

**CABINET
HELD ON 6 JANUARY 2021
(FROM 5.30 PM – 6.18 PM)**

PRESENT: Councillor Richard Cooper in the Chair. Councillors Mike Chambers, Phil Ireland, Stan Lumley, Tim Myatt, Andy Paraskos and Graham Swift.

Late Arrivals: None

Early Departures: None

100/20 - APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTES:

There were no apologies for absence.

(5.34 pm)

101/20 - DECLARATIONS OF INTEREST: There were no declarations of interest made at the meeting.

(5.34 pm)

102/20 – MINUTES: The Minutes of the meeting of the Cabinet held on 9 December 2020 were unanimously approved as a correct record.

(5.35 pm)

103/20 – EXEMPT INFORMATION: Appendix 11 to the report considered at Minute 104/20 and Appendix B to the report considered at Minute 107/20 were considered to be exempt under paragraph 3 of Schedule 12a to the Local Government Act. Discussion on the items took place in open session.

(5.35 pm)

MATTERS REFERRED TO COUNCIL

104/20 – 2021/22 DRAFT BUDGET AND 2022/23 INDICATIVE BUDGET: The Head of Finance submitted a written report which sought approval of the draft budget for 2021/22 and indicative budget for 2022/23. The budget would subsequently be forwarded to the Overview and Scrutiny Commission on 18 January 2021 for consideration with any comments to be submitted to Cabinet on 3 February. The budget would be submitted to Council for ultimate approval on 10 February 2021.

The budget report was set in the context of the current Local Government funding environment as outlined in the Medium Term Financial Strategy (MTFS) approved by Council on 9 December 2020 and contained the following key information:

1. The 2021/22 budget setting context
2. 2020 Spending Review and outcomes from the provisional 2021/22 Local Government Finance Settlement
3. Reasons for changes in the Council Tax, Business Rates and other grant funding

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4. Detailed proposals of changes in expenditure, income and use of the budget transition fund
5. Proposals following the Reserves Review
6. Results of the Budget Consultation
7. Commentary from the Head of Finance on the robustness of the estimates and adequacy of the Council's reserves

The Council was faced with an unprecedented financial detriment as a result of the COVID-19 pandemic. The full financial implications were not yet known and stemmed from both additional costs incurred in responding to the pandemic and irrecoverable losses in income. Further to this tax income would be impacted as business failed and more taxpayers were eligible for council tax support, and this would impact the general fund in 2021/22. The resultant economic recession was also likely to impact on the Council's finances beyond the current financial year. The Council had developed a Financial Recovery Plan to address the immediate impacts in 2020/21 and the 2021/22 draft budget would set out the continuing impacts of the pandemic and how they will be addressed in order to balance the budget. It had been assumed that finances, primarily income, would recover in 2022/23.

It was forecast that the net cost to the Council of the pandemic would be £5.9m, as set out in Appendices 3, 4 and 5. The main effect was a loss of income of £6.5 million as set out in Appendix 4, mainly relating to car parking, sport and leisure and HCC. Government support announced in December 2020 was detailed at paragraphs 19 and 42 of the report. The Income Compensation Scheme was forecast to be worth £981k, and the COVID-19 grant which was intended to cover additional expenditure incurred by the pandemic would be worth £639k. The Government had also introduced two new grant schemes. The Lower Tiers Services Grant was to ensure that no authority received a reduction in its core spending power and was forecast to be £159k and the Local Council Tax Support Grant to compensate local councils for the expected additional cost of local Council Tax support schemes in 2021/22 would be worth £232k. In addition the Tax Income Guarantee Scheme announced earlier in the year would fund 75% of irrecoverable losses in council tax and business rates as set out at paragraphs 19, 28 and 35 and would be worth £201k in respect of council tax and £379k in respect of business rates. In total Government support for the next financial year would be just short of £2.6m, which would leave a cost of £3.3m to the Council for the pandemic. There would therefore be a requirement of £3.3m from the Budget Transition Fund to support the budget in order to deliver balanced proposals for both 2021/22 and 2022/23.

The report explained that since the 2010 Comprehensive Spending Review total local government funding in England had been reduced by approximately 50%. Since 2010, the Council's general grant allocation had reduced by £8.2m (69%). In spite of this the Council had continued to maintain its valued frontline services, which was a testament to the Council's strong record of financial management.

The provisional 2021/22 Local Government Finance Settlement was announced on 17 December 2020 and the key elements were set out at paragraph 19 of the report. Whilst Local Government had received an average increase in Core Spending

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Power of 4.5% it would not be enough to address the funding shortfall in many cases. In the settlement there was an increased reliance on increasing council tax, which was accompanied by relatively low increases in grant funding. The Lower Tier Services Grant would largely be funded by New Home Bonus returned surplus, breaking the principle of returning the surplus to local government.

Paragraphs 21 to 42 of the report outlined the changes in the Council's principal resources of Council Tax and Business Rates. To reach a balanced budget the Council's net expenditure on services must match the sum total of these sources of income. The Government had allowed a council tax increase limit of less than 2% or £5 at Band D, whichever was higher. This would result in an increase in the Band D rate to £250.92 in 2021/22, and the draft budget was predicated on that increase being approved.

In respect of Business rates the table at paragraph 36 summarised the income and expenditure relating to business rate transactions within the general fund for 2020/21 to 2022/23. For 2021/22 the Council had budgeted on the basis of 50% Business Rates Retention with pool arrangements. Under a separate report on the Cabinet agenda approval was given to join the Leeds City Region pool for 2021/22, subject to a further review of the pool's financial performance. The Government had committed to implementing a Fair Funding Review and reforms to the Business Rate Retention Scheme and it was assumed these would be delivered in 2022/23 and this included a very strong commitment to a full reset of business rate retention baselines. For 2022/23 the budget was based on a 75% scheme which would be matched by transfers of RSG, public health and other grants, making it fiscally neutral. It was estimated that the Collection Fund for Business Rates would be in deficit by £13,406k by the end of 2020/21 consisting of a surplus of £579k relating to years prior to 2020/21 and a deficit of £13,985k relating to 2020/21. The 2020/21 deficit resulted from rate reliefs provided by the government to support businesses during the pandemic of £13,480k, which we could fund from compensation grants to be received in 2020/21, with a remaining deficit of £505k. The Tax Income Guarantee Scheme would compensate authorities for 75% of any irrecoverable losses in 2020/21, leaving a net deficit of £126k. These estimated figures were subject to further change given that the Business Rates estimates were not finalised until the end of January and any further amendments would be tabled at the February Cabinet meeting.

The Council had not received Revenue Support Grant since 2017/18. The table at paragraph 41 of the report summarised the change in the Council's net funding for 2021/22 and 2022/23, representing a net increase of -£103k in 2021/22 and a net decrease of £700k in 2022/23.

The Council also received a number of other significant grants including the New Homes Bonus and Benefit Admin Grant. These grants did not contribute to the Council's net funding position and were known as service level grants given that they were typically expected to meet expenditure incurred on services. There would be an estimated net increase in these grants totalling -£1,989k for 2021/22, with a net decrease of +£3,482k for 2022/23 as detailed in paragraph 42.

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Paragraph 43 of the report provided detail on changes to expenditure which included unavoidable cost pressures and areas of required investment as shown in the table and for 2021/22 this represented a net increase of £606k and a net increase of £1,482k in 2022/23. Appendix 3 to the report detailed existing expenditure reductions, totalling -£1,146k in 2021/22 and increases of +£606k in 2022/23, which had been proposed by services to meet their initial resource allocations. Appendix 5 outlined new expenditure items of +£1,031k in 2021/22 and +£14k in 2022/23. These areas of budgetary growth were allowed as they were met by compensating reductions in expenditure or increases in income within the Service's overall resource allocation. Management Board had considered requests for growth items and had recommended £21,370 in 2021/22 for DMO establishment as detailed at Paragraph 43 vi).

Paragraphs 44 and 45 gave details of increases or new areas of income totalling net decreases of +£5,335k in 2021/22 and net increases of -£7,090k in 2022/23. This included income from Treasury Management and increases or new areas of income proposed by Services, full details of all items were set out at Appendix 4. Appendix 4a contained details of fees and charges where the proposed increase was less than the 2.5% increase agreed by the MTFS.

After taking into account the changes in resources, expenditure and income the table at paragraph 46 provided a budget summary, indicating projected net funding of £21,177k for 2021/22 and £20,477k for 2022/23. More detailed summaries were provided at Appendices 1a, 1b, 2a and 2b. In order to achieve a balanced budget £2,372k would be utilised from the Budget Transition Fund in 2021/22 in order to deliver a balanced budget with a further £946k of the fund being used in 2022/23.

In respect of reserves, having assessed the financial risks to the Council it was recommended that the working balance remain at £2.5m for 2021/22 and 2022/23. As part of the budget process a review of reserves was undertaken, as detailed in Appendix 6. It was proposed that £205k of that identified be used to support the Council's Financial Recovery Plan.

Paragraphs 55 to 57 described the public consultation which had taken place with residents, businesses and other key stakeholders to seek views on aligning the Council's finances with its priorities. The key findings were detailed in paragraph 56, with the full results contained in Appendix 7.

The key risk in the annual budget setting process was identified as the possibility that the Council might overspend. The Council had strong budgetary control and monitoring processes, which were regularly reviewed. These processes would provide an early warning of a potential overspend enabling corrective action to be taken. A detailed risk assessment was attached at Appendix 8. An Equalities Impact Assessment for the budget process was attached at Appendix 9.

The budget report concluded with statutory advice from the Chief Finance Officer as required by the Local Government Act 2003. The Head of Finance considered that the budget proposals presented a balanced budget for 2021/22 and indicative balanced proposals for 2022/23. The Council had well established financial processes, effective monitoring, and had received very favourable external audit

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reports in respect of its financial management. The Council had managed expenditure well within its overall budget in recent years; though 2020/21 had brought unprecedented challenges. The overall financial planning process remained sound. In 2020/21 the challenges presented by external factors, primarily a global pandemic had been on a scale not experienced before and the Council had to rise to the challenge to ensure a balanced budget, with considerable Government support. Whilst the Head of Finance could not guarantee that every single proposal would be achieved he considered the overall estimates to be sound and was confident the overall package was prudent and robust.

RECOMMENDED (UNANIMOUSLY):

That (1) the Draft Budget for 2021/22 and Indicative Budget for 2022/23 are approved to be recommended to Council, in particular noting:

- i) The proposed Council Tax increases for a Band D property of £5 in 2021/22 and an indicative £5 in 2022/23
- ii) The resulting Council Tax requirement of £16,055,089 in 2021/22 and £16,620,638 in 2022/23
- iii) The recommended minimum Working Balance level of £2,500,000
- iv) The overall budget summaries in Appendices 1b, 2a and 2b
- v) The net reductions in existing expenditure totalling £1,146k in 2021/22 and net increases totalling £606k in 2022/23 as shown in Appendix 3
- vi) The reductions in existing income, net of new areas of income, totalling £5,382k in 2021/22 and increases totalling £7,413k in 2022/23 as shown in Appendix 4 and the fees and charges schedule as shown in Appendix 4a
- vii) The new areas of expenditure totalling £1,031k in 2021/22 and £14k in 2022/23 as shown in Appendix 5
- viii) The use of the budget transition fund of £2,372k in 2021/22 and £946k in 2022/23 in lieu of an improved position in relation to COVID;

(2) the growth proposed of £21k in 2021/22 (see paragraph 43 vi)) be approved; and

(3) the £205k identified, from the latest review of reserves, is used to support the Council's Financial Recovery Plan in 2020/21 in response to the Covid-19 pandemic (see paragraphs 53 and 54).

(5.35 pm – 5.57 pm)

105/20 – **DRAFT HOUSING REVENUE ACCOUNT BUDGET 2021/22:** The Head of Housing and Property (HoHP) submitted a written report which sought approval of the draft Housing Revenue Account (HRA) budget for 2021/22. The HRA was a ring-fenced account which contained all of the income and expenditure relating to the social housing owned by the Council. The table at paragraph 5.2 showed forecast net expenditure for 2020/21 of -£1,087k and projected net expenditure for 2021/22 of £13,592k. Paragraph 5.3 explained the associated variations which included increased capital expenditure and an increase in rent income.

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In presenting the report the Executive Officer Property Services reported that the COVID-19 pandemic had impacted on the HRA, through difficulties in sourcing materials and staff and contractor availability. In the current year £15m of the self-financing loan taken out in 2012 would be repaid, strengthening the position of the HRA. In 2021/22 the Council would be investing £8.8m on its housing stock through repairs and maintenance and investing in staff.

The HRA business plan was attached at Appendix A and showed income, expenditure and the HRA working balance up to year 35 of the plan, 2021/22 was year 10. It was noted that the plan showed a deficit in years 31 to 35. However, the ending of the Government's negative rent increase regime meant that the Council would be able to push that point further back and it wouldn't be a material concern for the business plan.

RECOMMENDED (UNANIMOUSLY):

That (1) the draft HRA estimates for 2021/22 are approved; and

(2) a 1.5% increase (September CPI 0.5% + 1%) in the rent charged is applied for 2021/22 in line with Government policy.

(5.57 pm – 6.04 pm)