

ITEM 11

Original report considered by Council Cabinet attached as Appendix A

COUNCIL CABINET
20 January 2016

Minute Extracts

Budget and Policy Framework

134/15 Capital Budget 2016/17 to 2018/19

The Council Cabinet considered a report on Capital Budget 2016/17 to 2018/19. The report set out the 2016/17 to 2018/19 capital programme for recommendation to Council on 3 February 2016. The main areas of the £195,461,000 programme over the next three years were ...

- £30,164,000 for the Environmental Agency flood defence project Our City Our River.
- £25,000,000 to deliver the jointly funded waste disposal plant in partnership with Derbyshire County Council.
- £19,608,000 for the People's Directorate programme, including the conclusion of the current primary school expansion programme and repairs, maintenance and improvements to the fabric of school buildings. This was indicative, subject to confirmation of government allocations.
- £58,867,000 Housing programme including refurbishment to Council-owned houses in the Housing Revenue Account – HRA. This was indicative subject to the approval of the HRA business plan. Housing General Fund schemes to deliver decent homes and assistance to vulnerable householders, disabled facilities grants, other repairs and assistance in the private sector and support for affordable housing.
- £21,354,000 for Highways and Transport - to improve the highway network and deliver major schemes such as the A52/Wyvern Transport Improvements.
- £7,020,000 for Property Maintenance of the Council's buildings and infrastructure.
- £23,012,000 for Regeneration of the city centre and key regeneration areas, Infinity Park Derby and the Innovation Centre.

A number of measures to set the capital budget had been applied including reductions in over programming and scheme changes, as detailed in Section 6 of the report.

A review of the capital programme by Council Cabinet had resulted in reduced borrowing from 40.4% in the current three year programme to 30.4% over the next three years.

The report outlined assumptions made on future year's government allocations which were still to be confirmed, as detailed in Paragraph 5.2 of the report.

The Corporate Scrutiny and Governance Board supported the recommendations set out in the report.

Decision

To recommend to Council the following:-

1. To approve the capital programme for 2016/17 and note the indicative capital programme for 2017/18 and 2018/19 as set out in the report. A summary was shown in Appendix 2 of the report.
2. To approve the commencement of the capital schemes presented in the 2016/17 capital programme detailed in Appendix 2 of the report.
3. To approve the allocation of S106 funding as summarised in paragraph 5.6 table 2 and detailed in Appendix 4 of the report
4. To note assumptions made for government funding allocations, detailed in paragraph 5.3 of the report.
5. To note the process of review undertaken on the current capital programme described in section 4 of the report.
6. To note the revenue budget implications of the proposed programme described in sections 6 and 8 of the report.
7. To approve the prudential indicators as outlined in section 9 and detailed in Appendix 6 of the report.
8. To approve the Minimum Revenue Position (MRP) statement detailed in Appendix 7 of the report.

135/15 Report on the Robustness of Estimates and on the Adequacy of Reserves

The Council Cabinet considered a report on the Report on the Robustness of Estimates and on the Adequacy of Reserves. The Council's Medium Term Financial Plan – MTFP – had been prepared with consideration to the resources available to the Council and to the demands and priorities included within the Council Plan. It was clear that the Council was no longer capable of providing the services it had for many years. Many of these services would have to stop unless they were provided externally and at no cost to the Council.

A key part of the Council MTFP process was the review of current levels of reserves and contingency budgets to ensure there was adequate cover for future planned needs and unforeseen eventualities and to identify any reserves or contingencies which could be released to support the delivery of a balanced budget.

The purpose of the report was to provide an opinion under Section 25 (1) of the Local Government Act 2003 which required the Chief Finance Officer to report to Council on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of Council reserves.

The report was split into; Section 4 detailing the MTFP process and budgetary controls, Section 5 covering the robustness of estimates, Section 6 covering the adequacy of reserves and Section 7 detailing the requested movement in reserves.

The Corporate Scrutiny and Governance Board supported the recommendations set out in the report.

Decision

1. To note the Chief Finance Officer's opinion that the estimates used in the production of the budget proposal for 2016/17 were adequately robust.
2. To note the Chief Finance Officer's opinion that, based on the assessment of the Council's reserves, the key financial risks identified, and the thorough process used for developing the Medium Term Financial Plan, the level of reserves and balances for 2016/17 was adequate.
3. To approve the transfers between reserves and creation and use of new reserves as detailed in section 7 of the report.
4. To recommend to Council that they consider this report in conjunction with the General Fund Revenue Budget 2016/17 report.

136/15 General Fund Revenue Budget 2016/17

The Council Cabinet considered a report on General Fund Revenue Budget 2016/17. The report set out proposals resulting from the Government's finance settlement to recommend to Council a net budget requirement of £219,052,385 in 2016/17.

The report also set out budget proposals for 2017/18 and 2018/19 as part of the Council's Medium Term Financial Plan - MTFP.

The Council had outlined permanent cuts requirements of £45m over three years to address the impact of funding reductions, meet rising costs, maintain priority services and invest for the future. These cuts total £23m in 2016/17, £12m in 2017/18 and £10m in 2018/19. The Council was intending to use reserves to smooth the effect of these cuts and reduce budgets by £19m, £11m and £15m through the MTFP. This would help ensure the budget could be delivered in a managed way.

Each section of the report dealt with the various elements that required consideration before a final decision was reached. These key areas were:

- the budget process leading up to these proposals (Section 4)
- the resources available to the Council, including council tax and the local government finance settlement (Section 5)
- directorate summaries (Section 6)
- details of the impact assessments carried out on the Council's budget proposals (Section 7)
- Council's corporate outcomes (Section 8)
- use of reserves (Section 9)
- the communication and consultation process including feedback (Section 10)
- the management of budget risks (Section 11)

A separate report providing details of the latest estimated outturn position for 2015/16 as at Quarter 2 and the treatment of variances was presented to Council Cabinet on 11 November 2015. The 2015/16 budgets used in this report had been restated to reflect all movements of budgets between Directorates approved during 2015/16 to date and to reflect the changes in the Local Government finance arrangements to enable more meaningful comparison. The 2015/16 opening budgets had also been restated since consultation to include the further transfer of responsibilities and funding for Public Health 0-5 School Nursing in 2015/16, the net effect of these changes did not affect the overall budget position.

The 2016/17 budget showed an £8.9m (3.9%) decrease over the 2015/16 budget, which included a number of significant movements:

- Revenue Support Grant had been cut by £10.3m
- Specific Grants had decreased by £2.1m.

The Council intends to increase Council Tax by 3.99% (of which 2% relates to a social care precept) which would positively affect the 2016/17 budget position by £5.3m.

Further details of funding anticipated to be received by the Council were provided in Appendix 3 of the report.

Although the Government had announced a provisional three year settlement for 2016/17 to 2018/19 further clarification was still required for 2017/18 and 2018/19.

Included in the appendices was summarised budget information that, together with the text of the report, constituted the full budget proposal.

The Corporate Scrutiny and Governance Board made no further recommendations on the General Fund Revenue Budget 2016/17 to 2018/19 in addition to those already included at Appendix 8 of the report.

Decision

To recommend to Council the following:-

1. To approve a budget requirement for Derby City Council for 2016/17 of £219,052,385 subject to confirmation of the final Local Government Settlement expected in February 2016 and finalisation of the Council's Council Tax for 2016/17 which will be presented to Council in March 2016 for approval having had due regard to the outcome of the Equality Impact Assessment update which appeared at Appendix 9 of the report.
2. To approve the directorate revenue budget estimates and the net use of reserves of £10.144m (2.3% of the budget) summarised in Appendix 4 of the report.
3. To approve the measures proposed to manage budget risks in 2016/17 and in future years, including the deliverability of identified cuts, levels of service and inflation forecasts as set out in Section 11 of the report.
4. To approve the commencement of appropriate procurement procedures to support the specific budget proposals listed in appendices 5 and 6 of the report.
5. To approve the immediate implementation of detailed cuts proposals included in appendix 6 of the report, subject to the completion and consideration, where relevant, of any further consultation exercises, equality impact assessments and assessments under Section 17 of the Crime and Disorder Act 1998.
6. To note the changes made to the budget cuts proposals as a result of feedback from the consultation process, detailed in paragraph 10.4 of the report.
7. To approve within this total of £219,052,385:

	£
Net service estimates of:	
People Services	136,628,000
Communities and Place	42,117,000
Organisation and Governance	44,642,385
	<u>223,387,385</u>
Appropriations to/from reserves (figures in brackets are appropriations from reserves):	
Corporate reserves	(4,335,000)
	<u>219,052,385</u>

8. To note the calculation of the Council's Tax Base for the year 2016/17 as 65,138.20 equivalent band D properties, included in a separate report on this agenda, in accordance with the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003 (SI 2003/3012).

9. .To note the calculation of the following amounts for the year 2016/17 in accordance with Sections 33 (1) of the Local Government Finance Act 1992, as revised under Schedule 5 of the Localism Act 2011, and for these figures to be taken forward and confirmed at Council in March 2016 as part of the Council Tax setting report.

- a. £x being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2) (a) to (e).
- b. £x being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3) (a) and (c) of the Act.
- c. £x as its budget requirement for the year, being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated by the Council, in accordance with Section 32(4) of the Act.
- d. £x being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of redistributed non-domestic rates, business rates top-up grant, revenue support grant, and additional corporate government grants.
- e. £x as the basic amount of its Council Tax for the year, being the amount at (c) above, less the amount at (d) above, all divided by the amount at paragraph 2.8 of the report, calculated by the Council, in accordance with Section 33 of the Act.

f. for the following Valuation Bands:

	£		£
A	824.31	E	1,511.24
B	961.70	F	1,786.01
C	1,099.08	G	2,060.78
D	1,236.47	H	2,472.94

as the amounts to be taken into account for the year, under Section 30(2)(a) of the Act, in respect of categories of dwellings listed in different valuation bands, being the amounts given by multiplying the amount at (e) above by the number which, in the proportion set out in Section 5(1) of the Act, was applicable to all dwellings listed in each particular valuation band divided by the number which in that proportion was applicable to dwellings listed in Valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act.

10. To note that details of the precepts to the Council for Derbyshire Police Authority and Derbyshire Fire Authority, in accordance with Section 40 of the Local Government Finance Act 1992, would be presented to Council in March 2016.
11. To note that the Council Tax to be set for 2016/17 being the aggregate of the amount calculated by the Council at Appendix 2 and the precepts issued by the Council's major precepting authorities, in accordance with Section 30 of the Act, would be presented to Council in March 2016.
12. To note the revenue budget plans for 2017/18 and 2018/19 set out in section 5 of the report.
13. To note the feedback from the budget consultation detailed in appendices 7 to 12 and approve the Council Cabinet responses to consultation recommendations.
14. To delegate approval to the Director of Finance to make necessary adjustments in order to balance the budget when the final settlement is received.
15. To note the Dedicated Schools Grant for 2016/2017 was £205.464m. The unit rates of funding had remained at 2015/2016 levels; a cash flat settlement for the Schools and Early Years Blocks. £92.5m had been added nationally to the High Needs Block of which Derby received an allocation of £0.465m. The Schools Forum was being consulted on the proposals which would be reported to Council Cabinet in February 2016.