

COUNCIL CABINET
13 February 2019
Minute Extract

Budget and Policy Framework

**183/18 Medium Term Financial Plan 2019/20 – 2022/23,
Revenue and Capital Final Budget Setting for
2019/20, Treasury Management Update and
Strategy 2019/20, Housing Revenue Account Final
Budget Setting 2019/20, Dedicated Schools Grant
2019/20, Capital Strategy and Pay Policy**

The Council Cabinet considered a report which set out proposals to recommend to Council a net budget requirement of £220,609,129 for 2019/20 and to recommend rent levels and service charges for council housing stock and to approve the 2019/20 Housing Revenue Account budget from the updated 30 year business plan.

The report also set out budget proposals for 2019/20 and 2022/23 as part of the Council's Medium Term Financial Plan (MTFP).

The MTFP had outlined permanent savings requirements of £12.996m over the four year period to address the impact of funding reductions, meet rising costs, maintain priority services and invest for the future. These savings total £7.183m in 2019/20, £3.719m in 2020/21, £1.436m in 2021/22 and £0.658m in 2022/23. The intention was to use reserves to smooth the impact on budgets which would help ensure Council services could be delivered in a managed way.

The Council's 2019/20 and 2022/23 budget position included a £1.724m contribution to the Council's Corporate Revenue Contingency budget to sustain the Treasury Management position and the Capital Programme commitments of the Council across the MTFP period.

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 4.1)
- the resources available to the Council, including council tax and the local Government finance settlement (Section 4.11)
- directorate summaries (Section 4.22)
- the Derbyshire Business Rates one year pilot and reserve (Section 4.46)
- the Corporate Contingency transfer to reserves (Section 4.52)
- details of the impact assessments carried out on the Council's budget proposals (Section 4.55)
- the delivery of the Council Plan (Section 4.59)
- use of reserves (Section 4.62)
- feedback from the communication and consultation process (Section 4.64)
- the management of budget risks (Section 4.68)

- future outlook (Section 4.87)

The 2018/19 budgets used in this report had been restated to reflect all movements of budgets between Directorates approved during 2018/19, as approved by Council Cabinet to date, to reflect the latest budget position by directorate.

The 2019/20 budget had been able to include growth and budget pressures and the overall budget position showed a £2.827m (1.3%) increase over the 2018/19 budget, which included a number of significant movements:

- Revenue Support Grant had been reduced by £6.4m.
- Specific Grants had increased by £5.4m, mainly due to the Government's recognition of the funding shortfall for Adults and Children's Social Care services; however the funding the Government has provided was only one off funding for 19/20.
- A council tax increase of 2.99% which when considered with forecasted growth in the council tax base would positively affect the 2019/20 budget position by £4.3m.
- Forecasted business rates income had increased by £2.3m due to an increase in growth and the Government's Transitional Payment Protection funding.
- Business Rates was currently forecasting a deficit of £6.2m overall of which the Council's share was £6.1m the main reasons for this deficit were an increase in the provision for business rates appeals, a large proportion of this was due to the Rating Valuation Court ruling that removed certain types of Automatic Teller Machines (ATM's) from the rating list.

Further details of funding anticipated to be received by the Council were provided in Appendix 2 of the report.

Although the Government had announced their final funding settlement for 2019/20 further clarification was still required for 2020/21 - 2022/23. We were expecting the Government to announce their public sector Spending Review in Autumn 2019.

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

The report set out the 2019/20 to 2021/22 capital programme to recommend to Council. The main areas of the £370.767m programme over the next three years were:

- £18.7m for the Environmental Agency flood defence project Our City Our River.
- £41.4m for the People's Directorate programme, including the conclusion of the current secondary school expansion programme and repairs, maintenance and improvements to the fabric of school buildings. This was indicative, subject to confirmation of Government allocations.
- £92.3m Housing programme including refurbishment to Council-owned houses in the Housing Revenue Account (HRA) and an extensive new build

programme. 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.

- £38m for Highways and Transport - to improve the highway network and deliver major schemes such as the A52/Wyvern Transport Improvements.
- £59.5m for Property improvements and new construction to Council buildings and infrastructure, including the addition of a new scheme to build a New Swimming Pool Complex.
- £100.3m for Regeneration of the city centre and key regeneration areas, including Infinity Park Derby and the Innovation Centre.

The capital programme outlined assumptions made on future year's Government allocations which were still to be confirmed, as detailed in Section 4.100 to 4.102, 4.105 and 4.117 of the report.

The capital programme provided an update on the major projects that the council had pledged to deliver, including the A52 Highway Improvement Scheme, a New Swimming Pool Complex and the New Assembly Rooms, as detailed from Section 4.90 of the report.

Capital Strategy - The 2019/20 position gave a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk was managed and the implications for future financial sustainability as detailed in Appendix 11 of the report.

To approve the Council's Treasury Management Strategy for the financial year 2019/20 and the Treasury Management Indicators derived from this strategy. The following was included in the report:

- Background and context
- The Treasury Management Strategy
- Treasury Management Indicators

The Housing Revenue Account (HRA) section set out the 30 year updated Housing Revenue Account Business Plan for the management and maintenance of the Council's housing stock (Section 4.193) of the report.

The HRA remained in a relatively strong position. It could meet the immediate management and maintenance requirements of the Council's housing stock, as well as the projected requirements over the 30 years of the business plan and the required debt repayments.

Dedicated Schools Grant - On 18 December 2018 the Department for Education (DfE) announced the details of the School Funding Settlement. The Dedicated Schools Grant (DSG) for Derby was split into four blocks; Schools Block, Early Years Block, High Needs Block and a Central School Services Block. Final calculated Schools Budgets from the Schools Block element must be issued to individual

schools by the 28 February 2019, High Needs budgets needed to be issued by 31 March 2019.

The 2019-2020 allocation for the DSG was £234.766m and was made up of four blocks of funding:

- Schools Block £175.608m
- 1. Central School Services Block £3.956m
- 2. High Needs Block £36.020m (£34.032m net of EFA recoupment for places funded direct)
- 3. Early Years Block £19.183m

Previously the Government announced its intention to move to a national funding formula (NFF) for schools, Schools Forum considered the approach Derby should take to the implementation of the NFF following a full consultation exercise with schools.

There were currently significant pressures on the High Needs Block with current forecast outturn projection for the financial year 2018/19 of a £3.4 million overspend. The Council had consulted on proposals for a balanced budget for 2019/20.

The Localism Act 2011 required the council to prepare and publish a pay policy statement annually which sets out the authority's policy relating to the remuneration of its Chief Officers and how this compares with the policy on the remuneration of its lowest paid employees (Appendix 16 of the report).

The Executive Scrutiny Board noted the report.

Decision

1. To approve a budget requirement for Derby City Council for 2019/20 of £220,609,129 subject to the finalisation of the Council's Council Tax for 2019/20 which would be presented to Council on 27 February 2019.
2. To approve the directorate revenue budget estimates and the use of reserves of £7.492m (3.4% of the budget) summarised in Appendix 3 of the report.
3. To approve the measures proposed to manage budget risks in 2019/20 and in future years in section 4.68 of the report.
4. To approve the commencement of appropriate procurement procedures to support the specific budget proposals listed in Appendix 4 of the report.
5. To approve implementation of detailed savings proposals included in Appendix 4 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 savings proposals as a result of feedback from the consultation process, detailed in paragraph 4.64 of the report.

7. To approve within the 2019/20 budget total **of £220,609,129:**

	£m
Net service estimates of:	
People Services	147.480
Communities and Place	38.799
Corporate Resources	31.674
Corporate Core	10.148
	228.101
Appropriations from reserves:	
Reserves	(7.492)
	220.609

8. To note the calculation of the Council's Tax Base for the year 2019/20 as 68,769.00 equivalent Band D properties that was fully approved by Council on 23 January 2019.

9. To note the calculation of the following amounts for the year 2019/20 in accordance with Sections 31A (1) of the Local Government Finance Act 1992, as amended by the Localism Act 2011, and for these figures to be taken forward and confirmed at Council on 27 February 2019 as part of the Council Tax setting report.

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|---------------------|--|
| a. £672,295,656 | being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) (a) to (f). |
| b. (£574,972,664) | being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) (a) and (d) of the Act. |
| c. £97,322,992 | as Council Tax requirement for the year, being the amount by which the aggregate at (a) above exceeded the aggregate at (b) above, calculated by the Council, in accordance with Section 31A (4) of the Act. |
| d. £1417.07 | as the basic amount of its Council Tax for the year, being the amount at (c) above, divided by the amount at 4.1 below, calculated by the Council, in accordance with Section 31B of the act. |
| e. | for the following Valuation bands: |

	£		£
A	944.71	E	1,731.98
B	1,102.17	F	2,046.88
C	1,259.62	G	2,361.78

D 1,417.07 H 2,834.14

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 (d) 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 and Crime Commissioner and Derbyshire Fire Authority, in accordance with Section 40 of the Local Government Finance Act 1992, would be presented to Council on 27 February 2019.
11. To note that the Council Tax to be set for 2019/20 being the aggregate of the amount calculated by the Council at Appendix 1 of the report and the precepts issued by the Council's major precepting authorities, in accordance with Section 30 of the Act, would be presented to Council on 27 February 2019.
12. To agree revenue budget plans for 2019/20 and 2022/23 set out in section 4.22 of the report.
13. To note the feedback from the budget consultation detailed in section 4.64 and Appendix 20 of the report and approve the Council Cabinet responses to consultation recommendations.
14. To delegate approval to the Strategic Director of Corporate Resources to make necessary adjustments in order to retain a balanced budget for 2019/20.
15. To agree the additional funding forecast to be received from the Derbyshire Business Rates one year pilot and reserve forecast of £4.5m and to approve the delegated authority for allocating the use of the Business Rates Pilot Reserve to the Strategic Director of Corporate Resources, as detailed in section 4.46 of the report.
16. To approve the transfer of £1m from the Corporate Contingency Revenue Budget to the treasury management reserve from 1 April 2019 to fund Treasury Management borrowing requirements in future years and to delegate approval to the Strategic Director of Corporate Resources, as set out in section 4.52 of the report.
17. To approve the capital programme for 2019/20 and note the indicative capital programme for 2020/21 and 2021/22 as set out in section 4.90 of the report. A summary and detail was shown in Appendix 7 of the report.

18. To approve the commencement of the capital schemes presented in the 2019/20 capital programme detailed in Appendix 7 of the report.
19. To note assumptions made for Government funding allocations for the capital programme as detailed in section 4.100 to 4.102, 4.105 and 4.117 of the report.
20. To note the process of review undertaken on the current capital programme described in section 4.90 of the report.
21. To note the revenue budget implications of the proposed capital programme described in sections 4.118 of the report.
22. To recommend that Council approve additional borrowing outlined in section 4.110 and detailed in Appendix 8 of the report.
23. To approve the Minimum Revenue Position policy detailed in Appendix 9 of the report.
24. To approve and recommend to Council the Prudential Indicators for 2019/20 to 2021/22 in paragraph 4.190 and detailed in Appendix 10 of the report.
25. To approve the capital strategy attached at Appendix 11 of the report.
26. To approve and recommend to Council the Treasury Management Strategy for 2019/20 outlined in section 4.124 of the report.
27. To approve and recommend to Council the Treasury Management Indicators for 2019/20 to 2021/22 in section 4.183 and 4.189 of the report.
28. To delegate authority to the Strategic Director of Corporate Resources to amend investment levels following appropriate advice from the Council's treasury advisors as detailed in section 4.174 of the report.
29. To approve the 2019/20 update of the rolling 30 year HRA Business Plan, as set out in section 4.193 of the report.
30. To approve delegation of the Housing Revenue Account Estates Pride revenue budget to Derby Homes as set out in section 4.201 of the report.
31. To approve the 2019/20 management and maintenance fee paid to Derby Homes as set out in section 4.210 of the report.
32. To approve changes to rents and service charges as set out in section 4.212 of the report.
33. To approve the Housing Revenue Account capital programme for the years 2019/20 to 2021/22 in section 4.216 of the report and to approve Derby

Homes directly managing the schemes attributed to them in section 4.216 of the report.

34. To approve a transfer of £2.634m from the Schools Block to the High Needs Block, equivalent to 1.5%, as detailed in section 4.217 of the report.

35. To approve the following changes to the funding formula for schools, as detailed in section 4.217 of the report:

- To implement a minimum funding level per pupil of £3,300 for primary and £4,500 for secondary aged pupils.
- To scale back the National Funding Formula Factors to 98.8%.
- To implement a cap on growth of 3.0%.
- To set a Minimum Funding Guarantee of 0%.

36. To approve a 3.04% increase on the base rate element of the Early Years Funding Formula, as detailed in section 4.223 of the report.

37. To approve a 7% reduction in the 2018/19 bandings for special schools, There would, however, be an overall increase in the number of funded commissioned places in Special Schools, as detailed in section 4.227 of the report.

38. To approve a transfer of £0.210m Brexit funding for Government to reserves to help fund additional planning and capacity, as detailed in section 4.88 of the report

39. To note the Council's Pay Policy Statement as set out in Appendix 16 of the report.