CABINET

Minutes of the meeting held on 14 January 2021 at 5.30 pm by Video Conference.

Present:	Councillor Helen Whitehead (Chairman); Councillors Albon, Duckworth and Yates
In Attendance:	Councillors Ashbee, J Bayford, R Bayford, Kup, Pugh and D Saunders

701. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Everitt.

702. DECLARATIONS OF INTEREST

There were no declarations of interest.

703. MINUTES OF PREVIOUS MEETING

Councillor Yates proposed, Councillor Albon seconded and Members agreed the minutes as a correct record of the meeting held on 17 December 2020.

704. 2020-21 BUDGET MONITORING REPORT NO.3, 2020-21

Members were advised that the council continued to face unprecedented challenges this financial year as a result of Covid. The gross General Fund overspend of £5.2 million is largely due to Covid and is similar to the previous monitoring report. Government financial support is estimated at £3.5 million giving a net overspend forecast of £1.7 million.

Both the General Fund and Housing Revenue Account capital programmes are showing a substantial underspend. This, again, was largely due to Covid, as works contracts had been hampered and suppliers had been unable to deliver within normal timeframes. It was planned for most capital projects to catch up during the next financial year. Cabinet was asked to approve expenditure in relation to Covid and EU transition. All this expenditure would be covered by specific Government funding pots.

The government allocated £4.6bn of emergency funding nationally in 2020-21, over four tranches, to support local authorities' response to and impact of the pandemic. The Council received or had been notified of an award of £2.978m of this funding. Additional emergency funding of £1.0m was expected for 2021-22 and this was considered in more detail in the budget report elsewhere on the agenda for this meeting.

In addition the Council had to date received £476k from the Sales, Fees and Charges compensation scheme, where authorities are compensated for 75% of their losses after meeting a 5% top slice. Total funding forecast from this scheme for 2020-21 is £600k. Funding had also been announced to compensate local authorities for losses in council tax and business rates, more detail on this was also considered in the 2021-22 budget report. A further additional £100m would also be available nationally to support Local Authority Leisure Centres and formal guidance had since been received. An expression of interest by the council had been submitted and would be followed up with a bid in January.

Councillor Yates proposed, Councillor Albon seconded and Cabinet agreed:

1. To notes the following:

    i. The General Fund revenue budget 2020-21 forecast position.
    ii. The General Fund Capital Programme 2020-21 forecast position.
    iii. The Housing Revenue Account position.

2 The additional spend associated with Covid as identified at 3.5 of this report;

3. The additional spend associated with EU transition as identified at 4.1 of the Cabinet report;

4. The updated General Fund capital programme as set out in Section 6 and Annex 1 to the report.

705. MEDIUM TERM FINANCIAL STRATEGY 2021-25

Cabinet discussed the proposals for the new Medium Term Financial Strategy for 2021-25 and acknowledged the effect of Covid-19 on the public finances which had been considerable, as it created the largest peacetime shock to the global economy on record.

The pandemic had affected the collection of council tax and business rates. In response, the business rates relief and grants for businesses in the retail, hospitality and leisure sectors had been administered in line with government guidelines helping more than 3,000 businesses in Thanet, through allocating more than £40m of financial support. Additional council tax relief had been given to recipients of council tax support through the government's hardship fund.

The government funding reforms that had been in development have been deferred for various reasons, one of which was the pandemic. The implications of this review for Local Government are uncertain, but have the potential to be profound. There are also inflationary pressures of over £800,000 each year, which could not be covered by increases in Council Tax and fees and charges alone. A budget gap of £1.7 million in 2022-23 and another £700,000 in 2023-24 was anticipated. The Housing Revenue Account was under some similar inflationary pressures as the General Fund. However, the HRA is projected to return to surplus in future years, thereafter.

The proposed MTFS would aim to achieve the three key corporate priorities, which are Growth, Environment and Communities. Alongside the Corporate Statement were a number of other service-related plans that included the Housing Revenue Account (HRA) Business Plan, individual service plans and capital and asset management strategies. The proposed MTFS would provide a key link between all of these plans. It underpinned these other strategic documents by translating the plans, actions and non-financial resources into financial terms so as to evidence their affordability and sustainability.

Councillor Yates proposed, Councillor Albon seconded and Cabinet approved the Medium Term Financial Strategy 2021-25.

706. COUNCIL TAX BASE CALCULATION 2021-22

The setting of the Council Tax base was mainly a mechanical process which was based on the projected number of properties, level of discounts and collection rates. There were no options for the calculation.

Members were reminded that legislation was previously passed to allow councils to increase the Long Term Empty Premium currently being charged for domestic properties that have been left empty and substantially unfurnished for two years or more. This took effect from April 2019 and saw the premium increase from 50% to 100%. This meant that when a property had been empty and unfurnished for two years or more, an additional

100% Council Tax was charged from April 2019, making Council Tax payable at 200% from April 2019.

The legislation included further increases in the premium for future years for properties that have been empty and substantially unfurnished for longer periods. Public consultation undertaken in December 2018 resulted in respondents being in favour of further increasing the Long Term Empty Premium for properties empty for 5 years or more to 200%, (which was introduced in Thanet from April 2020), and the Long Term Empty Premium at 300% (from April 2021), for properties empty and substantially unfurnished for 10 years or more.

It was in this context that Cabinet approval was being sought to implement the 300% Council Tax premium for properties empty and substantially unfurnished for 10 years or more from 1 April 2021. It was estimated that this would affect approximately 41 properties in Thanet. Reductions in Council Tax discounts were required to be determined on an annual basis, and it was recommended that the existing Council Tax reductions/removals be continued for the year 2021-22.

Councillor Yates proposed, Councillor Albon seconded and Cabinet agreed the following:

1. To approve the District's Council Tax Base for 2021-22 as 44,155.70 and the tax base for the towns and parishes in the Council's administrative area, as set out in the table at Annex 2 to the Cabinet report;

2. To confirm the introduction of a council tax premium for all properties that have been left empty and substantially unfurnished for 10 years or more. This will take effect from 1 April 2021 and will introduce the premium at 300%;

3. To determine not to revise the Council Tax Reduction Scheme for 2021-22.

707. <u>BUDGET 2021-22</u>

The budget proposals had been set during a truly unprecedented period for local government. Councils across the country had to continue to support residents and businesses in exceptional ways. The Government had provided substantial funding to assist with Covid test and trace, enforcement and business grants as well as EU transition, but these challenges caused by the pandemic and EU Transition had placed a tremendous strain on the council's workforce, which itself has been diminished by Covid.

The challenges also placed a strain on local government finances, and Thanet was no exception. Not all Covid losses have been compensated, and there continued to be pressure on the council budgets. Expenditure was higher, to compensate residents and businesses and to protect people through enforcement and temporary housing. Income was lower, in respect of council fees and charges as well as council tax and business rates. The current national lockdown only added to this pressure.

Cabinet observed that it was difficult to assess the full impact of Covid and Brexit on next year's budget. There should be a reduction in Covid infection rates, nationally and locally, once the vaccines have been rolled out. The worst local effects of Brexit with the impact of Manston being used as a lorry park and latterly, as a testing station should be passing away. However the national and local economic impact will remain for a while longer. Some businesses will struggle to survive as they built up debt and a significant number of people will have lost their jobs. It was unlikely that Thanet will bounce back to its pre-Covid state, at least in the short term.

Despite all this, Thanet was not as worse off as some other councils. Whilst the reserves were relatively low before Covid, council had built up a degree of resilience. A decision had been made not to invest in commercial ventures which are typically dependent on commercial rent. The reserves had gradually grown over the previous five years, and the balance sheet showed a reduction on overall borrowing. Those authorities that were not in a similar position before Covid were now facing much larger budget gaps than TDC's £840,000.

Cabinet recommended to Council budget proposals that require savings. When considering these savings the priorities would be to minimise the impact on services, especially front line services and to minimise redundancies. Unfortunately, there are up to eight posts that will be deleted from the organisation structure and the staff occupying those posts will be going through a restructuring process. Although it was too early to say, some of those might be subject to compulsory redundancy. Every effort will be made to find alternative council employment for them.

Another objective of the Cabinet was to adopt a transparent approach to setting the budget. As part of the budget build up process, ten budget briefings for small groups of members, as well as two all-member briefings were conducted. Regular sessions were held with Shadow Cabinet.

Cabinet proposed an increase in Council Tax, at £4.99, which represented an increase of less than 10p a week for each household.

Cabinet had acted to address the legacy of poor management by East Kent Housing. The service was successfully brought in house and a substantial investment plan in the HRA capital programme was now in place. Cabinet was aware that the Government's housing rent policy stipulated an increase of CPI plus 1%, which represents a 1.5% rent increase for council tenants. The majority of this would be covered by benefit or Universal Credit, but to help ease the burden on those of our tenants not in receipt of benefit, council elected to freeze affordable rents this year.

The average rent in 2021-22 is set to be £1.98 higher than the average rent in 2020-21, not £1.89 as stated in paragraph 13.6.1 in the report.

Members thanked staff for hosting briefing sessions on the budget. This kept Members informed throughout the budget process.

Councillor Yates proposed, Councillor Albon seconded and Cabinet agreed to recommend to Council that:

1. The General Fund revenue budget estimates for 2021-22 be approved, assuming a £4.99 increase in the band D equivalent for Council Tax;

2. The HRA budget estimates for 2021-22 be approved, assuming a CPI+1% increase in social rents and a freeze in affordable rents;

3. The General Fund and Housing Revenue Account capital programmes for 2021-25 be approved;

4. The Flexible Use of Capital Receipts Strategy for 2021-22 be approved

5. The Section 151 Officer's Assurance Statement be noted.

708. <u>TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2021-22</u>

Cabinet acknowledged that the council was required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the council's low risk appetite, providing adequate liquidity initially before considering investment return. As part of the discussion, Cabinet considered the following key items in the report:

- The second main function of the treasury management service was the funding of the council's capital plans. These capital plans provided a guide to the borrowing need of the council, essentially the longer-term cash flow planning, to ensure that the council could meet its capital spending obligations. capital expenditure of £35.6m forecast over the next three years (2021-22 to 2023-24 inclusive), requiring borrowing of £4.8m;

- No change to the Minimum Revenue Provision policy (policy for paying off the accumulated borrowing requirement).

Councillor Yates proposed, Councillor Albon seconded and Cabinet agreed:

1. To recommend the Cabinet report and annexes, including each of the key elements listed below, to council for approval:

    a. The Capital Plans, Prudential Indicators and Limits for 2021-22 to 2023-24, including the Authorised Limit Prudential Indicator;

    b. The Minimum Revenue Provision (MRP) Policy;

    c. The Treasury Management Strategy for 2021-22 to 2023-24 and the Treasury Indicators;

    d. The Investment Strategy for 2021-22 contained in the Treasury;

    e. Management Strategy, including the detailed criteria;

    f. The Capital Strategy for 2021-22;

    g. The Non-Treasury Investments Report for 2021-22.

Meeting concluded: 5.47 pm