2018. It would involve information and feedback through the Authority's website as well as focus group activity with staff, residents, businesses and strategic partners.

Cabinet's initial budget proposals were based upon available information and judgements. There were a number of assumptions and judgements built into the figures presented that were outside the control of the Authority and needed to be finalised. The initial budget proposals would therefore need to be subject to further review before they could be confirmed. The report detailed the information to be assessed and finalised.

The Cabinet Member for Finance and Resources thanked the Head of Finance for her assistance in producing Cabinet's initial proposals, and invited her to give a presentation to complement the report. The presentation highlighted the:

- Key themes of the Council Plan
- Delivery of the Creating a Brighter Future and change delivery through Target Operating Model
- General Fund Revenue Budget
- Housing Revenue Account
- Treasury Management Statement and Investment Strategy
- Provisional Statement of S151 Officer
- Next steps in the budget process

The Cabinet Member for Children, Young People and Learning asked whether details were available on the reduction in Government funding received by the Authority since 2010. The Head of Finance stated that overall grants had reduced and she would provide this information for Cabinet.

In response to a comment by R Layton on behalf of the Trade Unions about the impact of service reductions on the Authority's committed workforce, the Deputy Mayor stated that where ever possible the Authority tried to re-deploy staff into other posts.

The Cabinet Member for Community Engagement applauded the communications and engagement teams for their work; and was pleased that the report reflected comments from residents and that the Authority put residents at the heart of decision making.

The Elected Mayor thanked officers and Cabinet Members for their hard work in drawing up the draft Budget proposals.

Cabinet considered the following decision options: either to agree the proposals set down in the report, or alternatively to suggest that further / different options are considered by the Senior Leadership Team and be reported back to Cabinet for further consideration.

**Resolved that:**

- (1) the progress made in relation to this year's Financial Planning and Budget process, be noted;
- (2) the key principles being adopted in preparing the Financial Strategy for the Authority, subject to an annual review, be noted;
- (3) the medium-term financial challenges and financial risks facing the Authority be noted and these issues be addressed 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;
- (4) the formal Reserves and Balances Policy for the Authority, subject to review at least annually, be noted;
- (5) the proposed Our North Tyneside Council Plan, covering the period 2018-2020, be approved, and it be noted that this will be consulted on as part of the Budget Engagement Strategy and that this forms part of the Policy Framework for the Financial Planning and Budget Process for 2018-2020;
- (6) the initial budget proposals in relation to the 2018-19 General Fund Revenue Budget and Dedicated Schools Grant, including the assessment in relation to the current year's budget monitoring information, be approved;
- (7) the Head of Finance be authorised, in consultation with the Head of Commissioning and Investment, the Cabinet Member for Children, Young People and Learning and the Cabinet Member for Finance and Resources, to undertake resource allocations to schools for 2018/19 in line with the school funding arrangements as set out in the report;
- (8) the proposed 2018-2021 Investment Plan be approved, noting that the plan continues to be under review;
- (9) the draft Investment Strategy be noted and it be noted that the Strategy will now be subject to consultation as part of the Budget Engagement Strategy;
- (10) It be noted that all approved schemes within the 2018-2021 Investment Plan will be kept under corporate review by the Investment Programme Board;
- (11) the draft 2018/19 Treasury Management Statement and Annual Investment Strategy be approved;
- (12) the Provisional Statement by the Chief Finance Officer be noted;
- (13) the initial budget proposals in relation to the 2018-2020 Housing Revenue Account budget, and associated Business Plan, including an assessment in relation to the current year's budget monitoring information, be approved;
- (14) the proposed April 2018 1% rent reduction (in line with the Welfare Reform and Work Act 2016), and the initial proposals in relation to housing service charges and garage rents for 2018/19 be noted;
- (15) the Elected Mayor be authorised, in conjunction with the Cabinet Member for Finance and Resources, Deputy Mayor and other Cabinet Members, to work with the Senior Leadership Team to continue their joint review of these initial proposals; and
- (16) the Chief Executive be authorised, in consultation with the Elected Mayor, Cabinet Member for Finance and Resources, Deputy Mayor and the Senior Leadership Team, to manage the Efficiency Programme; and it be noted that progress will be reported to Cabinet as part of the regular budget monitoring information provided.

## Cabinet

(Reason 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 2018/19 in relation to the General Fund although these initial budget proposals included Central Government's assumed increase to Council Tax of 4.99% (including the Social Care Precept of 3%) in 2018/19. This report will form the basis of Budget Engagement and Scrutiny over the next two months, but further work will inevitably be required before final decisions are made on the budgets for next year.)

### **CAB88/11/17 Date and Time of Next Meeting**

6.00pm on Monday 11 December 2017

**Minutes published on Thursday 30 November 2017.**