

Time began: 4.00pm
Time ended: 5.08pm

COUNCIL CABINET

21 December 2022

Present	Councillor Poulter (Chair) Councillors Barker, Eyre, Hassall, J Pearce, Smale, Webb and Williams
In attendance	Councillors AW Graves, Prosser, Shanker and Skelton Paul Simpson – Chief Executive Simon Riley – Strategic Director of Corporate Resources Alison Parkin – Director of Financial Services Emily Feenan – Director of Legal, Procurement and Democratic Services Gloria Osei – Bonsu – Deputy Youth Mayor Charlotte Ward-Webster – Communications Officer

This record of decisions was published on 22 December 2022. The key decisions set out in this record will come into force and may be implemented on the expiry of five clear days unless a key decision is called in.

136/22 Apologies

An apology for absence was received from Andy Smith, Strategic Director of People's Services.

137/22 Late Items

There were no late items.

138/22 Receipt of Petitions

There were no petitions.

139/22 Identification of Urgent Items to which Call In will not apply

There were no items.

140/22 Declarations of Interest

There were no declarations.

141/22 Minutes of the meeting held on 7 December 2022

The minutes of the meeting held on 7 December 2022 were agreed as a correct record.

Budget and Policy Framework

142/22 Medium Term Financial Plan 2023/23 to 2025/26 – Update and Proposed Consultation

The Council Cabinet considered a report which outlined proposals for the Council's new three-year Medium-Term Financial Plan (MTFP) including detailed plans for a balanced budget for 2023/24. The Council's ambitions were set out in the Council Plan.

The report detailed the targeting of the Council's Finances to the priorities focused around the outcomes set out in the Council Plan against a backdrop of macro-economic pressures and rising demand.

The report provided an update on the council's General Fund position for 2023/24 to 2025/26 including any changes in assumptions and estimates together with the key impacts of the government's Autumn Statement, announced on 17 November 2022, as far as they could be interpreted locally. The Spending Review 2021 was a 3-year announcement which purported to increase Local Government Spending Power by 3.5% in 2022/23, although a significant element of this was provided from local taxation through an Adult Social Care Council Tax precept of 1%. In the event, a 3.5% increase in spending power was clearly insufficient to meet the inflationary and demand pressures experienced in year including September RPI inflation of 12.6% (CPI of 10.1%) and a local government pay award with an average cost of 5.4% for the council. This had led to the need to identify, looking forward, substantial annual savings through a mixture of economies and efficiencies, changes to service delivery, service reductions, and increased fees & charges.

For 2023/24 the position had become considerably more challenging, not only due to the continuing trend of costs and demands outstripping national and local funding increases for local government, but this was exacerbated by abnormally high inflation and the impact of the associated cost of living crisis on demands for services. The Chancellor's Autumn Statement announced resources that partially improved the position but still left a significant increase in the projected budget gap before savings, review of pressures and other mitigations. The combined effect was a balanced position in 2023/24 and a budget shortfall of circa £17.869m over the subsequent 2 years.

While the authority had seen (and successfully managed) very large shortfalls before, during periods when government grant reduced substantially under austerity and deficit reduction policies, the context was very different with low inflation, low interest rates and a growing economy both locally, nationally

and globally. In the current context of high inflation, increasing interest rates, increasing service demands driven by the cost of living, it would be a severe test of the authority's financial resilience and sustainability.

The MTFP for 2023 – 2025 was being managed within extremely challenging circumstances. It had been necessary to plan for unprecedented reductions in the Council's spend in a short period of time due to these emerging challenges.

Final settlement figures would not be confirmed until the draft local government finance settlement later in December. The Autumn Statement did not provide for any additional core funding but provided some new targeted social care funding alongside increased Council Tax flexibilities before referendum capping criteria applies.

The key objectives of the report were:

- To consult with the citizens of Derby on the budget proposals
- To ensure that the Council was financially resilient, stable and sustainable in the short term and to highlight medium term challenges to financial sustainability
- To ensure that effective financial planning contributes to the delivery of the Council Plan

The report sought approval to start appropriate consultation to support the 2023/24 Revenue Budget. It also outlined the proposed Capital programme for 2023/24 and its plan for the medium term.

The report commented on the key assumptions included and risks that were facing the Council in the next three years including the current economic crisis with rising inflation, and the assumptions of funding in the Autumn Statement.

Options considered

The Council is required to set a balanced revenue and capital budget for 2023/24 by 11 March 2023.

Decision

1. To approve the start of appropriate consultation with citizens/stakeholders, including collective consultation (if appropriate), to consider the savings outlined in Appendix 2 of the report.
2. To approve the creation of a Cost of Change reserve and the temporary reallocation to the reserve of £4m funded from Earmarked Reserves for the cost of change associated with redundancies as outlined in section 4.8.9 of the report.

3. To approve the use of the Cost of Change reserve to fund the exit costs (currently estimated as £4m) associated with the redundancy exits as outlined in section 4.7 of the report.
4. To approve the reallocation of the Delivering Change earmarked reserve uncommitted balance to the Budget Risk reserve as outlined in section 4.8.8 of the report.
5. To note:

(a) Revenue Budget

- The current medium-term financial position as outlined in section 4.5 and detailed in Appendix 1 of the report, including the balanced position for 2023/24.
- The current list of savings options outlined in Appendix 2 of the report, with an associated estimated reduction in posts by 161.87 full time equivalent (FTE).
- The current estimated service pressures outlined in Appendix 3 of the report.
- The risks associated with the MTFP assumptions outlined in section 4.3 of the report.
- The MTFP modelling assumptions outlined in section 4.4 of the report.

(b) Capital Budget

- The indicative capital programme as outlined in section 4.9 and Appendix 5 of the report.

(c) Reserves

- The reserves position outlined in section 4.8 and Appendix 4 of the report.

(d) Council Tax

- Proposal to levy a Council Tax increase of 2.99% for 2023/24 for Council Services outlined in section 4.10 of the report.
- Proposal to levy an additional Council Tax increase of 2% for 2023/24 in respect of the permitted Social Care Precept outlined in section 4.10 of the report.

Reasons

1. To consult on budget proposals for the next three years to support the delivery of a legally balanced budget for 2023/24 and to align the planned budget with the sustainability of the Council.
2. To consult with residents and businesses of Derby alongside the priorities set out in the Council Plan and in line with the current economic issues.

3. The Council is required to set a balanced revenue and capital budget for 2023/24 by 11 March 2023. The report proposed an outline of proposals so far, for 2023/24.
4. The Council, under the Prudential Code, established by the Local Government Act 2003, must demonstrate the affordability of its revenue budget for the next financial year and two subsequent years, after considering plans for capital expenditure.
5. The report outlined a balanced budget for 2023/24. Remaining indicative budget gaps were being updated as the MTFP is developed and there was more certainty over the future funding model for Local Government. Further deliverable savings were outlined and there was further evidence/information for modelling inflationary increases and other pressures.
6. To consult with citizens of Derby on the budget proposals prior to the setting of the 2023/24 Budget and Council Tax and to comply with statutory obligations in respect of consultation.

MINUTES END