

Public Document Pack

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The Chair and Members of Cabinet

Please ask for
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Donna Cairns
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11 December 2014

Dear Councillor,

Please see attached the documents for agenda items 3, 12, 15 and 16 for the meeting of the CABINET to be held on TUESDAY, 16TH DECEMBER, 2014 at 10.30 am in Committee Room 1, Town Hall, Rose Hill, Chesterfield.

This is a supplement to the agenda pack already published.

Part 1(Public Information)

3. Minutes (Pages 3 - 16)

To approve as a correct record the Minutes of the Cabinet meeting held on 2 December, 2014.

12. General Fund Revenue Budget Summary (R000) (Pages 17 - 36)

Part 2 (Non-Public Information)

15. Northern Gateway (R000) (Pages 37 - 50)

16. Proposed Acquisition of Investment Property in Chesterfield (R000) (Pages 51 - 66)

Yours sincerely,

Local Government and Regulatory Law Manager and Monitoring Officer

Chief Executive
Huw Bowen



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CABINET

Tuesday, 2nd December, 2014

Present:-

Councillor Burrows (Chair)

Councillors Blank
King
Ludlow

Russell
Serjeant

Non Voting Members Brown
Hill

Huckle
Martin Stone

Innes++

+ Attended for Minutes 124-132

++ Attended for Minutes 119-124.

*Matters dealt with under Executive Powers

119 **DECLARATIONS OF MEMBERS' AND OFFICERS' INTERESTS
RELATING TO ITEMS ON THE AGENDA**

No declarations of interest were received.

120 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Gilby, McManus and Hollingworth.

121 **MINUTES**

RESOLVED –

That the minutes of the meeting of Cabinet held on 4 November 2014 be approved as a correct record and signed by the Chair.

122 **FORWARD PLAN**

The Forward Plan for the four month period 1 December 2014 to 31 March 2015 was reported for information.

*** RESOLVED –**

That the Forward Plan be noted.

123 DELEGATION REPORT

Decisions taken by Executive Members during November 2014 were reported.

*** RESOLVED –**

That the Delegation Report be noted.

124 CONSIDERATION OF THE RECOMMENDATION OF OVERVIEW AND PERFORMANCE SCRUTINY FORUM ON MATTERS REGARDING ICT DEVELOPMENTS

The Chair of the Overview and Performance Scrutiny Forum, Councillor Jean Innes, presented a recommendation of the Forum regarding ICT developments (Minute No. 20. (2014)).

It was recommended that an ICT specialist be employed by the Council to represent the Council's ICT needs and requirements.

It was noted that since the recommendation was made in September 2014, developments had already taken place with the planned appointment by arvato of a programme manager and additional helpdesk support and, on the client side, of a new interim client manager with ICT expertise and experience.

*** RESOLVED –**

- (1) That the recommendation of the Overview and Performance Scrutiny Forum be noted.
- (2) That officers be asked to prepare a report for consideration by the Overview and Performance Scrutiny Forum and Cabinet setting out how the Council should best represent its future ICT needs and requirements as part of the public-private partnership arrangements with arvato.

REASON FOR DECISION

To consider the views of the Overview and Performance Scrutiny Forum when considering ICT developments.

125 **GENERAL FUND REVENUE AND CAPITAL BUDGET MONITORING REPORT AND UPDATED MEDIUM TERM FINANCIAL FORECAST- SECOND QUARTER OF 2014/15.**

The Chief Finance Officer submitted a report outlining budget variances in the current financial year, highlighting future budget issues and providing an update on the medium term financial forecast. The report outlined the forecasts for a potential surplus in 2014/15 and 2015/16, and a potential deficit in 2016/17.

A number of measures were proposed to maintain the surplus position and to tackle the possible deficit in the and medium-term. The report also provided an update on the general fund capital programme and the 2015/16 budget preparation process.

RESOLVED –

- (1) That the budget monitoring variances and updated budget forecasts be noted.
- (2) That the previously approved use of reserves as set out in Section 6 of the report be noted.

REASON FOR DECISIONS

To monitor the Council's finances.

126 **MARKHAM VALE ENTERPRISE ZONE – PROPORTION OF THE BUSINESS RATES INCOME TO BE TRANSFERRED TO THE SHEFFIELD CITY REGION COMBINED AUTHORITY**

The Chief Finance Officer submitted a report seeking approval for the transfer of Business Rates income from the Markham Vale Enterprise Zone to the Sheffield City Region Local Enterprise Partnership/Combined Authority.

The report outlined government policy in respect of enterprise zones that requires business rates growth within such zones to be retained to

support the Partnership's economic priorities and to ensure that enterprise zone growth is re-invested locally.

As the Markham Vale site was vacant, all future business rates income would be counted as growth. The report outlined the estimates of the possible rates payable in respect of the existing developments.

As this policy was not a statutory requirement, the alternative option of retaining the business rates income locally and not transferring it to the Sheffield City Region Local Enterprise Partnership/Combined Authority was considered. This was not recommended as it would put the Council's position with the Combined Authority at risk, with a possible consequence in respect of the allocation of future funding from the Sheffield City Region Investment Fund programme for schemes in Chesterfield, such as Chesterfield Waterside and the Northern Gateway.

***RESOLVED –**

That it be recommended to Full Council for approval that:

- (1) the Business Rates income from the Markham Vale Enterprise Zone be paid to the Sheffield City Region Local Enterprise Partnership/Combined Authority in accordance with Government policy; and subject to similar positions being taken by other Sheffield City Region rating authorities hosting parts of the Region's Enterprise Zone.
- (2) this arrangement be reviewed in the future if there is a change in Government policy or a change to the Council's membership of the Sheffield City Region Combined Authority.

REASON FOR DECISIONS

To formally approve the policy of transferring Business Rates income from the Markham Vale Enterprise Zone to the Sheffield City Region Local Enterprise Partnership/Combined Authority.

127 TO APPROVE THE COUNCIL'S EXTERNAL COMMUNICATIONS STRATEGY

The Communications and Marketing Manager submitted a report recommending the approval of a new External Communications Strategy for the period 2014/17.

An Overview and Performance Scrutiny Forum Project Group had carried out a review of the Council's external communications between November 2013 and June 2014. The Project Group made the following recommendations, which were agreed by Cabinet on 29 July 2014 (Minute No. 63):

- a) *That the Council adopts clear branding and a 'one council' approach.*
- b) *A review to look at how better coordination of marketing and communication activities can be achieved to enable the objectives of the new communications strategy to be delivered. This may involve the need for a review of the organisational structure.*
- c) *That analytics (the discovery and communication of meaningful patterns in data) is used to guide web content and to be able to better predict and improve performance.*
- d) *That the Council consider adopting a 'digital first approach' to all its external communication.*

These recommendations had informed the drafting of a new External Communications Strategy. A range of other issues had also been taken into account, such as:

- increasing customer service expectations
- changes to the demographics of Chesterfield's population
- public policy changes
- cuts to public sector spending
- The desire for channel shift, enabling more customers to carry out transactions with the Council that are more convenient for them and cheaper for the Council to manage

Many of the objectives of the proposed strategy were aimed at addressing the changing consumer expectations of communicating with and transacting with the Council, particularly through enhancing the use of digital communication channels to reach out to different audiences.

The use of more traditional methods of paper-based communications would, however, be continued to ensure the needs of all our communities are met.

The Council's media protocol and social media policy had also been updated to reflect changes in technology and the communications environment.

A style guide would also enable the Council to communicate with one voice on websites and in corporate communications.

***RESOLVED -**

- (1) That it be recommended to full Council for approval that the proposed External Communications Strategy and action plan (appendices 1 and 2 to the report) be adopted.
- (2) That the accompanying media protocol (appendix 3 to the report) to replace the existing document, be approved.
- (3) That the social media policy (appendix 4 to the report) to replace the existing document, be approved, and that the necessary amendments to the existing HR and ICT policies be made to cross reference to the new policy.
- (4) That the accompanying style guide (appendix 5 to the report) be approved as the standard writing style for external communications.
- (5) That six monthly progress reports on the implementation of the strategy be presented to the Overview and Performance Scrutiny Forum and to Cabinet.

REASONS FOR DECISIONS

To provide a strategic approach to improving external communications with residents, businesses and visitors.

To help communicate the Council's corporate plan priorities and actions, including the corporate aim of 'making it easier for customers to contact us'.

128 **ADOPTION OF NEW CORPORATE BRANDING**

The Communications and Marketing Manager submitted a report recommending for approval new corporate branding for the Council.

The review of the Council's corporate branding was carried out following the recommendation from the Overview and Performance Scrutiny Forum, approved by Cabinet at Minute No. 63 (2014), that the Council should *'adopt clear branding and a 'one council' approach' to its communications and marketing work'*.

Chesterfield-based branding and design agency Crush Design was appointed to carry out an audit of the Council's existing branding, to make recommendations on the future strategy for developing branding and communication messages, and to produce a set of brand guidelines that could be used in various forms of communication and marketing.

The audit of existing branding revealed that the public have difficulty understanding what the Council does as it offers more than 50 separate services, using different styles and designs in their promotions. Five key messages had been identified to simplify the message to be communicated to the public:

- The future of Chesterfield – 'planning a better Chesterfield'
- Improving the environment we live in – 'a great environment to live'
- Improving the economy and employment prospects – 'a place with good prospects'
- Providing great leisure and cultural facilities - 'excellent facilities to enjoy'
- Providing a housing service to meet local needs - 'a secure place to live'

The report gave examples and explanations of these messages.

To support delivery of these messages, a new visual identity, incorporating the Crooked Spire, had been created and examples of the materials incorporating this new style and design were attached to the report.

The report explained that the Council's corporate branding project would not duplicate any of the work of Destination Chesterfield in creating a 'place brand' for Chesterfield.

To ensure that the corporate branding would be adopted consistently, it was proposed that the communications and marketing service would approve future publicity materials and procurement contracts with branding elements before decisions are taken.

Councillor Russell requested that his vote against the recommendations at paragraphs 8.1, 8.2 and 8.3 of the report be recorded.

***RESOLVED -**

- (1) That the proposed corporate branding be adopted.
- (2) That the communications and marketing service should approve all future publicity prior to publishing to ensure the correct branding is being used and that it meets a communication need.
- (3) That this approval process includes ensuring the council's corporate branding is used where relevant procurement decisions are being taken (eg purchasing of signs or uniforms, to build a new facility or a the letting of a contract to provide rubbish collection services)

REASONS FOR DECISIONS

To help deliver the council's corporate aim of 'making it easier for the public to contact us'.

To help improve public understanding of the council and its work by delivering consistent communication messages.

129 LOCAL COUNCIL TAX SUPPORT SCHEME 2015/16

The Chief Finance Officer submitted a report seeking approval for the Council Tax Support (CTS) Scheme for the next financial year (2015/16).

The Chief Finance Officer advised that the scheme being recommended for adoption in respect of the next financial year (2015/16) was unchanged from that in 2014/15.

The key features of the proposed scheme were outlined as follows:

- Local Council Tax Support will be calculated using 91.5% of the Council Tax liability, leaving residents of working age to pay a minimum of 8.5% themselves. Assuming they were living in a Band A property then the Council Tax Liability would be in the region of £84 p.a. (£988.17 x 8.5%) for a couple or £63 p.a (£84 less 25% discount) for a single person, before any award of CTS. Those of pensionable age will be eligible for CTS of up to 100% of their council tax liability.
- The Council continues to charge 100% in respect of Empty Homes and Holiday Properties.
- The Council allows a local discount of 100% on the requirement to pay for unoccupied and unfurnished properties for a period of 3 months. In a situation where a property becomes occupied or furnished for a period of 6 weeks or less it will only be eligible to receive discount for any of the original three month period which remains. Those properties that are uninhabitable due to them requiring or undergoing major structural repairs or alterations (that would have previously qualified for exemption class A) continue to benefit from an exemption for a period of up to 12 months.
- Removal of the residual 10% discount for second homes.
- A 50% surcharge will continue to apply to properties empty for more than 2 years.

***RESOLVED –**

That it be recommended to Full Council that:

- (1) Approval is given to the continued operation of a local Council Tax Support scheme for 2015/16 based on The Council Tax Reduction Scheme England Regulations 2012 amended to reflect the following local decisions concerning the key principles of the scheme:
 - For those of working age the maximum amount of Council Tax that will be eligible for reduction is 91.5% of their full Council Tax Liability (£84 for a Band A property).

- The Council continues its policy of disregarding war pensions for the purposes of calculating income in respect of the Council Tax Reduction Scheme at a total estimated cost of £16k.
 - The 'taper', i.e. the rate at which support is withdrawn as income increases be maintained at 20%.
- (2) the Chief Finance Officer be granted delegated powers to update the scheme to reflect such up-ratings of premiums, allowances and non dependent deductions as may be determined by the Department of Work and Pensions, and for other minor technical changes which may be required.
- (3) the local council tax discounts originally agreed for 2013/14 be continued.

REASONS FOR DECISION

To ensure that the Council is able to continue to operate a localised scheme providing council tax support from April 2015.

130

COUNCIL CONSTITUTION REVIEW - AMENDMENTS TO FULL COUNCIL STANDING ORDERS, CONTRACT PROCEDURAL RULES AND OTHER UPDATES

The Local Government and Regulatory Law Manager submitted a report to inform members of the work of the Constitution Working Group, and to recommend that certain changes to the constitution are made which had arisen from the ongoing Constitution review and other changes at the Council.

The Executive Member for Governance and Organisational Development advised that a member/officer working group, called the Constitution Working Group, has been systematically reviewing the Council's Constitution, finding ways to simplify and update it; with this work being carried out in addition to routine updates to the Constitution made as a result of legislation and other approved changes.

The Local Government and Regulatory Law manager summarised the main changes detailed in the report. The Council's Constitution was

adopted in the early 2000s and since adoption it had been updated and added to and the structure had now become cumbersome and difficult to navigate. Changes to procedures had also been incorporated into the document without a review. The Constitution Working Group had worked closely with the text of the constitution and it had been simplified and put into Plain English.

The Constitution Working Group had proposed that instead of bringing the whole revised Constitution to members, to bring the changes in stages, starting with two parts of Part 4 of the current Constitution:

- Council Standing Orders - to help the efficiency of Council meetings.

The Standing Orders had been reviewed and updated with a view to transacting business at Council meetings more efficiently and to assist with the management of the meeting.

- Contract Procedure Rules - which need updating in accordance with current best practice

The current Contract Procedure Rules no longer accorded with best practice and needed to be amended to take account of changes in the law and procurement procedures. Financial thresholds within the Contract Procedure Rules had not been reviewed for many years and also needed revision.

The Local Government and Regulatory Law Manager also outlined the proposals in the report that would make the process for amending the Constitution in future quicker and more responsive to the needs of the Council.

***RESOLVED –**

That it be recommended to Full Council that:

- (1) the amended Council Standing Orders be adopted.
- (2) the Constitution Working Group reviews the operation of the amended Standing Orders after 12 months of operation.
- (3) the new Contract Procedure Rules be adopted.

- (4) further amendments to the Contract Procedure Rules be made as necessary to take account of forthcoming changes in the law.
- (5) in future, proposed amendments to the constitution be approved by Standards and Audit Committee, unless appropriate, or required by law, to be approved by full Council (or Leader or Cabinet).
- (6) appropriate amendments be made to the Constitution to formally reflect the senior management restructure and consequent delegations to Service Managers.
- (7) any necessary consequential changes be made to other parts of the Constitution as a result of the above amendments.
- (8) The good work of the Constitution Working Group be formally recognized and the thanks of Full Council be afforded to its members, in particular, Councillor Graham King, the Local Government and Regulatory Law Manager, and the Democratic Services Manager.

REASON FOR DECISION

To ensure that the Council's constitution is amended in accordance with best practice and the law.

131 CIVIC ARRANGEMENTS 2015/16

The Democratic Services Manager submitted a report to confirm arrangements for the civic year 2015/16 in respect of the election of the Deputy Mayor for 2015/16, the Annual Council Meeting and Civic Dinner, and Civic Service for 2015.

Each year the Council is asked to confirm its civic arrangements for the forthcoming municipal year, namely the appointment of Deputy Mayor, the date of the Annual Council meeting to elect the Mayor and Deputy Mayor and the associated civic events. The appointment of Deputy Mayor as Vice Chairman of the Council is a statutory appointment under Part 1 of the Local Government Act 1972. In the case of a Borough Council the Vice Chairman is entitled to use the title of Deputy Mayor.

RESOLVED –

- (1) That it be recommended to Council that, subject to re-election, Councillor Barry Bingham be invited to become Deputy Mayor of the Borough for 2015/16.
- * (2) That it be noted that the Annual Council meeting will be held on Wednesday 20 May 2015, followed by a civic reception at the Winding Wheel.
- * (3) That it be noted that the Annual Civic Service and Procession will be held on Saturday 23 May 2015.

REASON FOR DECISION

To enable the Council to confirm civic arrangements for 2015/16.

132 THE OPENNESS OF LOCAL GOVERNMENT BODIES REGULATIONS 2014

The Local Government and Regulatory Law Manager submitted a report to advise of the implications for the Council of the new Openness of Local Government Bodies Regulations 2014.

The Executive Member for Governance and Organisational Development outlined the implications of the new regulations, which imposed new requirements for local authorities to allow the public to report and commentate on meetings and for written records to be published of certain decisions taken by officers.

The 2014 Regulations aimed to make unequivocal the public's right to report on meetings in public session. Reporting includes photography, filming, audio recording and social media. Those engaged in reporting may publish, post or share the results of their reporting via any communication method whilst they are in the meeting but such activities must not disrupt the business of the meeting. The changes relating to the recording of officer decisions were also outlined. In relation to the reporting and recording of officer delegated decisions, the Local Government and Regulatory Law Manager advised that there was discretion on how this could be done and outlined the proposed procedures for how this would be managed.

***RESOLVED –**

That it be recommended to Full Council for approval that:

- (1) the requirements of the Openness in Local Government Bodies Regulations 2014 as outlined in this report be noted.
- (2) the 'Guidelines for members of the public attending public meetings' contained within the Constitution and on the website be updated as shown in the attachment to report, be updated.
- (3) Notices warning members of the public that they may be filmed are posted up in the public areas of the Council Chamber and the committee rooms.
- (4) the arrangements for the publication of officer decisions, as set out in the report, be approved.
- (5) the following changes to the Council's Constitution be approved:
 - (i) Rule 22.3 of the Access to Information Procedure Rules contained within Part 4 of the Council's Constitution be amended as set out in paragraph 4.18 of this report.
 - (ii) Appendix 2 to Part 3 of the Constitution be amended to the wording at Appendix D to the report.
 - (iii) Appendix 3 to Part 3 of the Constitution be removed.

REASON FOR DECISION

To ensure that the Council is compliant with the Openness in Local Government Regulations 2014.

FOR PUBLICATION

GENERAL FUND REVENUE BUDGET SUMMARY (R000)

MEETING: 1. CABINET
2. LEADER

DATE: 1. 16 DECEMBER 2014
2. 9 DECEMBER 2014

REPORT BY: CHIEF EXECUTIVE AND
CHIEF FINANCE OFFICER

WARD: ALL
COMMUNITY FORUM: ALL
NON KEY DECISION 457
REF:

FOR PUBLICATION

Background papers - Working papers in Accountancy Services

1.0 PURPOSE OF REPORT

1.1 To provide the Cabinet with an update on the development of the General Fund Revenue Budget for 2015/16 and future years, and to provide an update on the actions currently being taken to address the forecast budget deficits.

2.0 RECOMMENDATIONS

2.1 To note the updated budget projections for 2014/15 and later years (Appendix A).

2.2 That work continues to refine the draft estimates and to identify budget saving proposals.

3.0 BACKGROUND

- 3.1 The Council's Budget Strategy is to set a sustainable and affordable budget over the medium term. The budget forecasts included in this report cover the current and five future financial years.
- 3.2 The portfolio budget reports are included elsewhere on the agenda. This report brings them together with the non-portfolio items to produce an overall summary (**Appendix A**) which shows the latest surplus/deficit forecast for each financial year. The budgets are a first draft as the Local Government Provisional Finance Settlement has not yet been announced and the Business Rates tax base and income forecasts have not yet been done.
- 3.3 In the last two years the Provisional Settlement, which includes details of the Government funding allocations, were announced in mid-December, some weeks later than had been the norm previously. This year the announcement will be late again due to the Autumn Statement not being announced until the 3rd December. The announcement is expected shortly but no fixed date has been given. The delay is a major concern as once the Settlement is announced there will only be a few weeks in which to address any new issues that might arise from it.
- 3.4 The Chancellor's **Autumn Statement** on 3rd December included a number of proposals that will impact on local authorities, including:
- No further cuts to Local Government funding for 2015/16 were announced. There could still, however, be funding changes announced as part of the Provisional Grant Settlement. Further cuts are likely to be needed to fund an anticipated deficit on the Business Rates Safety Net Scheme.
 - Significant budget cuts are likely after 2015/16 as the Chancellor seeks to achieve a balanced budget largely through cutting spending rather than increasing taxes. With education, health and some other services likely to be protected the cuts falling on the unprotected services, such as local government, will then be disproportionately higher.
 - There was no mention made about the referendum limit for council tax increases in 2015/16. It seems likely that the regime for 2014/15 will be continued, with a tax freeze grant option equivalent to 1% and a referendum limit of 1.99%.
 - A number of changes to business rate discounts were announced, including a 2 per cent capped increase for 2015/16 to help

businesses generally and an increase in retail reliefs to boost high streets. Local authorities will be refunded for the loss in receipts to their Collection Funds as a result of these measures and will benefit from the reduced rates payable on their own properties.

- The expected announcement of a devolution deal for the Sheffield City Region was not included in the Statement.

4.0 **BUDGET ASSUMPTIONS & FORECASTS**

4.1 The following assumptions have been made in preparing the draft budgets:

	14/15 Orig	2015/16	2016/17	2017/18	18/19 >
Pay inflation	1%	1.2%	1%	1%	1%
Energy inflation	10%	7.5%	7.5%	7.5%	7.5%
Business rates increase	2%	3.0%	3.0%	3.0%	3.0%
Vacant posts allowance	£150k	£150k	£150k	£150k	£150k
Council tax increase / freeze grant	Freeze/ 1% grant	Freeze/ 1% grant	1.99%	1.99%	1.99%
Settlement Funding	-13.8%	-16.2%	-14.5%	-13.7%	-6.5%
Fees & Charges Increase	+3%	+3%	+3%	+3%	+3%
National Insurance			+3.4% = 33% increase		
Investment returns (gross)	0.67% (revised to 0.8%)	0.85%	1.43%	1.70%	1.70%

4.2 The updated Medium Term Budget Forecast is shown in **Appendix A**. It must be pointed out that many of the figures in the Financing section (the third page of the appendix) are provisional estimates. Unfortunately, some of these figures (e.g. Settlement Funding, Retained Business Rates Growth and Pooling) are **significant sums which could be subject to wide variations**. At this stage it has not been possible to provide accurate forecasts for these due to:

- a) The Provisional Grant Settlement not being announced;
- b) The need to assess the impact of the Business Rates changes announced in the Autumn Statement; and
- c) The ongoing uncertainties caused by outstanding Business Rates appeals which in some cases can be back dated for many years, to 2005 or 2010. The Autumn Statement introduced time limits on back-dating but, because back dated claims can still be submitted up until

the 31st March 2015, there is a significant risk that there will be a surge in claims in the run up to the cut-off date.

The forecasts at this stage, therefore, come with a very significant health warning. The forecasts will be updated over the next few weeks as further information becomes available and any significant changes reported to the Cabinet at the earliest opportunity so that any corrective action can be considered before the final budget report is submitted to the full Council in February.

- 4.3 The table below provides a summary of how the budget forecasts have moved throughout the year:

Forecast (Surplus) / Deficit			
	2014/15 £'000	2015/16 £'000	2016/17 £'000
Original – Feb '14	(244)	(450)	279
Updated – July '14	301	471	852
Q2 Update – Sept '14	(9)	(350)	104
Latest – revised budget	174	138	613

Change – Original to July	545	921	573
Change – July to Sept	(310)	(821)	(748)
Change – Sept to Revised	183	488	509
Change – Original to Revised	418	588	334

5.0 2014/15 REVISED BUDGET

- 5.1 At the start of the year, there was a forecast budget surplus of £244k after assuming savings of £824k. The first budget monitoring report, after four months showed a deficit forecast of £301k, this changed again at the half-year stage to show a surplus of £9k. Since then the detailed budget preparation exercise has been completed. The latest budget forecast, described as the 'revised' budget in **Appendix A**, shows a deficit of **£174k**.
- 5.2 The main reasons for the change in the forecast since the Quarter 2 monitoring report include:
- An overspend of £120k on the Sport Centres' staffing budgets;
 - Other savings targets of £122k not being achieved.
- 5.3 The main variances from the original to revised budgets are included in the individual Portfolio reports. The key variances to note in terms of the non-portfolio section of the budget include:

- The reduction in the amount delivered against the original Budget Saving Proposal. Some of the savings have moved into the Portfolio budgets but, as previously reported, many of the big ticket items (i.e. Voluntary Redundancies, Terms and Conditions Review and Contract Renegotiations) and some other lower value ones (e.g. CCTV review, Venture House Rents) have not been achieved;
- The increase in the net credit from Interest and Capital Charges (£362k) is offset by an increase in capital charges made to Portfolios (£388k).
- The £249k contribution from the Budget Risk Reserve is to pay for the severance costs and carry forwards (£67k) which have been charged into the Portfolio budgets.
- At this stage no changes have been assumed to the Retained Business Rates income but this could easily change once the impact of settled and outstanding appeals has been assessed.

5.4 In the remaining few months of the financial year every effort will be made to eliminate the forecast deficit. Also, in order to avoid any 'surprises' at the end of the year, budget holders have been instructed to continually monitor their budgets and report any changes to budgets so that they can be included in the final budget report which will go to the Cabinet in February.

6.0 BUDGET FORECAST 2015/16

6.1 The forecast for 2015/16 in **Appendix A** shows a deficit of **£138k** but this is after assumed savings of **£825k** and using the full amount of the estimated New Homes Bonus allocation (£628k) to support the budget. A breakdown of the revised and the previous savings assumptions are included in **Appendices B1** and **B2** respectively. The savings proposals will have to be subjected to a rigorous risk assessment before they are included in the final budget report.

6.2 A major element of the budget, the Government Funding Settlement has not yet been confirmed but the expectation is that it will not change significantly from that announced as part of last year's settlement. The Business Rates income figures are also provisional at this stage and could be subject to considerable variance depending on a review of outstanding appeals, growth and pooling implications. The assumptions made at this stage include:

- A cut in general Government funding target to £5.3m (RSG £2.2m + Business Rates Target £3.1m). This represents a reduction of £1.0m or 16% on the 2014/15 position.
- Business rates income of £3.8m i.e. £0.7m above the target plus a £260k gain from Pooling;
- An Efficiency Support Grant allocation of £232k which was provisionally announced last year but has not yet been confirmed.
- A Council Tax freeze with an assumed Tax Freeze grant equivalent to a 1% increase. The final decision on which option to take will be made by the full Council in February.
- A Tax Base of 27,782 Band 'D' equivalent properties, which represents an increase of 318 on the current year.

6.3 Once again, the challenge for 2015/16 will be to deliver the savings targets included in the budget and to develop new proposals to fill any shortfalls and in readiness for tackling the future years' deficits.

7.0 MEDIUM TERM FORECASTS

- 7.1 The draft estimates in **Appendix A** assume cuts in the Funding Settlement of 14.5% in 2016/17, 13.7% in 2017/18 and 6.5% in subsequent years. Retained business rate income is forecast to grow to £3.9m in 2016/17 and £4.1m in 2017/18, £0.8m above the target in both years. The assumption on council tax increases in future years is for 1.99% in each year.
- 7.2 A significant change which has been included in the forecast is the 3.4% that has been added to the National Insurance contribution rates following the introduction of the Single Tier State Pension in April 2016, this is equivalent to a 33% increase.
- 7.3 The latest forecast deficits are £0.6m in 2016/17 and £1.0m in 2017/18, this after assumed savings of £1.0m in each year and the continued use of New Homes Bonus Grant to support the budget.
- 7.4 The forecasts will be updated when the grant settlement figures are announced and as other variances are identified. The scale of the forecast deficits is such that further significant savings will have to be found in future years.

8.0 RESERVES

8.1 The General Working Balance was increased from £1.5m to £1.75m in the last financial year to reflect the financial risks which transferred to the Council as a result of the localisation of business rates and council tax support. In addition to the General Working Balance the Council maintains a number of other reserves. Many of the reserves are earmarked and committed for specific purposes, such as property repairs and vehicle & plant replacements. There are three major reserves where the Council has wider discretion on how they are used – the Budget Risk Reserve, the Invest to Save Reserve and the Service Improvement Reserve.

8.2 **Budget Risk Reserve** – this reserve is used to supplement the Working Balance. The table below shows the opening balance in the reserve as at 1st April 2014 and the currently approved or anticipated movements on the reserve:

Table – Budget Risk Reserve		
	Updated Forecast £'000	
Balance b/fwd 1st Apr 2014	1,000	
<u>Less Approved Commitments:</u>		
STWA tenants consultation exercise	(30)	
Land Charges claims	(44)	
Learning & Development - training	(32)	
Governance restructure severance costs	(30)	
2013/14 carry forward requests	(36)	
CMT restructure – severance costs	(68)	
VR/VER's approved to date	(53)	
Uncommitted Balance	677	

The remaining balance could be used to help the Council through this difficult period of budget reductions e.g. to finance severance costs arising from voluntary redundancies, etc.

8.3 **Invest to Save Reserve** – The reserve is used to finance either revenue or capital growth requests which can demonstrate a 'pay back'. The table below shows the opening balance in the reserve as at 1st April 2014 and the currently approved or anticipated movements on the reserve:

Table - Invest-to Save Reserve		
	Updated Forecast £'000	
Balance b/fwd 1st Apr 2014	393	
<u>Less Approved Commitments:</u>		
Venues refurbishment	(90)	
Holmebrook Valley Park drainage	(21)	
Community Infrastructure Levy	(5)	
Customer Service Strategy - capital	(105)	
Local Collective Agreement	(10)	
Car park improvements	(111)	
CMT re-structure – external advice	(25)	
Repayments into the fund	-	
Venues – central booking office	(23)	
Uncommitted Balance c/fwd	3	

- 8.4 **Service Improvement Reserve** – The table below shows the opening balance in the reserve at 1st April 2014 and the currently approved or anticipated movements on the reserve:

Table - Service Improvement Reserve		
	Updated Forecast £'000	
Balance b/fwd 1st Apr 2014	1,176	
<u>Less Approved Commitments:</u>		
Project Academy (balance)	(6)	
Grit storage facility	(5)	
Venues refurbishment	(20)	
Car parking improvements	(15)	
Project Academy	(60)	
Linacre Master Planning	(67)	
Waterside – legal costs	(40)	
TPIC/DIC telephony system	(204)	
Northern Gateway – tbc by Council 17 th Dec.	(100)	tbc
Uncommitted Balance	659	

- 8.5 Given the pressure on the Council's budgets and the need to maintain reserves for future investment in transformation projects the Cabinet should regularly review the commitments against the three

major reserves above. A review of all of the Council's other reserves and provisions will be included in the final budget report.

9.0 CONCLUSIONS & NEXT STEPS

- 9.1 This report presents the first draft of the budget for 2015/16 but there are still some major elements of the budget still to be confirmed and other budget variances could be identified during the coming weeks. The latest forecast shows deficits in each financial year, increasing by approximately £0.4m each year as the cuts in funding continue.
- 9.2 The full Council will approve the final budget and Council Tax for 2015/16 at its meeting on 26th February. The final budget report to the Cabinet will, therefore, be considered on the 17th February. In the meantime, the budget forecasts will be updated as announcements on the Local Government Finance Settlement are made and as Business Rates forecasts are developed. The Budget Workshop sessions for Executive Members and the Corporate Management Team will continue to meet in the run-up to setting the budget in order to consider the updated forecasts and identify further savings proposals for inclusion in the final budget.

10.0 RISK MANAGEMENT

- 10.1 There are a number of significant risks inherent in any budget forecasting exercise and the risks increase as the period covered increases. The major budget risks at the moment include:
- The final grant settlement for 2015/16 and future years.
 - The uncertainty about the timing and value of outstanding Business Rate appeals, some potentially going back a number of years. This presents a major risk to the forecasts of income from business rates.
 - The medium forecast assumes that the full amount of the estimated New Homes Bonus allocations will be used to support the budget. This could be a risky strategy as not only are future years' allocations difficult to predict but there is also risk that the scheme could be radically changed or terminated, especially if there is a change of Government following the General Election in May 2015.
 - Achieving income targets for rents, fees, charges and interest.
 - Delivering the required budget savings on time and to the value required. It is important that a rigorous risk assessment is

undertaken for each saving proposals before they are included in the final budget report.

- Holiday pay entitlement on overtime.
- The introduction of Universal Credit – the pilot scheme from February 2015 and full implementation at a future date. There are unknowns in terms of the extent, timing and funding of these changes.
- Retender of the Waste Collection contract in 2018, a provisional sum has been built into the forecasts.

These and other financial risks will be evaluated more fully in the Budget Risk & Sensitivity Analysis, which will be included in the final budget report in February.

11.0 LEGAL CONSIDERATIONS

- 11.1 It would be unlawful for the Council to set a deficit budget. Section 33 of the Local Government Finance Act 1992 requires the Council to set a balanced budget.

12.0 EQUALITIES IMPACT ASSESSMENT (EIA)

- 12.1 The budget process and forecasts produced do not require an EIA but any decisions to vary budgets and service provision later in the process might well require EIA's specific to those options.

13.0 RESOURCE IMPLICATIONS

- 13.1 This report provides details of the revised budget for 2014/15, the first draft budget for 2015/16 and updated forecasts for future years.

14.0 RECOMMENDATIONS

- 14.1 To note the updated budget projections for 2014/15 and later years (Appendix A).
- 14.2 That work continues to refine the draft estimates and to identify budget saving proposals.

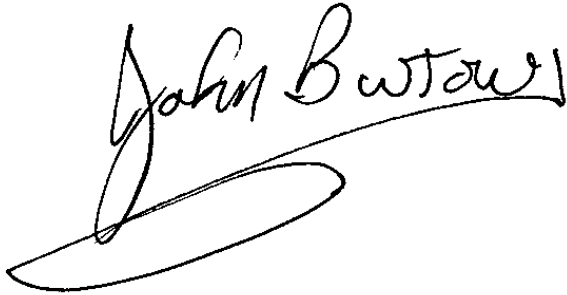
15.0 REASONS FOR RECOMMENDATIONS

15.1 To keep Members informed on the development of the budget proposals for 2015/16 and to provide an update on the medium term financial forecasts.

H. BOWEN
CHIEF EXECUTIVE

B. DAWSON
CHIEF FINANCE OFFICER

Officer recommendation supported

A handwritten signature in black ink that reads "John Bowen". The signature is written in a cursive style with a large, sweeping underline that extends across the width of the signature.

Signed
Date 10.12.14

Executive Member

Consultee Executive Member and/or Support Members' Comments

Further information on this report can be obtained from
Barry Dawson, Chief Finance Officer (ext. 5451).

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GENERAL FUND REVENUE ESTIMATES SUMMARY

	2014/15		2015/16	2016/17	2017/18	2018/19	2019/20
	Original	Revised	Estimate	Estimate	Estimate	Estimate	Estimate
	£	£	£	£	£	£	£
<u>Per Lead Member reports:</u>							
Leader - Regeneration	484,210	446,580	441,230	518,810	508,970	504,050	513,340
Dep Leader - Planning	(1,279,830)	(1,259,120)	(1,323,940)	(1,375,440)	(1,385,010)	(1,359,820)	(1,387,440)
Environment	5,268,110	5,096,890	5,292,220	5,420,220	5,390,030	5,415,390	5,520,770
Housing	1,193,790	1,537,510	1,385,840	1,120,020	1,128,260	1,136,690	1,145,220
Leisure, Culture & Tourism	3,134,350	3,257,160	3,084,450	2,901,420	2,963,480	2,994,830	3,030,400
Governance & Organisational Dev't	3,471,470	3,505,360	3,613,000	3,641,420	3,681,280	3,710,440	3,742,270
Customers & Communities	1,616,550	1,643,030	1,801,300	1,872,720	1,938,960	1,994,500	2,056,330
Portfolios Total	13,888,650	14,227,410	14,294,100	14,099,170	14,225,970	14,396,080	14,620,890
Spirepride surplus	(117,220)	(36,030)	(36,000)	(36,000)	(36,000)	(36,000)	(36,000)
Communications/Marketing savings	(20,500)	0	0	0	0	0	0
Car allowance scheme	(40,000)	0	0	0	0	0	0
Crematorium surplus	(55,000)	(110,000)	(110,000)	(110,000)	(110,000)	(110,000)	(110,000)
Savings Proposals	(797,500)	67,000	(1,031,800)	(1,292,300)	(1,292,300)	(1,292,300)	(1,292,300)
Less allowance for delay etc	206,100		206,400	258,500	258,500	258,500	258,500
Pay award 2014/15 above 1%	0	(29,000)	38,600	35,320	35,390	35,460	35,530
Pension - increase in employers contribution	82,630	0	0	0	0	0	0
Pension Costs - 2017 Revaluation					140,000	140,000	140,000
Waste Collection Contract renewal			0	0	0	200,000	400,000
Saving from Cap on business rates to 2%	(9,390)	0					
Staff vacancies allowance	(150,000)	0	(150,000)	(150,000)	(150,000)	(150,000)	(150,000)

GENERAL FUND REVENUE ESTIMATES SUMMARY

	2014/15		2015/16	2016/17	2017/18	2018/19	2019/20
	Original	Revised	Estimate	Estimate	Estimate	Estimate	Estimate
	£	£	£	£	£	£	£
Total Service Expenditure	12,987,770	14,119,380	13,211,300	12,804,690	13,071,560	13,441,740	13,866,620
Interest & capital charges	(1,846,300)	(2,208,480)	(2,164,300)	(1,845,690)	(2,127,910)	(2,127,910)	(2,127,910)
Contribution to Invest to Save from projects							
Contrib (from)/to Invest to Save	6,900	(25,000)	0	0	0	0	0
Contrib from Service Improvement Reserve		(30,000)	(36,320)	0	0	0	0
Contrib from Revenue Risk Reserve		(248,750)	0	0	0	0	0
Contribution to R&R Fund	146,000	146,000	146,000	146,000	146,000	146,000	146,000
Contribution to Business Rate Reserve							
Contribution from reserves							
Bad debt provision	50,000	50,000	50,000	50,000	50,000	50,000	50,000
New burden grants/other income		(87,794)					
Surplus/(deficit) - savings target	243,855	(174,213)	(138,060)	(612,894)	(980,462)	(1,330,326)	(1,733,117)
NET EXPENDITURE	11,588,225	11,541,143	11,068,620	10,542,106	10,159,188	10,179,504	10,201,593

GENERAL FUND REVENUE ESTIMATES SUMMARY

	2014/15		2015/16	2016/17	2017/18	2018/19	2019/20
	Original	Revised	Estimate	Estimate	Estimate	Estimate	Estimate
	£	£	£	£	£	£	£

Financed By:							
RSG	3,354,621	3,354,621	2,258,956	1,394,165	673,337	320,423	(17,390)
Business Rates Baseline	3,004,464	3,004,464	3,068,253	3,160,301	3,255,110	3,352,763	3,453,346
Settlement Funding	6,359,085	6,359,085	5,327,209	4,554,466	3,928,447	3,673,186	3,435,956
Gov't Grant re tax freeze in 2014/15	47,777	47,903	47,903		0	0	0
Gov't Grant re tax freeze in 2015/16			40,252	40,252	36,227	32,604	29,344
Retained Business Rates Growth	689,018	642,378	694,853	755,900	820,192	887,875	959,103
Business rate pooling	0	0	260,000	260,000	260,000	260,000	260,000
NNDR Fund Surplus/(Deficit)	46,090	46,090	(204,000)				
Council tax support grants to parishes	(59,531)	(59,531)	(52,916)	(46,301)	(39,686)	(33,071)	(26,456)
Council Tax Fund Surplus/(Deficit)	24,968	24,968	69,958				
Efficiency Support Grant	39,332	39,000	232,000				
New Homes Bonus	462,249	462,013	628,089	851,980	925,073	1,024,230	1,100,568
Council Tax (taxbase x tax below)	3,979,237	3,979,237	4,025,272	4,125,809	4,228,935	4,334,680	4,443,078
TOTAL FINANCING	11,588,225	11,541,143	11,068,620	10,542,106	10,159,188	10,179,504	10,201,593

GENERAL FUND REVENUE ESTIMATES SUMMARY

	2014/15		2015/16	2016/17	2017/18	2018/19	2019/20
	Original	Revised	Estimate	Estimate	Estimate	Estimate	Estimate
	£	£	£	£	£	£	£

Council Tax Income:							
Taxbase Growth				0.5%	0.5%	0.5%	0.5%
Taxbase Estimate	27,463.85	27,463.85	27,781.57	27,920.48	28,060.08	28,200.38	28,341.38
Tax increase			0.00%	1.99%	1.99%	1.99%	1.99%
Band 'D' Tax	144.89	144.89	144.89	147.77	150.71	153.71	156.77
Yield =- taxbase x Band 'D'	3,979,237	3,979,237	4,025,272	4,125,809	4,228,935	4,334,680	4,443,078

GENERAL FUND REVENUE ESTIMATES SUMMARY

	2014/15		2015/16	2016/17	2017/18	2018/19	2019/20
	Original	Revised	Estimate	Estimate	Estimate	Estimate	Estimate
	£	£	£	£	£	£	£
<u>Settlement Funding Assessment (SFA):</u>							
<u>Via RSG:</u>							
Lower tier funding	3,229,981	3,229,981	2,145,414	1,282,893	564,290	213,557	(17,390)
Council Tax Support Grant							
2011/12 tax freeze grant	66,736	66,736	65,423	64,115	62,833	61,576	
Homelessness Grant	49,103	49,103	48,119	47,157	46,214	45,290	
Returned funding	8,801	8,801					
	3,354,621	3,354,621	2,258,956	1,394,165	673,337	320,423	(17,390)
<u>Via BR Baseline Funding:</u>							
Lower tier funding	2,923,645	2,923,645	2,985,204	3,076,193	3,169,929	3,266,495	3,365,977
Council Tax Support Grant							
2011/12 tax freeze grant	46,205	46,205	47,480	48,086	48,700	49,321	49,950
Homelessness Grant	34,614	34,614	35,569	36,022	36,482	36,947	37,419
Returned funding			0				
	3,004,464	3,004,464	3,068,253	3,160,301	3,255,110	3,352,763	3,453,346
<u>Total SFA:</u>							
Lower tier funding	6,153,626	6,153,626	5,130,618	4,359,086	3,734,219	3,480,052	3,348,587
Council Tax Support Grant	0	0	0	0	0	0	0
2011/12 tax freeze grant	112,941	112,941	112,903	112,201	111,532	110,897	49,950
Homelessness Grant	83,717	83,717	83,688	83,179	82,696	82,237	37,419
Returned funding	8,801	8,801	0	0	0	0	0
Total SFA:	6,359,085	6,359,085	5,327,209	4,554,466	3,928,447	3,673,186	3,435,956

2014/15 REVISED BUDGET SAVING PROPOSALS

Approved List		Included in Savings Proposals line													Included in Portfolios				
	Start	2014/15 Revised	2015/16 Original	2016/17 Original	2017/18 Original	2018/19 Original	2019/20 Original	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Date	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
BT	Renegotiate external contracts	Q2 14/15	25.0	50.0	50.0	50.0	50.0	25.0	50.0	50.0	50.0	50.0	50.0						
BT	GP:GS back filling savings	Achieved																	
BT	Review of grants to Voluntary Organisations	Achieved																	
BT	Community Safety - Safer Neigh post	Achieved																	
BT	Support Services review	Achieved																	
Gov	Restructure - Governance	Achieved																	
Fin	Restructure - Finance	Achieved																	
BT	Procurement savings	Q1 14/15		20.0	20.0	20.0	20.0		20.0	20.0	20.0	20.0	20.0						
BT	Great Place :Great Service Programme	Q1 14/15	(92.0)	254.0	368.0	368.0	368.0	(92.0)	254.0	368.0	368.0	368.0	368.0						
BT	Venture House rent income	Q1 14/15	0.0	0.0	20.0	20.0	20.0		0.0	20.0	20.0	20.0	20.0						
BT	Review of staff terms & conditions	Q1 14/15		100.0	200.0	200.0	200.0	0.0	100.0	200.0	200.0	200.0	200.0						
Regen	Museum - restructure post saving	Q3 14/15																	
Regen	Venues - operational review	Achieved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0						
Regen	Arts Development - reduced provision	Achieved																	
Regen	Rest Rooms review	Q1 15/16	-	45.0	45.0	45.0	45.0		45.0	45.0	45.0	45.0	45.0						
	Festival & events	Achieved																	
Regen	Visit Peak Dist. DMO - reduced contribution	Q1 14/15		1.5	1.5	1.5	1.5		1.5	1.5	1.5	1.5	1.5						
Regen	Derbys Economic Partnership subscription	Not achieve	-	0.0	0.0	0.0	0.0												
Regen	CCTV - operational review	Q3 14/15	0.0	61.5	88.0	88.0	88.0		61.5	88.0	88.0	88.0	88.0						
Regen	Three Valleys grant	Achieved																	
Regen	Restructure Ph 2 - T. Centre, Tourism, etc	Achieved																	
Regen	Stand Rd Fireworks	Achieved																	
Env	Enviro f&C - rats & mice (already in base)	Achieved																	
Env	Cemeteries fees and charges	Achieved																	
Env	Spirepride review	Q3 14/15	50.0	150.0	150.0	150.0	150.0	0.0	113.0	113.0	113.0	113.0	113.0	50.0	37.0	37.0	37.0	37.0	37.0
Env	Voluntary Redundancy/Retirement scheme	Q2 14/15		386.8	386.8	386.8	386.8		386.8	386.8	386.8	386.8	386.8						
	Gross Savings total		(17.0)	1,068.8	1,329.3	1,329.3	1,329.3	1,329.3	(67.0)	1,031.8	1,292.3	1,292.3	1,292.3	50.0	37.0	37.0	37.0	37.0	37.0
	20% allowance for non-achievement		3.4	(213.8)	(265.9)	(265.9)	(265.9)	(265.9)	13.4	(206.4)	(258.5)	(258.5)	(258.5)	(10.0)	(7.4)	(7.4)	(7.4)	(7.4)	(7.4)
	Net saving after 20% allowance		(13.6)	855.0	1,063.4	1,063.4	1,063.4	1,063.4	(53.6)	825.4	1,033.8	1,033.8	1,033.8	40.0	29.6	29.6	29.6	29.6	29.6

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Agenda Item 15

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Regulation 21(1)(A) of the Local Authorities (Executive
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Agenda Item 16

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