

## **MINUTES OF COUNCIL MEETING HELD ON 23 FEBRUARY 2015**

### **I N D E X**

<b>Page No</b>	<b>Minute No</b>	<b>Heading</b>
1	617	Apologies for Absence
1	618	Declarations of Interest
2	619	Minutes of Council Meeting held on 5 January 2015
2	620	Chair's Announcements
2	621	Public Participation
2	622	Minutes of Meetings held between 15 December 2014 and 17 February 2015
3	623	Questions asked under Council Procedure Rule No 9
3	624	Motions from Members asked under Procedure Rule No 10
3	625	Medium Term Financial Plan
5	626	Treasury Management Strategy 2015/16 – 2017/18
6	627	Medium Term Financial Plan 2015/16 – 2017/18
10		Appendix 1
22		Appendix 1 Table 1
23		Appendix 2 Table 1
24		Appendix 3 Table 1

# **NORTH EAST DERBYSHIRE DISTRICT COUNCIL**

## **MINUTES OF THE MEETING OF THE COUNCIL**

**HELD ON 23 FEBRUARY 2015**

### **Present:**

Councillor Mrs T Reader.....	Chair
Councillor Mrs A Holmes .....	Vice Chair
Councillor J Allsop	Councillor Mrs E A Hill
“ Mrs P Antcliff	“ Mrs C D Huckerby
“ Mrs J Austen	“ P Kerry
“ N Barker	“ H Laws
“ B Barnes	“ W Lilleyman
“ G Baxter MBE	“ J D McGrory
“ G Butler	“ G Morley
“ A Cooper	“ D S Oxspring
“ J A Dargue	“ B Rice
“ P Elliott	“ P Riggott
“ Mrs C F Ellis	“ Mrs L Robinson
“ S Ellis	“ K G Savidge
“ Miss M Emmens	“ D Skinner
“ Mrs A Foster	“ L H Stone
“ N Foster	“ M E Thacker MBE
“ K Gillott	“ Miss T Williams
“ M Gordon	“ J Windle
“ R Hall	

### **617 Apologies for Absence**

Apologies for absence were received from Councillors Mrs A Blackburn, P Blackburn, Mrs N C Dolby, A Garrett, Mrs P Hemsley, Mrs J Hill, B Lewis, S Peters, G P Ramshaw, Mrs C A Smith and B Wright.

### **618 Declarations of Interest**

Members were requested to declare the existence and nature of any disclosable pecuniary interest and/or other interest, not already on their register of interests, in any item on the agenda and withdraw from the meeting at the appropriate time.

Councillors H Laws, D Skinner and Miss T Williams all declared interests arising from their tenancy of Council property for which they had an automatic dispensation.

**619 Minutes of the Council Meeting held on 5 January 2015**

**RESOLVED** – That with a correction to page 1, correcting the spelling of Councillor B Ridgway's name, and page 12, deleting the words "brief" in paragraph 5, the minutes of the meeting of the Council held on 5 January 2015 were agreed as a correct record and signed by the Chair.

**620 Chair's Announcements**

The Chair advised that there was still time to sponsor "Team North East" before the charity abseil on 14 March. So far the team had raised £180 but it was hoped that they would get close to their target of £1,000. Details of the Just Giving page were provided.

Later on 14 March Clay Cross Parish Council would be hosting a charity event in aid of Fairplay. The Chair would then be attending Tupton Hall School on Monday 16 March to give a presentation about local democracy and the upcoming elections. Members were reminded that students from Tupton Hall would be observing the Council meeting on 2 March as part of a citizenship project.

Members were advised that the charity quiz night in Eckington on 27 February was cancelled, but the Black Dyke concert in Dronfield on 21 March was sold out. The current appeal total stood at £8,339.

Details of the forthcoming District and Parish Liaison Group on 24 February was provided.

**621 Public Participation**

In accordance with Council Procedure Rule No 8 members of the public were allowed to ask questions about the Council's activities for a period of up to 15 minutes.

There were no questions submitted on notice from the public.

**622 Minutes of Council meetings held between 15 December 2014 to 17 February 2015**

The following meetings had taken place between 15 December 2014 and 17 February 2015:-

	<b>MEETING</b>	<b>DATE</b>
(a)	Appeals Committee	15 December 2014
(b)	Planning Committee	16 December 2014 20 January 2015 17 February 2015

(c)	Cabinet	17 December 2014 2 February 2015 12 February 2015 - Special
(d)	Council	5 January 2015 12 February 2015 - Extraordinary
(e)	Licensing Sub-Committee (Pubs & Clubs)	7 January 2015
(f)	Strategic Alliance Joint Committee	12 January 2015
(g)	Safer Homes & Neighbourhoods Scrutiny Committee	14 January 2015
(h)	Healthy Communities and Well Being Scrutiny Committee	16 January 2015
(i)	Economic Regeneration, Skills and Environment Scrutiny Committee	27 January 2015
(j)	Licensing Sub-Committee (Taxis)	3 February 2015
(k)	Audit & Corporate Governance Scrutiny Committee	5 February 2015

**RESOLVED** – That the minutes of the meetings held between 15 December 2014 and 17 February 2015 be received.

**623 Questions from Members**

No questions had been received from Members under Procedure Rule No 9.

**624 Motions on Notice from Members**

No motions on notice had been received from Members under Procedure Rule No 10.

**625 Medium Term Financial Plan**

Council received a presentation from the Executive Director – Operations and Section 151 Officer which set out the budget preparation process and main headline issues arising from the Medium Term Financial Plan 2015/16 to 2017/18.

The budget process consisted of reports to the Council's Audit Committee, Cabinet and Council. The Council would decide on its level of Council Tax at this meeting but all precepts and Council Tax covering the District including the County Council's, Police, Fire and parish contributions would be presented to Council on 2 March.

It was incumbent upon the Council to set a balanced budget based on reasonable assumptions. As part of the budget report, the Section 151 Officer was required to give assurance regarding the robustness of the estimates. Key to the process was ensuring that members were fully informed of the Council's financial position.

The budget comprised three elements:-

- General Fund;
- Housing Revenue Account (HRA);
- Capital Programme.

The 2015/16 budget was one that assumed a continuation of existing service standards.

Details of the savings targets within the General Fund were provided. The 2015/16 position was robust but resources for the following year onwards were less certain. Members were advised that the National Non Domestic Rate pool for Derbyshire was only assumed until next year. The income from National Non Domestic Rate by 2016/17 would be in the region of £0.6m with a New Homes Bonus at £0.9m.

The General Fund also assumed a freeze in Council Tax but it was important to recognise that the freeze grant only existed for one or two years and that any Council Tax increase provided an underlying increase in the level of resources.

At the end of 2014/15 the General Fund reserve would increase by £60,000 to £1.6m with a further £100,000 being put into an Invest to Save reserve. The Council would continue its policy of minimising its costs and approached autumn 2015 in a good position which reflected the hard work of members over the past five years.

In respect of the HRA, the Council was committed to maintaining good service levels and homes in good condition. It had taken on £127m of debt from Government and it was noted that the "Convergence Policy" had now been ended. The recommendation within the Medium Term Financial Plan was to follow the Government's new rent setting policy which required a 2.2% increase making the average rent over 48 weeks £85.62 per week. The HRA balances would be £2.4m. Details of the risks associated with the HRA were set out to members.

Finally, the Council's Capital Programme contained funding for some £10m worth of work per year. The regeneration of the Mill Lane site was due to be completed in March with Phase II beginning in summer 2015. There was also a requirement to pay towards new refuse vehicles at £2m in the next year and an acknowledgement that the HRA programme would no longer have Decent Homes funding available. A programme of external wall insulation had recently been agreed at a cost of £5m which would address 20% of non traditional properties.

**RESOLVED** – That the presentation from the Executive Director – Operations and Section 151 Officer on the Medium Term Financial Plan 2015/16 to 2017/18 be noted.

**626 Treasury Management Strategy 2015/16 – 2017/18**

Council considered Report No PRK/10/15/BM of Councillor P R Kerry, Portfolio Member with responsibility for Economy, Finance and Regeneration, which set out the Council's Treasury Management Strategy for approval.

The objectives of the Treasury Management Strategy were to:-

- Outline the Council's debt position and the impact this had on the revenue accounts;
- Enable members to reach appropriate judgements on long-term and short-term borrowing and investment strategies;
- Provide a framework within which the day to day liquidity of the Council's cash balances can be managed;
- Provide some key baseline information to enable appropriate reaction in response to changes in the money market to meet the statutory requirements of the Local Government Act 2003;
- Meet the requirements of the CIPFA Treasury Management Code of Practice.

Specifically, the report set out the Council's statutory powers relating to borrowing, a review of its outstanding debt provision and of how its debt was being financed. The report also detailed the Council's Minimum Revenue Provision Policy, its investments, interest rate projections and prudential indicators.

**RESOLVED** – That:-

- (1) The Council approves the Treasury Management Strategy as set out in this report and in particular:-
  - (a) Approves the Capital Financing Requirement as summarised in Section 1.13 of the report;
  - (b) Approves the Borrowing Strategy as summarised in Section 1.29;
  - (c) Approves the Minimum Revenue Provision Policy for 2015/16 as set out in Section 1.30;
  - (d) Approves the Investment Strategy as set out in Section 1.38 for specified investments and Section 1.47 for non specified investments;
  - (e) Approves the use of the external treasury management advisor's counterpart weekly list (or similar) to determine the latest assessment of the counterparties that met the Council's criteria

under Section 1.43 and 1.46 of the report before any investment was undertaken;

- (f) Approves prudential indicators for 2015/16 as detailed in Section 1.49 to 1.60 and in particular–

Authorised Borrowing Limit            £184,847,000

Operational Boundary                    £179,847,000

Capital Financing Requirement       £174,847,000

Temporary Borrowing limit            £5,000,000

- (g) That specific treasury management training be undertaken during 2015/16 for those charged with monitoring and scrutinising treasury management;
- (h) Notes the contract position of the Council with Lloyds Bank outlined in Section 1.64
- (i) Notes the potential changes to the Public Works' Loans' Board's loan system outlined in Section 1.23;
- (j) Notes business continuity arrangements in respect of banking facilities currently in place as outlined in Section 1.65 of the report.

(Executive Director – Operations)

## **627 Medium Term Financial Plan 2015/16 – 2017/18**

Council considered Report No PRK/11/15/BM of Councillor P R Kerry, portfolio holder with responsibility for Economy, Finance and Regeneration which sought approval of the proposed budget in respect of 2015/16 as part of the consideration of the Council's Medium Term Financial Plan and provided members with an overview of the Council's financial position in order to inform the decision making process.

The report presented the following budgets and financial plans for consideration:-

- General Fund Revenue;
- Housing Revenue Account (HRA);
- Capital Programme.

Under the provisions of the 2003 Local Government Act, the Council's Section 151 Officer was required to comment on the robustness of the estimates made in the report and on the adequacy of the proposed financial reserves. The Council's Section 151 Officer was satisfied that the methodology adopted to calculate the estimates was robust and provided members with reliable information on which to base their decisions.

Likewise, the Council's Section 151 Officer was satisfied that the proposed level of reserves were adequate to cover the issues and potential risks facing the Council.

In respect of the General Fund, the original budget was set on the basis that it was necessary to secure £0.371m of savings. In addition to having secured the savings target the Council was planning to partially off-set the projected reduction in the Invest to Save reserve by an in year contribution of £100,000.

The General Fund budget in respect of 2015/16 showed a shortfall of some £0.5m. Given the Council's performance over the previous five financial years achieving a savings target of £0.5m should be achievable. Going forward, the Council needed to maintain the momentum on the growth and transformation agenda to put itself in a better position to secure the projected financial savings of £2.2m which were anticipated over 2016/17 to 2017/18.

In respect of the HRA, it was noted that there had been a small reduction in the rental income of some £0.3m largely arising from increased costs associated with void properties and off-set by a reduction in expenditure across various heads of some £0.1m. Those variations that were off-set by a reduced contribution to the new build reserve of some £0.21m leaving a small surplus of some £10,000 in line with the original budget with a projected closing HRA balance of some £2.427m.

The key issues for the 2015/16 HRA budget were that the average rent increase was required to comply with Government rent guidelines and would increase by 2.2% resulting in the average rent for a council house increasing by £1.84 a week to £85.62 per week.

With regard to the Capital Programme, the Council was now at the end of a three year period during which the Government provided funding of some £60m in order to enable Rykneld Homes to bring Council housing up to decent homes standard. As a result, the size of the HRA Capital Programme would reduce given that all funding now needed to be generated from revenues arising from within the local HRA. Although Government funding had ceased, the Council still needed to generate sufficient funding to ensure that all of its 8,000 homes remained at a decent standard.

With respect to the next financial year, expenditure on the Capital Programme was at a figure of some £10m in 2016/17 and £7m in 2017/18. With regard to the General Fund, the main expenditure would continue to be on vehicle replacement funded by prudential borrowing. The proposed programme sought to secure investment of some £2m largely to secure the replacement of the Council's refuse vehicle fleet. Given that the vehicles concerned were now at the end of their operational life this expenditure was necessary in order to maintain statutory services to the public. The work at the Mill Lane site would also be largely concluded by March 2015, although the second phase remedial work at a cost of some £0.275m would be commencing in the early part of the new financial year.



Following a debate on the report, the recommendations from Cabinet on 18 February 2015 were moved and seconded.

A mandatory recorded vote on the recommendations was undertaken in accordance with the Local Authority (Standing Orders) (England) (Amendment) Regulations 2014 when the result was as follows:-

For the Motion – 24

(Councillors Mrs J Austen, N Barker, B Barnes, G Baxter MBE, G Butler, A Cooper, J A Dargue, N Foster, K Gillott, M Gordon, Mrs E A Hill, Mrs A Holmes, P R Kerry, H Laws, W Lilleyman, G Morley, Mrs T Reader, B Rice, Mrs L Robinson, K G Savidge, D Skinner, L Stone, Miss T Williams and J Windle.

Against the Motion – 0

Abstentions – 12

(Councillors J Allsop, P Antcliff, P Elliott, Mrs C F Ellis, S Ellis, Miss M Emmens, Mrs A Foster, R Hall, Mrs C D Huckerby, J McGrory, D S Oxspring and M E Thacker).

Councillor P J Riggott did not exercise a vote on the motion but objected against the rent increase.

**RESOLVED** – That:-

- (1) The view of the Chief Financial Officer that the estimates included in the Medium Term Financial Plan 2014/15 to 2017/18 were robust and that the level of financial reserves whilst at minimum levels were adequate, be accepted.
- (2) Officers be required to report back to Cabinet and Audit and Corporate Governance Scrutiny Committee on at least a quarterly basis regarding the overall position in respect of the Council's budgets, these reports to include updates on progress in achieving the agreed range of savings and efficiencies necessary to achieve the agreed savings target for the 2015/16 financial year.
- (3) In respect of the General Fund:-
  - (a) No Council Tax increase be levied for the financial year 2015/16 and the Council accept the proposed Government grant compensation arrangements.
  - (b) The Medium Term Financial Plan in respect of the General Fund as set out in **Appendix 1** of these minutes be accepted and the Estimated Outturn Budget 2014/15 be agreed with a spending requirement of £14,171,936 together with the original budget for

2014/15 with a spending requirement of £13,900,613 as detailed in **Appendix 1 Table 1**.

- (c) Officers continue to progress the implementation of measures designed to secure the forecast position in respect of 2014/15 and the agreed savings targets in respect of 2015/16 with progress to be reported back to both Cabinet and Audit and Governance Committee on a quarterly basis.
  - (d) The initial £0.060m of any surplus generated in the financial year 2014/15 be used to increase the General Fund balances to a position of £1.600m with the remainder being allocated to the Invest to Save reserve.
- (4) In respect of the Housing Revenue Account:-
- (a) Council sets its rent increases in line with Government policy increasing rent levels by the increase in Consumer Price Inflation plus 1% which in respect of 2015/16 gives a rent increase of 2.2% which will apply from 1<sup>st</sup> April 2015.
  - (b) The rent in respect of Homeless Units and Non Dwelling Rents be increased by 2.2% which will apply from 1st April 2015.
  - (c) The Housing Revenue Account as set out in **Appendix 2 Table 1** be approved as the Estimated Outturn Budget in respect of 2014/15 , as the Original Budget in respect of 2015/16, and the financial projection in respect of 2016/17 and 2017/18.
- (5) In respect of the Capital Programme:-
- (a) The Capital Programme for 2014/15 to 2017/18 as set out in **Appendix 3 Table 1** be approved.
  - (b) The use of any unapplied capital receipts at the year end be used to repay part of the £3m prudential borrowing undertaken to progress the Mill Lane, Wingerworth regeneration scheme.
  - (c) The Asset Management Group be requested to identify suitable assets for disposal in order to fund the Council's Capital Programme, reduce revenue costs and support the wider regeneration of the District.

# **General Fund Revenue Account**

## **Introduction**

1. This report considers the element of the Medium Term Financial Plan relating to the Council's General Fund Revenue Account budgets. As such it covers all of the Council's revenue expenditure other than those elements which relate to the provision of Council Housing which are accounted for within the Housing Revenue Account (HRA).
2. The General Fund Budget report will form part of the Council's Medium Term Financial Plan.
3. The main areas covered by this report are as follows:

### **Item**

2014/15 Estimated Outturn

2015/16 Original Budget

- Level of Government Grant
- Expenditure, income Levels and efficiencies

Medium Term Financial Plan 2016/17 to 2017/18

Options for Council Tax Levels

Financial Reserves

Risk Register

Recommendations

General Fund Summary

Table 1

General Fund Risk Detail

Table 2

General Fund Risk Register

Table 3

4. The provisional budgets for both 2014/15 (Current Budget) and 2015/16 (Original Budget) are shown in Table 1 to this report. Table 1 also details the projected position – on the basis of current patterns of income and expenditure – for both 2016/17 and 2017/18, with Table 2 providing details at cost centre level.

## **2014/15 Estimated Outturn**

5. In February 2014 Members agreed a budget in respect of the current financial year 2014/15. Given that the Council was faced with achieving significant savings it has been necessary to actively manage budgets throughout the year and to remove savings from the budget once they have been agreed. Given that the budget has been under a process of ongoing revision the Revised Budget (the latest version considered by Cabinet at its meeting of 19<sup>th</sup> November 2014) has evolved from the Original Budget which was approved in

February 2014. For the purposes of this report, the comparison in Table 1 shows the movement between the Original Budget the Revised Budget and the Current Budget position. Given the extent of the work which has been undertaken during the year there is relatively little change between the Revised Budget and Current Budget position. As part of the budget process it is recommended that Members formally approve the Current Budget position as set out within Table 1. The main reason for the variation between the Original Budget and the current position is that the savings made to balance the budget have now been recognised in service expenditure, while increased funding from reserves and S106 funding etc has been recognised in the budget. These amendments are reflected in changes in the approved budget at cost centre level and have been subject to appropriate Member approval.

6. The key feature that has driven the Council's financial position during 2014/15 continues to be the ongoing reduction in the level of Central Government grant arising from the Government's Comprehensive Spending Review of Autumn 2010. The majority of the measures that have secured savings in previous and the current financial year will continue to provide ongoing savings for the Council into 2015/16 and beyond. As such they have made an important contribution to the financial sustainability of the Council. If these savings had not been secured then the financial challenge which would have faced the Council during 2015/16 and future years would have been significantly greater.
7. While budgets have been adjusted to minimal levels in order to maximise the level of financial savings secured officers have continued to operate a policy of restricting expenditure wherever possible. While this management action may be offset by upward cost pressures, officers are currently of the view that it should be possible to achieve an outturn position which secures all of the savings necessary to balance the 2014/15 budget, whilst in part offsetting the significant contribution from the Invest to Save reserve in the current financial year so that the overall level of that Reserve is partially protected. Given the financial pressures which will continue to impact upon the Council in future financial years it is crucial that the Council continues to maintain a reasonable level of Invest to Save reserves in order to be able to fund the measures that are necessary in order to reduce the Council's underlying level of expenditure.

### **Original Budget 2015/16**

8. One of the key purposes of this report is for the Council to agree its detailed income and spending proposals in respect of the next financial year commencing 1<sup>st</sup> April 2015. The provisional budget which is recommended for consideration by Members is detailed in Table 1 and Table 2 of this Appendix.
9. In developing the proposed budget the main elements which have been taken into account are as follows:
  - Grants from Government
  - Expenditure, income levels and efficiencies
  - Options for the level of Council Tax in respect of 2015/16
  - Use / Enhancement of Reserves to assist in the management of the Council's financial position ensuring that the level of reserves remains adequate in the light of the risks facing the organisation.

- The need to ensure that the Council is taking appropriate steps to ensure that its underlying level of expenditure remains in line with the forecast level of resources that will be available to the Council in the light of the ongoing reductions in the level of government grant.

Each of the above themes is now considered in greater detail in the sections below:

### **Level of Government Grant**

10. On 18<sup>th</sup> December 2013 the Government provided details concerning the level of Grant that would be available to local authorities for the two year period covering the 2014/15 and the 2015/16 financial years. This announcement was updated in late December 2014 and the figures in respect of next year have been included on the basis of that announcement which showed a small improvement (£50k) from the original position. The 2016/17 figure is a projection based upon the general principle that the Government will cease to provide Revenue Support Grant to District Council's after the 2017/18 financial year. While no detail concerning grant has been provided beyond next year Members should also note that – in part arising from the philosophy of localism – there is now less certainty regarding the future level of financial resources. In particular Non Domestic Rating Income, Localisation of Council Tax Benefit and New Homes Bonus all bring significant uncertainties into the financial planning process. While the details concerning the level of grant are sufficiently firm to provide a robust base for the Council's budget it does need to be appreciated that there remains a considerably greater degree of uncertainty concerning Government grant and related resources than was previously the case.
11. Details of the Government Grant settlement are incorporated into Table 1 of this Appendix. In terms of the financial support provided by Central Government National Non Domestic rates has become more significant than Revenue Support Grant. Council will be aware that the nature of Non Domestic Rates has evolved in that the Government now provides local authorities an incentive to grow NNDR locally given that they currently retain 20% of the growth in NNDR levels against the baseline figure. Whilst all local authorities are provided with an incentive in that they will retain a proportion of any growth in Business Rates there is a safety net which will protect those local authorities which suffer from a reduction in their local Non Domestic Rating Base. There is accordingly a direct financial incentive for local authorities to promote economic growth in their area, although local authorities would take the view that they have already been active in promoting such growth in order to protect and enhance local employment levels. While North East Derbyshire in common with other local authorities will continue to work to attract new businesses into the area there is a clear risk that any increase arising from new economic activity may be offset by a decline in other sectors of the economy, or by the impact of revaluation. Council should also note that the ability to attract companies into the District may be adversely affected by the close proximity of the Enterprise Zone at Junction 29A. More generally whilst local authorities can facilitate and promote growth it does need to be recognised that there are other factors outside the influence of local authorities which are arguably of greater significance in promoting economic growth (the

national economic position, geographical location, land availability). The localisation of business rates is, however, clearly intended to provide local authorities with an incentive to promote local economic development. In the next financial year, the Council is assuming additional income of £0.600m above the baseline determined by the government.

12. Cabinet will be aware that in respect of 2015/16 that a 'pool' of authorities across Derbyshire has been established in respect of Non Domestic Rate Income. Membership of a Derbyshire Wide pool was agreed by Council at its meeting on 27<sup>th</sup> October 2014 in recognition of the fact that those authorities which are members of a pool are able in most cases to benefit from retaining a higher level of locally generated non domestic rating income. Within the budget we have assumed that this Council will benefit by some £0.2m in respect of the 2015/16 financial year. Given the uncertainty concerning the availability of such income in respect of 2016/17 or future years no assumptions have been made regarding additional income in respect of those years. While it is reasonable to assume that the income of £0.2m will be secured in respect of 2015/16 it does need to be recognised that there may be a requirement to contribute to the Derbyshire Combined Authorities or other regional growth initiatives which may require a call on this funding.
13. With regard to the New Homes Bonus this is included in the 2015/16 base budget at £0.690m. Every new home built, or empty property brought back into use (offset by demolitions and those properties falling out of use) will provide the local authority with an increased income of £1,000 p.a. for 6 years for a Band A property. This reward, which is top sliced from the overall Government Grant pot – is intended to reward those authorities who allow and facilitate additional housing in their areas. With effect from 2017/18 the first year of New Homes Bonus (2011/12) will no longer be counted because at that stage it will have been paid for the full six years for which it was due to be paid. While the Council will at that time be receiving approximately £0.9m p.a from the six years of New Homes Bonus to maintain the income at that level the Council will need to secure an additional 150 homes p.a. The majority of these additional homes will need to come from new build properties.

#### **Expenditure, income levels and efficiencies**

14. A key element of the Government's approach to local government is that it should seek to secure local sources of funding rather than remaining heavily dependent upon central funding. In part the Government see this objective being realised by local authorities maximising their local development potential by way of Non Domestic Rates (growing the level of business activity) or by way of New Homes Bonus (increasing housing numbers). In addition authorities have been encouraged to look at raising other local sources of income. Over the past two years the Council has taken a number of steps to improve the level of income that it receives from a range of services and in particular Leisure. While Officers will seek to continue to secure further incremental improvements it does perhaps need to be recognised that the majority of gains that are readily achievable have already been secured and are incorporated within the budget proposed in this report.

15. While the Council will continue with efforts to identify and secure additional income with which to support services it is clear that both locally and nationally the key opportunity for the Council to balance its budget arises in respect of managing expenditure levels and securing efficiencies.
16. With respect to the next financial year the Council needs to identify financial savings level of financial balances, of some £0.500m in order to secure a balanced budget. The provisional forecasts included within the MTFP indicate a further savings requirement of some £2.2m in respect of the years 2016/17 and 2017/18. In the face of these significant financial shortfalls the Council needs to continue with its established policy of securing financial savings at the earliest opportunity in order to minimise the detrimental impact of funding cuts on local residents. Early intervention will allow the Council to adopt a more gradual and considered approach to securing cost reductions. In respect to the savings of £0.5m which need to be achieved a number of potential options have been identified which will be pursued by Officers:
  - Vacancy Management £75,000.  
All vacancies – including maternity leave, requests for additional annual leave, etc - will continue to be subject to review by Strategic Alliance Management Team and will be controlled in order to secure financial savings. Where appropriate reports will be brought forward for Members to consider the disestablishment of posts which it is not considered appropriate to fill. While the target of £0.075m is in line with savings achieved in the current and previous financial years it does need to be recognised that the reductions in staffing numbers over recent years make these savings increasingly hard to achieve given the requirement to maintain service levels. It is, however, crucial that the Council does not allow posts to be filled in 2015/16 which are unlikely to be a high priority in future financial years.
  - Transformation, Secondments and Joint Working £195,000  
As part of the decision made in the autumn of 2013 to progress the Strategic Alliance as a vehicle for securing further savings Council accepted a recommendation that officers progress a transformation agenda. As part of this Transformation Agenda it is recommended that Cabinet approve a savings target of some £195,000 in respect of 2015/16. While there is a limited amount of Invest to Save reserve to cover any associated costs it needs to be recognised that the costs associated with restructuring may make this saving difficult to achieve in full in the financial year. It is crucial that the Council seeks to cover the costs of restructuring or investment to secure improved working within the financial year in which they are implemented. Further secondments and joint working arrangements with Bolsover District Council will continue to be targeted to secure savings to North East Derbyshire. Given that these measures generally arise as a result of natural wastage they tend to involve minimal costs in terms of redundancy, etc whilst minimising the impact on the workforce of the requirement to shrink the size of the organisation.
  - Property Rationalisation Savings £25,000

While the Council has made significant progress during 2014/15 in securing its relocation from Saltergate to the Mill Lane site it is necessary to complete the sale of Saltergate and the relocation at the earliest opportunity in order to secure the associated savings. Likewise it is important that progress is made in the disposal of land and in the securing of the dowry that will be received from the HCA for accepting responsibility for the maintenance of the land at the Avenue once the HCA's remediation contract has ended.

- **Early Repayment of Debt £105,000**  
As has been previously reported to Members the Council has sold its Saltergate site subject to contract. It is currently anticipated that completion of the sale will take place in the June of 2015 at which stage the Council will receive the capital receipt or financial payment in respect of the sale. As previously agreed by Council that capital receipt will be utilised in order to commence the repayment of the £3m of prudential borrowing that has been incurred in order to fund the Mill Lane purchase and remediation. Currently the Council has in reserves in excess of £1m of capital receipts which have arisen from a variety of asset sales. Rather than carry forward these as a capital receipt reserve at the end of the current financial year it is proposed that they will be utilised to repay debt at the end of this year. That will reduce the Council's interest and principal repayment costs for the next financial year by some £105,000. The capital receipts from the sale of Saltergate will then be utilised to replace the capital receipts used to repay debt in order to fund capital expenditure planned during 2015/16. Officers will continue to provide to Council detailed reports concerning the progress in the repayment of £3m of prudential borrowing.
- **National Non Domestic Rate Growth £100,000.**  
Finally, the work undertaken in order to complete the NNDR1 government return at the end of January has indicated that it is reasonable to assume that an additional £100,000 of NNDR income will be secured during the 2015/16 financial year. In addition – although no assumptions have been made in the budget - the completion of the NNDR forms by all of the Derbyshire authorities - have indicated that the level of retained NNDR income should be significantly above the £200,000 assumed within the 2015/16 budget.

17. The table below summarises the savings options that are proposed in order to address the 2015/16 position together with their impact on 2016/17 and 2017/18:



### Summary of Proposed Savings

	2015/16 £000's	2016/17 £000's	2017/18 £000's
<b>Efficiency Target / Budget Shortfall</b>	<b>500</b>	<b>1,849</b>	<b>2,699</b>
Savings Proposals			
NNDR Growth Target 2015/16	(100)	(100)	(100)
NNDR Growth Target 2016/17		(100)	(100)
NNDR Growth Target 2017/18			(100)
Vacancy Management	(75)	(75)	(75)
Transformation, Secondments & Joint Working	(195)	(195)	(195)
Property Rationalisation Savings	(25)	(25)	(25)
Repayment of Debt	(105)	(105)	(105)
<b>Total Savings Proposals</b>	<b>(500)</b>	<b>(600)</b>	<b>(700)</b>
Unidentified Savings Target 2016/17	0	(1,249)	(1,249)
Unidentified Savings Target 2017/18	0	0	(750)
<b>Call on General Fund Balances</b>	<b>0</b>	<b>0</b>	<b>0</b>

Given the importance of securing the above savings to the financial stability of the Council, progress will be reported on a regular basis to Cabinet. It should also be noted that it is proposed that the Council should approve that actual budgets are amended to take account of identified savings as soon as those savings are formally approved. This will help to ensure that cost centre managers are fully aware of the budgets that they are working to, and that those savings which are identified are fully achieved during the initial year. Such amendments will be reported as part of the budget monitoring process.

### Medium Term Financial Plan 2016/17 to 2017/18

- While the main focus of this report is on the Revised Outturn position in respect of the current financial year (2014/15) and upon securing approval for the original Budget in respect of 2015/16, it is important that decisions are taken in the context of the financial position of the Council over the period of its Medium Term Financial Plan which covers the 3 year period up to the end of March 2018. The key feature of the Council's financial position over this period of time is the requirement to make ongoing revenue savings. The level of financial savings previously achieved and projected as being required – both on an annual basis and cumulative - are as follows:

## Summary of Required Level of Financial Savings

	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>
Annual Savings / Efficiencies Required	371	500	1,348	851
Cumulative Savings to be achieved	-	500	1,848	2,699

19. While the level of savings required is based upon a number of assumptions - which are outlined below – it is clear that under any scenario the Council faces a significant reduction in its spending power. This is consistent with the plans set out within the Government's Comprehensive Spending Reviews of Autumn 2010 and 2013. Given the scale of the financial savings which are required over the period of the current Medium Term Financial Plan it is crucial that the Council acts to manage its financial position effectively, and in particular that it manages the financial position in such a way as to protect the level of services which are provided to local residents.
20. Provided that the Council can meet and possibly exceed the recommended Efficiency / Savings Target of some £0.500m in respect of next financial year (2015/16), officers are of the view that the Council will be in a relatively good financial position given the extent of the reductions in Government grant which have been experienced. The Council's financial position reflects the fact that it has put in plans over previous financial years which have led to longer term savings rather than only addressing the in year financial position. Given the ongoing nature of the expenditure reductions which the Council is facing; in particular the projected shortfall of a further £2.7m (£2.2m after 2015/16 savings) in respect of 2016/17 it would seem to be appropriate to continue this policy which has both secured the necessary savings while minimising the impact on local residents.
21. In developing the financial projections in respect of 2015/16 to 2017/18 which are included within Appendix 1 to this report, officers have made a number of assumptions. The major assumptions which have been made are as follows:
  - Pay increases of 2% in respect of 2015/16, with 1.5% in respect of both 2016/17 and 2017/18.
  - No changes to employer superannuation contributions or to the lump sum deficit recovery.
  - No allowance has been made in respect of general inflation although specific budget heads such as energy costs and business rates have been adjusted to reflect anticipated price changes. Cabinet should note that a significant allowance has been made within the draft budget for an increase in recycling costs which reflects the fact that payments for recycled materials have significantly reduced.
  - A Council Tax increase of 1% or Council Tax Freeze Grant at 1% in respect of 2015/16, 2016/17 and 2017/18.

- Government Grant reductions (Revenue Support Grant) of £0.971m in 2016/17 and £0.500m in 2017/18. (It is anticipated that the level of government grant and other funding will be established for both 2016/17 and 2017/18 by the Chancellors Autumn Statement towards the end of the 2015 calendar year). In the absence of any information the contrary it is assumed that both the Non Domestic rating system and the New Homes Bonus funding will continue to operate along existing lines.
- Fees and Charges – service specific increases as agreed by Members.

### **Options for Council Tax Levels**

22. Members will recall that other than in respect of 2013/14 the Council has decided to accept successive Government schemes which provided grant to partially compensate for the income lost as a result of a decision to freeze council tax. These compensatory grant payments to those Councils who did not increase Council Tax are, however, generally limited in the period in which they are receivable and unlike Council Tax increases do not result in an increase in the underlying revenue base of the Council. Council may wish to note that had the Council increased Council Tax in the region of 2% each year that its underlying financial position would have improved by a figure in the region of £0.25m, which would flow from increased Council Tax income.
23. Central Government has continued to make strong requests to local authorities not to increase Council Tax in respect of the 2015/16 financial year. The settlement details that were released in December 2014 have indicated that those Council's which do not increase Council Tax will benefit from a 'freeze grant' funded from the national exchequer which in the case of North East Derbyshire amounts to £0.058m. For those Council's who take the view that an increase in Council Tax is appropriate in order to minimise the impact of expenditure cuts then an increase of up to 2% will be allowed before the Government requires that a referendum is held. It is assumed that the freeze grant will only apply for a period of one year. Given that the Council could raise Council Tax by 2% - without the additional cost and logistical burden of a referendum – there could be a financial benefit to the Council of some £0.044m in the next financial year. The additional income from the increase in Council Tax of £0.102m would continue to be available to the Council in future financial years. Overall if the Council chooses to accept the additional Government Grant then it will not benefit from the positive impact to its Tax base in future years that would have been secured by a Council Tax increase in 2015/16. This will require that in future years expenditure will need to be £0.102m below what it otherwise would have been, or higher council tax rises will be necessary in subsequent years.
24. In reaching a decision regarding the appropriate level of Council Tax in respect of 2015/16 Members need therefore to give consideration to the Council's financial position in respect of both 2015/16 and in respect of the remainder of the period covered by this MTFP. In summary officers are currently forecasting that over the period April 2015 to March 2018 expenditure reductions (or increased income) of £2.699m will be necessary.
25. While there are significant financial reasons for opting to increase the level of Council Tax in 2015/16 in order to strengthen the Council's underlying

financial position and to reduce the reliance on expenditure reductions as a means of balancing the budget, this needs to be balanced against the detrimental impact which the current economic situation and the level of inflation are having on local residents. It may be considered that the Council needs to take all appropriate steps in order to minimise the burden on local residents, and that to secure an – albeit smaller – increase in funding from national resources rather than local residents is the appropriate action at this point in time. This is the approach that has been taken by Cabinet in its consideration of the budget proposals in respect of 2015/16 and accordingly is the position recommended in this report.

### **Financial Reserves**

26. The Council's main uncommitted Financial Reserves which relate to its General Fund are the General Fund Balance of £1.540m together with the Invest to Save Reserve of some £0.6m. Given the growing level of uncertainty surrounding local authority income and the fact that the Council itself has reduced all budgets to a minimal level thus reducing its financial resilience it is important that the Council continues to review what it would consider to be an acceptable level of General Fund balances. Given that the Council has continued to effectively achieve the in year savings targets and has an Invest to Save reserve an amount of £1.540m in the General Fund Balance would appear to be a reasonable minimum level of balances going forward. This position is supported by the General Fund Risk Register as set out in Appendix 1 Table 3 which details the financial risks currently faced by the Council which indicates notional financial risks with a total value of £1.570m broadly in line with the current level of General Fund Balance. However, given the increasing level of financial and associated risks facing the Council under the localism agenda, the Chief Financial Officer believes it would be appropriate if possible to increase the General Fund Balance to a level of £1.600m in order to help protect services from future cutbacks. Cabinet is well aware of the importance of managing expenditure reductions in a planned fashion in order to protect the quality of services to local residents, and an increase in the target level of balances which will secure improved financial resilience is an important element of protecting service delivery to local people.

27. The Invest to Save Reserve is a key element in the Council's financial strategy in that it can be used to finance the following categories of expenditure :

- Service improvements
- Transformation work
- Restructuring
- Any unanticipated Asset Refurbishment Costs
- To address any performance issues where they arise in Council Services

During the 2014/15 financial year there is a significant level of commitment against the Invest to Save reserve and it is crucial in enabling an appropriate approach to both the Mill Lane project and to the work that is taking place at Dronfield Sports Centre. On the basis of current commitments it could be significantly reduced during the course of 2014/15, however, officers anticipate that it may be possible to refresh the reserve as part of the 2014/15 outturn

report with savings which are partially secured during the current financial year.

### **Risk Register**

28. A financial Risk Assessment is set out in Table 3, which outlines the risks, the mitigation which is in place, the potential impact and the probability of the event occurring in order to arrive at a notional calculation concerning the potential financial impact of the risks which the Council is currently facing. This indicates that the identified risks which the Council is currently facing amount to £1.570m. This is broadly in line with the current General Fund balances of £1.540m. The other main General Fund Balance the Invest to Save reserve is also likely to be reduced significantly from the opening balance. It is therefore important to ensure that any underspends in the current financial year are maximised in order to enable the Invest to Save balance in particular to be replenished, in order to allow effective financial management of the Council over a period of ongoing reductions in the level of Government resources.
29. The assessment concerning the level of risk is essentially used for two purposes. In the first place an understanding of the risks which the Council faces is crucial in agreeing an appropriate level of financial reserves. Secondly, the identification of the risks is the first stage in the process of more effectively managing, or of mitigating those risks. By identifying the risks it is possible to avoid them, to insure against them, to transfer the risk, or most likely, actions can be taken to reduce or to mitigate the risk. The Council's Financial Risk Register is closely linked to both the Strategic and Operational Risk Registers. The Council has in place a comprehensive approach to Risk Management which is reported on a regular basis to Executive, and this process will continue to be utilised in order to manage the key financial risks.

### **30. RECOMMENDATIONS**

The recommendations arising from this Appendix which are set out in the covering report are as follows:

- a) No Council Tax increase is levied for the financial year 2015/16 and the Council accept the proposed Government grant compensation arrangements and this recommendation is submitted for approval by the Council at its meeting on 23rd February 2015.
- b) The Cabinet recommends to Council (at its meeting on 23 February 2015) the Medium Term Financial Plan in respect of the General Fund as set out in **Appendix 1** of this report and agrees the Estimated Outturn Budget 2014/15 with a spending requirement of £14,171,936 together with the original budget for 2015/16 with a spending requirement of £13,900,613 as detailed in **Appendix 1 Table 1**.
- c) Officers continue to progress the implementation of measures designed to secure the forecast position in respect of 2014/15 and the agreed savings targets in respect of 2015/16 with progress to be reported back to both Cabinet and Audit and Governance Committee on a quarterly basis.

- d) That Cabinet agrees to recommend that the initial £0.060m of any surplus generated in the financial year 2014/15 is used to increase the General Fund balances to a position of £1.600m with the remainder being allocated to the Invest to Save reserve.

## **Appendix 1 Table 1**

### **General Fund Summary 2015/16 - 2017/18**

**Appendix 2 Table 1**

**Housing Revenue Account 2015/16 - 2017/18**



## **Appendix 3 Table 1**

### **Capital Programme 2014/15 to 2017/18**