

PUBLIC

**MINUTES** of a meeting of **CABINET** held on **27 January 2015** at County Hall Matlock.

**PRESENT**

Councillor A Western (in the Chair)

Councillors D Allen, A Botham, D Collins, K Gillott, and P Smith.

Councillor K P Morgan also attended the meeting.

Apologies for absence were submitted on behalf of Councillor B Lewis.

**35/15      PUBLIC QUESTIONS**

There were no public questions.

**36/15      MINORITY GROUP LEADERS' QUESTIONS**

Councillor B Lewis had submitted the following questions:

**Agenda Item 5(a) - Budget Monitoring 2014-15**

The Highways winter maintenance budget was currently around £2m pounds, and despite there currently being a £2m reserve, still overspends in years where weather conditions were poor. For example, the budget was almost £1m into the reserve so far this year. Given this, could the Cabinet Member explain why he intended to remove £200,000 from the winter maintenance budget and the £2m reserve from next year's budget?

**Agenda item 5(b) - Reserves Position**

The Earmarked Reserves position showed £204m as at October 2014, and we see yet more unspent budget allocations transferred into Earmarked Reserves at the end of year, for example, more than £6m of the Public Health budget was to be transferred, could the Cabinet Member explain why and for what?

**Agenda Item 5(c) - Revenue Budget 2015-16**

Could the Cabinet calculate the following using simple addition  
 $£92.293m + £85.743m + £16.705m = ?$  (helpfully the answer is given on page 3)

Take the total and add the following:

$£16.684m + £1.178m + £35.562m + £61.489m = ?$

And what percentage of the 2014 to 2015 budget does this represent?

This then gives a total figure that comes to the Local Authority to provide services, with other public bodies, to Derbyshire residents in 2015 to 2016 financial year, did the Cabinet Member disagree?

Councillor A Western, Leader of the Council and Cabinet Member for Strategic Policy, Economic Development and Budget, indicated that in his absence, it was anticipated that Councillor Lewis would take the opportunity to raise these issues at the Council meeting on 4 February 2015.

**37/15      BUDGET MONITORING 2014-15** (Strategic Policy, Economic Development and Budget) The Director of Finance provided Cabinet with an update of the latest budget monitoring position for 2014-15 as at 31 October 2014.

The report summarised the controllable budget position by Cabinet Member Portfolios 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 agreed by the Audit Committee and required by Financial Regulations.

The Council's largest three portfolios, Adult Social Care; Children and Younger People and Highways, Transport and Infrastructure all indicated possible year-end overspends. Further measures however, were underway which, it was expected, would reduce the possible overspend as the year progressed. Details of the summary projected outturn, the budget cuts, earmarked reserves and monitoring reports for all Departments were presented in the report.

**RESOLVED** to note the 2014-15 budget monitoring position as at 31 October 2014.

**38/15      REVENUE BUDGET 2015-16** (Strategic Policy, Economic Development) The Chief Executive and Director of Finance reported to Cabinet on proposals regarding the Revenue Budget for 2015-16.

The report presented detail in respect of the 2014-15 Budget, the Autumn Statement and Provisional Local Government Finance Settlement, Council Tax Base and Collection Fund, Council Tax, Business Rates, pay and price inflation, contingencies, budget reduction targets, the Derbyshire Challenge, service pressures, risk management budget, 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. In particular, Section 149 of the Equality Act 2010 imposes 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). The consultation exercises which had been undertaken in the preparation of the 2015-16 budget were relevant in this respect, as was the Community Impact Assessment detailed in the report.

**RESOLVED** to recommend to Council that it:

(1) notes the details of the Autumn Statement and Provisional Local Government Finance Settlement as outlined in sections (b) and (c);

(2) notes the Government's expectations about Council Tax levels for 2015-16 in section (d).

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

(4) notes the Director of Finance's comments about the robustness of the estimates and adequacy of the reserves as outlined in section (k).

(5) approves the precepts as outlined in section (d) and Appendix Two.

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

(7) approves the contingency to cover non-standard inflation as outlined in section (g), 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 section (h) and Appendix Four.

(9) approves the service pressure items identified in section (i) and Appendix Three.

(10) approves the Council Tax requirement of £264.231m which is calculated as follows:

## PUBLIC

|   | £                  |
|---|--------------------|
| Budget Before Pressures and Budget Reductions | 526,620,975        |
| Plus Service Pressures - on-going             | 8,275,223          |
| Plus Service Pressures - one-off              | 6,052,000          |
| Less Budget Reductions                        | -45,050,198        |
| <b>Net Budget Requirement</b>                 | <b>495,898,000</b> |
| Less Top-Up                                   | -85,742,726        |
| Less Business Rates                           | -16,704,826        |
| Less Revenue Support Grant                    | -92,293,448        |
| Less New Homes Bonus                          | -2,224,288         |
| Less Local Services Support Grant             | -998,936           |
| Less General Grant                            | -16,565,857        |
| Less PFI Grant                                | -10,503,833        |
| Less Use of General Reserve                   | -6,634,000         |
| <b>Balance to be met from Council Tax</b>     | <b>264,230,086</b> |

and;

(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 2015-16.

**39/15      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 requirement. A range of safeguards, details of which were presented, were in place to prevent local authorities overcommitting themselves financially and these requirements were reinforced by Section 114 of the Local Government and 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 28 January 2014, and no further amendments were proposed. A copy of the Policy was attached at Appendix 1 to the report.

As at 31 March 2014, the Council had a General Reserve balance of £43.075m, compared to a projection in the Revenue Budget report in February 2014 of £38.730m. Details of the unplanned movements on the Reserve were presented in the report.

The significant commitments against the balance for 2014-15 were as follows;

- 2013-14 Outturn Report, Departmental carry forwards £5.392m
- Provisional Five Year Financial Plan 2014-15 to 2018-19; Adult Care demographic growth £4m
- 2014-15 Revenue Budget; one-off budget support £3.645m.

The projected balance of the General Reserve at 31 March 2015 was £43.481m and details of the overall General Reserve position for 2014-15 was summarised in the report.

Earmarked Reserves were a means of smoothing expenditure to meet known or predicted liabilities, and these funds should be used for the item for which they had been set aside and any funds no longer required should be transferred to the General Reserve. As at 31 October 2014, Earmarked Reserves totalling £204.344m were held by the County Council. Of this, £57.417m (28.10%) was available to support future spending and the report detailed outstanding balances along with Earmarked Reserves, which had a balance in excess of £5m, which represented around 56% of the total balance, excluding schools and capital balances. The report also detailed the actual balances and projected balance as at 31 March each year on the Earmarked Reserves, in terms of the categories set out in the Reserves Policy. School balances had been excluded from this analysis.

**RESOLVED** to note the current position on the General and Earmarked Reserves and to approve the Reserves Policy.

**39/15**      **FIVE YEAR FINANCIAL PLAN** (Strategic Policy, Economic Development and Budget) The Director of Finance presented the Council's Five Year Financial Plan to Cabinet which had been revised and updated for the period 2015-16 to 2019-20.

The Plan supported corporate planning and shaped the Council's financial strategy and annual budgets, by establishing what resources were available for allocation to service priorities contained within the Council Plan. The last full version of the Plan was approved in September 2013, and it identified the need for significant savings in the medium-term. In July 2014, the Plan was provisionally updated to cover the period 2014-15 to 2018-19. The full version of the Plan had now been rolled forward again to cover the period 2015-16 – 2019-20. The Plan had been revised where possible, to

reflect the latest funding announcements contained within the Provisional Local Government Financial Settlement 2015-16, the Chancellor's Autumn Statement and included updated assumptions on pay and price increases, levels of budget reductions and receipts from Government grants and Council Tax. The updated Plan brought together current views on the level of savings that were anticipated to be needed through to 2019-20, details of which were presented in the table below.

### Cuts made to date, and future cuts required in the plan

|          | Year    | Cuts<br>£m |  |
|----------|---------|------------|--|
| Actual   | 2010-11 | 10.120     | Reductions already removed<br>from budget = £125.244 |
|          | 2011-12 | 35.399     |  |
|          | 2012-13 | 25.000     |  |
|          | 2013-14 | 24.840     |  |
|          | 2014-15 | 29.885     |  |
| Forecast | 2015-16 | 45.051     | Reductions proposed in<br>revised FYFP = £146.098    |
|          | 2016-17 | 41.455     |  |
|          | 2017-18 | 19.250     |  |
|          | 2018-19 | 21.210     |  |
|          | 2019-20 | 19.132     |  |

Whilst the Government had announced details of the Revenue Support Grant and allocations only as far as 2015-16, austerity measures were expected to continue until at least the end of the decade. Therefore, an assumption of a 10% cut in Revenue Support Grant each year was assumed from 2016-17, pending the announcement of the next Spending Review, which was unlikely to take place before Autumn 2015. A copy of the updated Five Year Financial Plan was attached at Appendix 1 to the report.

**RESOLVED** that Cabinet recommends to Council the approval of the revised Five Year Financial Plan to Council.

**40/15 PRUDENTIAL CODE FOR CAPITAL FINANCE, CAPITAL PROGRAMME APPROVALS AND TREASURY MANAGEMENT STRATEGY** (Council Services) Cabinet considered a joint report of the Chief Executive, Director of Finance and Director of Property which sought approval for proposals for submission to Council relating to the Prudential Code for Capital Finance including

- The Capital Starts Programme for 2015-16
- The Minimum Revenue Provision (MRP) Policy for 2015-16

- A Treasury Management Strategy for 2015-16
- 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 in 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 in the report;

(2) the 2015-16 Capital Starts Programme as detailed in Appendix 1 to the report and that further reports on the detailed schemes be brought to Cabinet;

(3) the MRP Policy for 2015-16 as detailed in paragraph 2.10 of the report;

(4) the Treasury Management Strategy for 2015-16 as described in Appendix 3 to the report, taking into account guidance issued by the Department for Communities and Local Government as described in paragraph 9b and noting changes in 2.18; and

(5) the adoption of CIPFAs Code of Practice on Treasury Management and Cross-Sectoral Guidance Notes (Revised 2011) as shown in Appendix 3 to the report, and the Treasury Management Policy Statement as specified in the Treasury Management Code of Practice and also set out in Appendix 3.