

**MINUTES** of a meeting of **CABINET** held on 25 January 2018 at County Hall, Matlock.

## **PRESENT**

Councillor B Lewis (in the Chair)

Councillors A Dale, A Foster, C A Hart, T King and J Wharmby

Apologies for absence were submitted on behalf of Councillor S A Spencer.

## **Declarations of Interest**

There were no declarations of interest.

## **26/18      MINORITY GROUP LEADERS' QUESTIONS**

Councillor A Western asked the following question:

### **Agenda Item 4(a) - Revenue Budget Report 2018-19**

Will the Cabinet Member please explain why the budget cuts required in the 4 year period 2018/19 to 2021/22 shown in the five year financial plan have increased from £45.751m in January 2017 to £50.715m in July 2017 to £53.009m now. What action is being taken to control this worsening financial position?

Councillor B Lewis, Leader of the Council and Cabinet Member for Strategic Leadership, Culture and Tourism, responded that careful spending and effective planning were behind proposals by Derbyshire County Council to achieve a balanced budget for the year ahead. Budget planning in the medium-term was difficult owing to the changing pressure and assumptions. For instance, local government pay awards had been assumed to be 1%, but would be 2%. There were also increasing pressures on Children's Services budgets which the Council was seeking to address. The Conservative administration remained committed to the pledges made in its Manifesto, which included the commitment to a Council Tax freeze in 2020-21 and 2021-22. This freeze in Council Tax would be off-set by savings made across departments and also by the use of one-off reserves.

Since taking office, the Council had reversed the tip charges and they would not be closing the three Waste Recycling Centres at Loscoe, Chesterfield and Bolsover, which Labour had planned to do.

Setting the budget was about priorities and, under this administration, this would not be at the expense of front-line services people rely on. The Council would continue to follow the principles of an efficient and enterprising Council. To meet its general expenditure and fund essential services for the year ahead, as well as mapping out its savings, the Council was considering raising its portion of the Council

Tax by 4.99% for 2018-19. A total of 2% of this proposed rise was the Adult Social Care precept, which was spent directly on services providing care for older and vulnerable adults. The extra 2% Adult Social Care precept increase in Derbyshire would raise an additional £5.9m for the coming year. This would mean an increase of £19 a year, or 36p per week, for an average Band B property and £24 a year, or 46p per week, for a Band D property.

The Government had recently announced that Councils could add a further 1% to any planned general expenditure rise to support funding vital services which were under pressure, partly, it was believed, as a response to lobbying by local authorities via the Local Government Association, over increased demands on Children's Services budgets. The Council was considering adding the extra 1% rise, over and above its previously planned increase, to help to meet significant cost pressures facing children's social care.

**27/18      REVENUE BUDGET 2018-19** (Strategic Leadership, Culture and Tourism) The Director of Finance and ICT reported to Cabinet on proposals regarding the Revenue Budget for 2018-19.

The report presented detail in respect of the 2017-18 budget, the Autumn Statement 2017, the Provisional Local Government Finance Settlement, Council Tax, price increases, Corporate Budgets, service pressures, budget savings targets, statutory requirements of the Local Government Act 2003, the Five Year Financial Plan and consultation.

When setting the budget, the Council must be mindful of the potential impact on service users and, therefore, the consultation exercises undertaken in the preparation of the 2018-19 budget were relevant in this respect. Section 149 of The Equality Act 2010, imposed an obligation on Members' to have due regard to protecting and promoting the welfare and interests of persons who shared a relevant protected characteristic (age; disability; gender re-assignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation).

Case law had clarified that there was no obligation on a local authority to carry out an Equality Impact Analysis of the high level strategic budget setting process. Once the budget had been set and, as spending decisions were made, service by service, and as policies were developed within the constraints of the budgetary framework, proposals would be further considered by Members and would be subject to an appropriate and proportionate assessment of any equality implications, as well as consultation, including consultation on a range of options, where appropriate.

The actual scale and detailed composition of job losses involved would not become clear until the necessary consultations were concluded and final decisions were made on individual savings proposals. It was, however, evident that given the level of budget savings identified, the scale of workforce re-alignment would be significant. The Council would seek to mitigate the impact of the proposed budget reductions on the Council's workforce through the use of measures such as vacancy

control, redeployment, voluntary release, etc. and the further development of an internal jobs market.

The Council had a statutory responsibility to consult with the relevant trade unions when potential redundancy situations arose. At future meetings, Cabinet would be asked to approve such consultation, where necessary, as well as reviewing the application of the appropriate HR measures to mitigate the effect of the budget reductions.

In 2015, the Council developed a draft Community Impact Assessment that made an initial assessment of the potential impact of budget savings to 2015-16. The assessment drew on Equality Impact Assessments, consultations and the wider contextual information available, including business cases for each budget proposal. This work was updated on a regular basis, more recently to include new and revised budget savings proposals, and provided an overview of people and places where budget savings proposals might have a negative impact, including those where the cumulative effect might be greatest. Geographical mapping of both proposed and implemented budget savings, where appropriate, also supported this work, which provided the foundations for the necessary programme of detailed Equality Impact Assessments. This ensured that decisions were informed by the fullest understanding of their effect on people and communities, as well as highlighting those groups which might need to be consulted on proposals as they emerged.

**RESOLVED** recommend to Council that it:

- (1) notes the details of the Autumn Budget 2017 and Provisional Local Government Finance Settlement as outlined in sections (b) and (c).
- (2) notes the Government's expectations about Council Tax levels for 2018-19 in section (d).
- (3) approves the precepts as outlined in Appendix Three.
- (4) approves that billing authorities be informed of Council Tax levels arising from the budget proposals as outlined in section (d) and Appendix Three.
- (5) approves the contingency to cover non-standard inflation as outlined in section (f). The contingency to be allocated by the Director of Finance and ICT once non-standard inflation has been agreed.
- (6) approves the service pressure items identified in section (g) and Appendix Four.
- (7) approves the level and allocation of budget savings as outlined in section (h) and Appendix Five.
- (8) notes the Director of Finance and ICT's comments about the robustness of the estimates and adequacy of the reserves as outlined in section (i).

(9) notes the details of the Council's consultation activity as outlined in section (k).

(10) approves the Council Tax requirement of £314.241m which is calculated as follows:

	£
<b>Budget Before Pressures and Budget Reductions</b>	<b>489,018,545</b>
Plus Service Pressures – on-going	23,093,373
Plus Adult Social Care Precept	5,926,902
Plus Service Pressures - one-off	11,036,000
Less Budget Reductions	-12,427,000
Plus Shortfall on savings Target	421,000
Contribution to Contingency Budget	10,100,000
Reduction to Debt Charges	-18,500,000
Reduction to Risk Management Budget	-4,371,820
Increase in Interest Receipts	-1,000,000
<b>Net Budget Requirement</b>	<b>503,297,000</b>
Less Top-Up	-43,036,695
Less Business Rates	-94,173,096
Less New Homes Bonus	-2,057,945
Less General Grant	-27,826,939
Less PFI Grant	-10,503,833
Less Use of Earmarked Reserves	-11,457,000
<b>Balance to be met from Council Tax</b>	<b>314,241,492</b>

and;

(11) authorises the Director of Finance and ICT to allocate cash limits amongst Cabinet portfolios; Strategic Directors will then report to Cabinet on the revised service plans for 2018-19.

## **28/18 BUDGET MONITORING 2017–18 (AS AT 31 OCTOBER 2017)**

(Strategic Leadership, Culture and Tourism) The Director of Finance and ICT reported on the Revenue Budget position for 2017-18 as at 31 October 2017, and sought approval to the creation of an earmarked reserve to hold anticipated rates refunds for schools pending redistribution of these resources.

The report summarised the controllable budget position by Cabinet Member Portfolio and, in addition to this report, further reports would be considered at Cabinet Member meetings, the Audit Committee and Council, in accordance with the Budget Monitoring Policy and as required by Financial Regulations.

There were overspends in the Young People and Economic Development and Regeneration Portfolios. Details of the projected outturn compared to controllable budget was summarised in the report along with a summary of individual Portfolio positions.

**RESOLVED** to note the 2017-18 budget monitoring position as at 31 October 2017.

**29/17      BUDGET CONSULTATION RESULTS** (Strategic Leadership, Culture and Tourism) Cabinet considered a report of the Director of Finance and ICT to enable consideration of the outcome of the Council's budget consultation exercises in formulating its budgetary proposals to Full Council regarding the Revenue Budget for 2018-19. The report was considered alongside other reports to the meeting of Cabinet on the Budget Monitoring position for 2017-18, the Revenue Budget report for 2018-19 and the Capital Budget report for 2018-19.

The Council had, for a number of years, undertaken a variety of consultation exercises using a range of methods, in preparation of its annual Revenue Budget. This year however, the Council had used alternative approaches in order to attract a higher number of responses to its budget consultation.

Participation had been encouraged using social media, including Facebook and Instagram paid-for campaigns, an organic social media campaign, using infographics, and a video and blog from the Council Leader. In addition, media releases, an e-mail to Citizens' Panel members, e-newsletters to community groups, parish councils, partner organisations and community publications, features on the Council's internal and external websites and articles in Derbyshire Now, the Our Derbyshire employee newsletter and the employee payroll letter had been used.

To promote participation amongst residents who were less familiar with, or had no internet access, copies of a paper consultation questionnaire, containing the same questions, were distributed to libraries across Derbyshire. Library and Call Derbyshire staff were briefed. A freepost address was used to encourage participation.

A detailed analysis of the consultation results and themes arising from the comments that participants contributed are in the Appendix to this Report.

The Council's Constitution provided that the Improvement and Scrutiny Committee should also be notified of the budget proposals. The Director of Finance and ICT presented details of the Five Year Financial Plan to the Committee in September 2017. The proposals were discussed and there was a clearer understanding of the financial context in which the Council would be operating over the next few years.

The trade unions were consulted at the Corporate Joint Committee held on 11 January 2018. In particular, the unions raised issues about the level of the pay award, Business Rates Retention, Council Tax increases and the pressures on services.

In addition, the Local Government Finance Act 1992, required local authorities to consult representatives of business ratepayers in their area about the budget proposals for each financial year. A meeting with representatives of Derbyshire and

Nottinghamshire Chamber of Commerce and the Federation of Small Businesses was held on 24 January 2018.

**RESOLVED** to take into account the views of the consultation respondents in formulating its proposals to Full Council regarding the Revenue Budget for 2018-19.

**30/18      PRUDENTIAL CODE FOR CAPITAL FINANCE, CAPITAL PROGRAMME APPROVALS AND TREASURY MANAGEMENT STRATEGY**

(Council Services) Cabinet considered a report of the Director of Finance and ICT which sought approval for proposals to submission to Council relating to the Prudential Code for Capital Finance including:

- The Capital Starts Programme for 2018-19
- The Minimum Revenue Provision (MRP) Policy for 2018-19
- A Treasury Management Strategy for 2018-19
- To undertake a procurement exercise to commission services to undertake works associated with these schemes where appropriate
- Compliance with, and set limits under, CIPFA's Prudential Code and the Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes.

Further details of all proposals were contained in the report and the Appendices to the report.

**RESOLVED** to recommend to Council (1) the adoption of the Prudential Code including the Prudential Indicators as described in paragraphs 2.5, 2.6, 2.8 and 2.12 – 2.16 of the report;

(2) the 2018-19 Capital Starts Programme as detailed in Appendix 1 to the report and that further reports on the detailed schemes would be presented to Cabinet;

(3) the MRP Policy for 2018-19 as detailed in the report;

(4) the Treasury Management Strategy for 2018-19 as detailed in Appendix 3 to the report, and to take into account the Guidance issued by the Department for Communities and Local Government and noting the changes in paragraph 2.18 to the report; and

(5) the adoption of CIPFA's Code of Practice on Treasury Management and Cross Sectoral Guidance Notes (Revised 2011) and the Treasury Management Policy Statement as specified in the Treasury Management Code of Practice, both as detailed in Appendix 3 to the report.

**31/18      LIVING WAGE AND LOCAL GOVERNMENT SERVICES PAY UPDATE**  
(Council Services) The Strategic Director – Commissioning, Communities and Policy

provided an update on the Local Government Services (LGS) pay offer and Living Wage allowance from April 2018.

The National Employers had recently made a two year pay offer to local government service employees, that with bottom loading, was estimated to be equivalent to an increase of 2.7% in 2018-19 and 2.8% in 2019-20. The pay offer had yet to be agreed nationally, and preliminary work had taken place to estimate the cost of a local offer, to mirror that made nationally. The offer would increase the Council's bottom pay point from £7.85 to £8.50 per hour in 2018-19.

The preliminary work for 2018-19 showed a gross increase of £5.9m, equivalent to 2.6%, which was £3.6m above the budget assumption. Taking into account pay costs of £0.5m associated with cleaning and catering services that were traded to schools, the net increase was expected to be around £3.1m above the budget assumption

Since April 2014, Cabinet had agreed, on an annual basis, to pay the Living Wage Foundation recommended rate as an allowance. In 2017-18, employees eligible for the allowance, were paid the difference between their hourly rate and the Living Wage rate of £8.45. Around 3,800 Council appointments (excluding schools employed staff), would benefit from payment of the allowance up to 31 March 2018. Some 285 maintained schools and academies had opted into paying the Living Wage allowance to around 3,600 employees in 2017-18.

In November 2017, the Living Wage Foundation announced a 3.5% increase in the 2018 rate of 30p per hour from £8.45 to £8.75, increase. The Government had announced that the National Living Wage (NLW) would increase by 33p per hour from £7.50 to £7.83, a 4.4% increase, on 1 April 2018.

Uncertainty regarding the National Living Wage rate up to 2020, increases in the Living Wage Foundation rate and financial constraints continue. If a pay offer based on the preliminary work undertaken was agreed locally, all employees would be paid above the current Living Wage allowance of £8.45 and pay differentials at the bottom of the Derbyshire pay scales would be restored. As a consequence, it would not be necessary for payment of the Living Wage allowance to continue after 31 March 2018. Schools would also be informed that payment of the Living Wage allowance would not be necessary from 1 April 2018.

The recognised trade unions were participating in pay related discussions. Council employees currently eligible for the Living Wage allowance, would be written to informing them that, from 1 April 2018, the allowance would not be paid. Further information provided would depend on progress of the national and local pay negotiations. If a local pay agreement was not finalised before 1 April 2018, eligible employees would continue to be paid equivalent to the Living Wage allowance at £8.45 until an agreement was reached.

The Council's Five Year Financial Plan assumed a 1% pay award for 2018-19. The additional costs of £3.1m would be met from reductions to corporate budgets, details of which were set out in the Revenue Budget. However, the additional costs for 2019-20, resulted in further savings being required in order to set a balanced budget in that year.

**RESOLVED** to (1) note that payment of the Living Wage allowance would not continue after 31 March 2018; and

(2) note that a further report would be presented to update Cabinet once the national pay agreement was finalised.