

**MINUTES** of a meeting of **CABINET** held on **24 January 2017** at County Hall, Matlock

**PRESENT**

Councillor A Western (in the Chair)

Councillors D Allen, A Botham, D Collins, J A Coyle and P J Smith

Councillor D Lomax also attended the meeting

**18/17      MINORITY GROUP LEADERS' QUESTIONS**

There were no Minority Group Leaders' questions.

**19/17      BUDGET MONITORING 2016–17 (AS AT 31 OCTOBER 2016)**

(Strategic Policy, Economic Development and Budget) The Director of Finance reported on the Revenue Budget position for 2016-17 as at 31 October 2016. 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.

The Adult Social Care, Children's Services, Highways, Transport and Infrastructure and Health and Communities portfolios all indicated possible year end overspends. Adult Social Care and Children's Services would use earmarked reserves to record a break-even position. Health and Communities would use Earmarked Reserves to reduce the overspend. Within the Highways, Transport and Infrastructure portfolio, it was expected that the current overspend for local bus services of £1.995m would be met from the General Reserve and would result in an overall underspend of £1.784m for the Highways, Transport and Infrastructure portfolio.

Details of this summary projected outturn, compared to controllable budget was summarised in the report along with a summary of individual portfolio positions.

**RESOLVED** to note the 2016-17 budget monitoring position as at 31 October 2016.

**20/17      CAPITAL BUDGET MONITORING TO MONTH SEVEN 2016-17**

(Strategic Policy, Economic Development and Budget) The Director of Finance informed Cabinet of the latest budget monitoring position for open capital schemes. The report reflected those schemes that were currently under way and which had previous Cabinet approval. Each scheme had a nominated budget holder who was responsible for ensuring the scheme stayed within budget, and who verified the projected spend against their allocated scheme.

The current budget for open schemes was approximately £659m, with the latest monitoring showing a forecast underspend over the life of the projects of £1.436m. The position statement by department was summarised and also detailed in Appendix 1 to the report.

**RESOLVED** to note the current position on the monitoring of capital schemes.

**21/17      RESERVES POSITION** (Strategic Policy, Economic Development and Budget) The Director of Finance reported on the current and forecast positions for both General and Earmarked Reserves and also sought approval to the Reserves Policy.

Section 43 of the Local Government Finance Act 1992 required precepting authorities in England and Wales to assess the level of reserves needed for meeting estimated future expenditure when calculating the budget requirements. A range of safeguards, details of which were presented, were in place to prevent local authorities over committing themselves financially and these requirements were reinforced by Section 114 of the Local Government Finance Act 1988, which required the Chief Finance Officer to report to Council if there was, or was likely to be, unlawful expenditure or an unbalanced budget.

The Council had in place a Reserves Policy which ensured the Council met its statutory obligations and set out the framework within which decisions were made regarding the level of reserves. In line with this framework, the balance and level of Earmarked and General Reserves were regularly monitored to ensure they reflected a level adequate to manage the risks of the Council. The Reserves Policy was last approved by Cabinet on 26 January 2016 and no further amendments were proposed. A copy of the Policy was attached at Appendix 1 to the report.

As at 31 March 2016, the Council had a General Reserve balance of £52.028m and details of the use of the balance was summarised in the report. Details of projected movements on the General Reserve were presented. Local authorities were required to maintain a prudent, risk assessed level of General Reserves, relative to spending for that year. Reserves were required to mitigate against financial risk and provide for future spending plans. The report detailed the General Reserve balance as a percentage of the Council's spending (net budget requirement)

Earmarked Reserves were a means of smoothing expenditure to meet known or predicted liabilities. Funds should be used for the item for which they had been set aside. Any funds no longer required should be transferred to the General Reserve. Earmarked Reserves totalling £191.155m were held at 28 October 2016. Of this total, £65.313m (34%) was available to support future spending. Details of the balances categorised in accordance with the Reserves Policy were presented in the report.

**RESOLVED** to (1) note the current position on General and Earmarked Reserves; and

(2) approve the Reserves Policy.

**22/17      BUDGET CONSULTATION RESULTS** (Strategic Policy, Economic Development and Budget) Cabinet considered a joint report of the Chief Executive and the Director of Finance 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 2017-18. The report was considered alongside other reports to the meeting of Cabinet on the Budget Monitoring position for 2016-17, the Revenue report for 2017-18, the Capital Budget report for 2017-18, the Reserves position and the Five Year Financial Plan.

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. However, recently, as part of the significant budget cuts required, the Council had enhanced the value of the consultation exercises by using alternative approaches including on-line consultation and a paper questionnaire, details of which were presented in the report.

The Council's Constitution also provided that the Improvement and Scrutiny Committee should be notified of the Budget proposals and the Director of Finance had presented details of the revised Five Year Financial Plan to the Committee in September 2016. 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 the Derbyshire and Nottingham Chamber of Commerce and the Federation of Small Businesses had been held on 16 January 2017. A special budget meeting between the Council and the trade unions had also been held on 12 January 2017.

A Community Impact Assessment had been undertaken which drew on the Equality Impact Assessments, consultation and the wider contextual information available, including business cases for each budget proposal. The assessment provided an overview of people and places where budget cut proposals might have a negative impact, including those where an accumulative effect might be greatest. The Assessment provided the foundations for the necessary programme of detailed Equality Impact Assessments, to ensure 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** to take into account the views of the consultation respondents in formulating its proposals to Full Council regarding the Revenue Budget for 2017-18.

**23/17      REVENUE BUDGET 2017-18** (Strategic Policy, Economic Development and Budget) The Chief Executive and Director of Finance reported to Cabinet on proposals regarding the Revenue Budget for 2017-18.

The report presented detail in respect of the 2016-17 budget, the Autumn Statement 2016, the Provisional Local Government Finance Settlement, Council Tax, Business Rates, price increases, Corporate Budgets, budget cuts targets, service pressures, 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 2017-18 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).

A draft Community Impact Assessment had been undertaken by the Council that made an initial assessment of the potential impact of budget cuts to 2015-16. The Assessment drew on the Equality Impact Assessments, consultations and the wider contextual information available, including business cases for each budget proposal. It also provided an overview of people and places where the budget cuts proposals might have a negative impact, including those where the cumulative effect might be greatest. The Assessment provided the foundations for the necessary programme detailed Equality Impact Assessments to ensure 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** to recommend to Council that it (1) notes the details of the Autumn Statement 2016 and Provisional Local Government Finance Settlement;

(2) notes the Government's expectations about Council Tax levels for 2017-18;

(3) notes the details of the Council's consultation activity as outlined;

(4) notes the Director of Finance's comments about the robustness of the estimates and adequacy of the Reserves as outlined in the report;

(5) approves the precepts as outlined in the report and Appendix Two to the report;

(6) approves that billing authorities be informed of Council Tax levels arising from the budget proposals as outlined in the report and Appendix Two to the report

(7) approves the contingency to cover non-standard inflation as outlined with the contingency to be allocated by the Director of Finance and the Chief Executive once non-standard inflation had been agreed;

(8) approves the level and allocation of budget cuts as outlined in the report and Appendix Four to the report;

(9) approves the service pressure items identified in the report and Appendix Three to the report;

(10) approves the Council Tax requirement of £295.049m which was calculated as follows:

	£
<b>Budget Before Pressures and Budget Reductions</b>	<b>481,198,868</b>
Plus Service Pressures – on-going	11,571,261
Plus Adult Social Care Precept	5,612,739
Plus Service Pressures - one-off	6,988,747
Less Budget Reductions	-34,075,000
Plus Shortfall on Cuts Target	10,814,000
Contribution to Contingency Budget	7,155,835
Reduction to Debt Charges	-1,250,000
Reduction to Risk Management Budget	-453,450
<b>Net Budget Requirement</b>	<b>487,563,000</b>
Less Top-Up	-88,603,853
Less Business Rates	-18,041,234
Less Revenue Support Grant	-44,056,289
Less New Homes Bonus	-2,494,519
Less General Grant	-11,628,420
Less PFI Grant	-10,503,833
Less Use of General Reserve	-6,170,000
Less Use of Earmarked Reserves	-10,814,000
<b>Balance to be met from Council Tax</b>	<b>295,250,852</b>

(11) authorises the Director of Finance to allocate cash limits amongst Cabinet portfolios; Strategic Directors would then report to Cabinet on the revised service plans for 2017-18.

## **24/17      FIVE YEAR FINANCIAL PLAN AND FINANCIAL STRATEGY**

(Strategic Policy, Economic Development and Budget) The Director of Finance presented the Council's Five Year Financial Plan which had been revised and updated for the period 2017-18 to 2021-2022.

The Plan supported the Council's financial strategy and annual budget by establishing the resources that were likely to be available for allocation to meet service priorities contained within the Council Plan.

The proposed Plan identified a further set of budget reductions which were detailed at Appendix 2 to the report. The level of budget reductions required over the next five year period remained significant and the achievement of a balanced budget was dependent on the Council meeting its budget reduction target annually. Whilst General Reserves over the period of the Plan remained at prudent risk assessment levels, any overspend arising from demand management issues or slippage on the achievement of budget reductions, would require a call on the General Reserves. A copy of the updated Plan was shown at Appendix 1 to the report together with the assumptions used in developing the Plan.

The report provided more detail in respect of uncertainty and risk which related to the Business Rates Retention Scheme, Adult Care demographics, Better Care Fund, Academisation, the Living Wage, Public Health funding and price inflation. The Plan showed that savings of £80m were required up to the year 2021-22. However, this was reliant on the additional Better Care Fund allocations being available to support Adult Care spend. If the Government were to place conditions on the additional funding such that the Council could not use the Better Care Fund to support social care pressures, then a further £25m over the period 2017-18 to 2019-20 would need to be cut in order to set a balanced budget.

The Council would monitor the Government's proposals with regard to changes to the Business Rates Retention Scheme, but until the Government provided details of the proposals to local authorities, it was difficult to estimate both the level of business rates income and the financial impact of any additional burdens, particularly Public Health over the medium-term.

Members noted that whilst the Plan showed estimated budget reductions of £80m, this figure might rise to £105m. Appendix 2 to the report highlighted savings proposals for the period 2021-22. However, the savings identified did not meet the total savings required over that period, therefore further reports would need to be brought to Cabinet over the coming months identifying further areas as they used to be made.

**RESOLVED** to recommend to Council that (1) the Five Year Financial Plan be approved;

(2) the uncertainty and risks detailed in Section C and D of the report be noted; and

(3) the possible budget reduction proposals set out in Appendix 2 to the report be noted.

**25/17      PRUDENTIAL CODE FOR CAPITAL FINANCE, CAPITAL PROGRAMME APPROVALS AND TREASURY MANAGEMENT**

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

- The Capital Starts Programme for 2017-18
- The Minimum Revenue Provision (MRP) Policy for 2017-18
- A Treasury Management Strategy for 2017-18
- 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 2017-18 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 2017-18 as detailed in the report;

(4) the Treasury Management Strategy for 2017-18 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.