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PUBLIC

To: Members of Cabinet

Friday, 14 January 2022

Dear Councillor,

Please attend a meeting of the **Cabinet** to be held at **2.00 pm** on **Monday, 24 January 2022** in the Members Room, County Hall, Matlock, the agenda for which is set out below.

Yours faithfully

Helen E. Barrington

Helen Barrington
Director of Legal and Democratic Services

A G E N D A

PART I - NON-EXEMPT ITEMS

1. To receive apologies for absence

2. To receive declarations of interest (if any)

3. To consider Minority Group Leader questions (if any)

   Minority Group Leaders in attendance at the meeting are able to ask questions on agenda items. Any questions should be provided in writing no later than 12 noon on the day before the meeting.

To consider the following reports:

4 (a) Reserves Position and Reserves Policy (Pages 1 - 20)

4 (b) Budget Consultation Results (Pages 21 - 62)

4 (c) Revenue Budget Report 2022-23 (Pages 63 - 192)

4 (d) Capital Programme Approvals, Treasury Management and Capital Strategies for 2022-23 (Pages 193 - 250)

4 (e) Schools Block Funding Settlement 2022-23 (Pages 251 - 260)

Agenda Item

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

24 January 2022

Report of the Executive Director, Corporate Services and Transformation

Reserves Position and Reserves Policy
(Corporate Services and Budget)

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is not a Key Decision.

3. Purpose

3.1 To note the current and forecast positions for both General and Earmarked Reserves and to approve the Reserves Policy. This report should be read alongside the following reports to this Council meeting: the Budget Consultation Results Report for 2022-23, the Revenue Budget Report 2022-23 and the Capital Programme Approvals, Treasury Management and Capital Strategies for 2022-23 Report.

4. Information and Analysis

Reserves Policy

4.1 Section 43 of the Local Government Finance Act 1992 requires precepting authorities in England and Wales to assess the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

4.2 A range of safeguards are in place to prevent local authorities over-committing themselves financially. These include:

- The requirement to set a balanced budget as detailed in Section 43 of the Local Government Finance Act 1992.

- The Chief Finance Officer's (S151 Officer) duty to report on the robustness of estimates and adequacy of reserves when the Council is considering its budget requirement as set out in Section 27 of the Local Government Act 2003.

- Legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the Chief Finance Officer (S151 Officer) has responsibility for the administration of those affairs as set out in Section 151 of the Local Government Act 1972.

4.3 These requirements are reinforced by Section 114 of the Local Government Finance Act 1988, which requires the Chief Finance Officer to report to Council if there is, or is likely to be, unlawful expenditure or an unbalanced budget.

4.4 The Council has in place a Reserves Policy which ensures the Council meets its statutory obligations and sets out the framework within which decisions are made regarding the level of reserves.

4.5 In line with this framework the balance and level of Earmarked and General Reserves are regularly monitored to ensure they reflect a level adequate to manage the risks of the Council.

4.6 In a letter in August 2021, the Department for Levelling Up, Housing and Communities (DLUHC) has proposed an additional categorisation of local authority Earmarked Reserves in order to increase understanding and transparency around the purpose for which Earmarked Reserves are held. DLUHC intend to collect this data in local authorities' annual Revenue Outturn and Revenue Account Returns. To allow Officers and Members a comparison with the Council's existing Reserves Policy, the tables in the body of this report have been re-presented in Appendix Three, analysed according to the categories DLUHC has proposed.

4.7 The Reserves Policy was last approved by Cabinet on 26 January 2016. The following key amendments are proposed in this report:

- Clarifies that Earmarked Reserves are not available to the Council for use in setting its ongoing base budget.
- Revises the approval limits for the creation of new Earmarked Reserves to:
  - Up to £100,000 – Executive Director in consultation with the Director of Finance & ICT.
  - Between £100,000 and £500,000 – Cabinet Member.
  - Above £500,000 – Cabinet.
- Clarifies the authorisation for the transfer of amounts between Earmarked Reserves.
- Clarifies that a review of Earmarked Reserves balances will be conducted on an annual basis and reported to Cabinet.
- Revises the categorisation of Earmarked Reserves to align with that proposed by DLUHC.

4.8 A copy of the updated Reserves Policy has been included at Appendix Four.

General Reserve

4.9 The Council's General Reserve position was last reported to Cabinet on 29 July 2021, as part of the Revenue Outturn Report 2020-21. The level of General Reserve projections has been updated as part of the updated Five Year Financial Plan 2022-23 to 2026-27, which is included in the Revenue Budget Report 2022-23, also for consideration at this Cabinet meeting. The General Reserve balance is forecast to be between £10m and £39m over the medium term.

4.10 It is recognised that the forecast General Reserve balance over the medium term is lower than would be preferred. Restorative measures will be utilised over the period of the Five Year Financial Plan to build back up the balance of the General Reserve. There are further options around the funding of planned capital investment projects which could release in excess of £30m of revenue contributions to fund capital expenditure which could alternatively be funded from additional borrowing and the money utilised instead to ensure that the Council's General Reserve position remains at a reasonable, risk-assessed level.

Earmarked Reserves

4.11 Earmarked Reserves are a means of smoothing expenditure to meet known or predicted liabilities. Funds should be used for the item for which they have been set aside. Any funds no longer required should be transferred to the General Reserve.

4.12 Earmarked Reserves totalling £260.507m were held at 1 April 2021. Of this total, £89.760m (34%) is available to support future spending. Details of the balances, categorised in accordance with the Reserves Policy, are below.

Portfolio	Grants £m	Committed Liabilities £m	Funding Capital £m	Other £m	Not Controlled by Council £m	Total £m
AC	0.000	0.000	16.103	1.539	0.000	**17.642**
CGR	0.000	0.505	0.114	0.000	0.000	**0.619**
CSB	12.767	52.164	7.279	69.532	20.580	**162.322**
CSSG	0.622	1.076	0.198	5.067	0.008	**6.971**
HAT	0.904	1.853	1.006	13.339	0.617	**17.719**
HC	15.450	0.021	0.040	0.237	0.021	**15.769**
IE	0.135	1.012	0.028	0.000	0.003	**1.178**
SLCTCC	0.270	2.736	0.000	0.046	0.310	**3.362**
Total	**30.148**	**59.367**	**24.768**	**89.760**	**21.539**	**225.582**
Schools	0.000	0.000	0.000	0.000	34.925	**34.925**
Total	**30.148**	**59.367**	**24.768**	**89.760**	**56.464**	**260.507**

AC	=	Adult Care
CGR	=	Clean Growth and Regeneration
CSB	=	Corporate Services and Budget
CSSG	=	Childrens Services and Safeguarding
HAT	=	Highways Assets and Transport

HC	=	Health and Communities
IE	=	Infrastructure and Environment
SLCTCC	=	Strategic Leadership Culture and Tourism and Climate Change

4.13 The following Earmarked Reserves have a balance that is in excess of £5m:

4.14 **Loan Modification Gains/Losses** (£25.254m held at 1 April 2021; Corporate Services and Budget; Other) – held to meet the cost of higher interest charges arising on restructured loans which were remeasured when International Financial Reporting Standard 9 was adopted.

4.15 **Covid-19 Recovery Fund** (£15.000m held at 1 April 2021; Corporate Services and Budget; Other) – held to support the Council's and wider County recovery from the impacts of the Covid-19 pandemic.

4.16 **Covid-19 Local Authority Emergency Grant** (£11.248m held at 1 April 2021; Corporate Services and Budget; Grants) – non-ringfenced emergency grant to support local authorities with the cost pressures experienced through the Covid-19 pandemic.

4.17 **Post Covid-19 Funding Risks** (£0.000m held at 1 April 2021; £14.000m held at 30 November 2021 (Created from 2020-21 underspends); Corporate Services and Budget; Other) – contingency against potential funding losses during the Covid-19 recovery period.

4.18 **Revenue Contributions to Capital Expenditure** (£44.584m held at 1 April 2021; Corporate Services and Budget; Other) – £14.227m is held to fund future capital expenditure. The balance of £30.357m has arisen as a consequence of the Council's strategic decision to fund its capital expenditure in 2018-19, 2019-20 and 2020-21 from additional borrowing rather than its revenue budget and is held to support the management of revenue budgets over the medium term. Further contributions to this Earmarked Reserve, in the region of £2m, should be possible in 2022-23.

4.19 **Place Department: Prior Year Underspends** (£11.301m held at 1 April 2021; Highways Assets and Transport; Other) – held to finance anticipated overspends in the Place departmental budget because of a lag in the delivery of budget savings. These are expected to arise whilst delivering change in a managed way, to ensure that front line services are not unduly disrupted. It is forecast that this balance will be used by 31 March 2023.

4.20 **Public Health** (£8.532m held at 1 April 2021; Health and Communities; Grants) – the balance carried forward of the ring-fenced Public Health Grant.

4.21 **Business Rates Pool** (£6.301m held at 1 April 2021; Corporate Services and Budget; Committed Liabilities) – contains gains to the Council from participating in a business rates pool along with other authorities in Derby and Derbyshire since 2015-16. It is anticipated that this funding will support the Council's commitments to transition to a greener operating model in line with its Climate Change Policy.

4.22 **Budget Management** (£11.917m held at 1 April 2021; Corporate Services and Budget; Other) - to support the management of revenue budgets over the medium term. This balance has since been used for one-off revenue support, as approved in the Revenue Budget Report 2021-22. Subsequently, £9m has been added to the reserve as approved in the Revenue Outturn Report 2021-22 and £2.845m has been transferred from the General Reserve to fund the balance of one-off expenditure required by the Revenue Budget 2022-23. The use of further one-off amounts has been forecast in the Five Year Financial Plan 2021-22 to 2025-26.

4.23 **Planned Building Maintenance** (£6.553m held at 1 April 2021; Corporate Services and Budget, Funding Capital Projects) – there are a number of building projects that are funded from this budget. Cabinet agree a schedule to be funded from this budget.

4.24 **Older People's Housing Strategy Reserve** (£16.103m held at 1 April 2021; Adult Care; Funding Capital Project) – revenue contributions to capital expenditure, held to fund capital investment in Older People's housing. If required, this capital investment could alternatively be funded from additional borrowing and the money utilised instead to ensure that the Council's General Reserve position remains at a reasonable, risk-assessed level.

4.25 **Insurance and Risk Management** (£17.105m held at 1 April 2021; Corporate Services and Budget; Not Controlled by Council) – the Council keeps its payments to external insurance companies to a minimum by self-insuring much of its insurable risk. To cover self-insured risk, a contribution in lieu of premium is paid into an insurance fund, which comprises this reserve to cover expected liabilities and an insurance provision to cover incurred liabilities. Every four years an actuary performs an independent evaluation of the fund balance and the level of contributions. The last actuarial evaluation, completed in May 2018, confirmed that the total of this reserve and the insurance provision was adequate to meet current and anticipated liabilities.

4.26 The Council's Earmarked Reserve balances were reviewed during Autumn 2021. Departments have agreed to release £3.707m from balances, which will be utilised to support the Council in achieving a balanced budget over the medium term. This amount will initially be held in the Budget Management Earmarked Reserve. The balance of that reserve, including this transferred balance, is expected to be fully used in supporting one off expenditure detailed in the Revenue Budget Report 2022-23. Details of the balances to be released are shown in Appendix Two.

4.27 The table below summarises the forecast movement in Earmarked Reserves for the year ending 31 March 2022.

Portfolio	Reserves Brought Forward at 01.04.2021 £m	Planned Net Contribution /(Use) 2021-22 £m	Amounts to be Released to General Reserve £m	Forecast Reserves Carried Forward at 31.03.2022 £m
AC	17.642	(0.039)	(1.500)	**16.103**
CGR	0.619	2.044	0.000	**2.663**
CSB	162.322	(12.612)	(1.171)	**148.539**
CSSG	6.971	(1.567)	0.000	**5.404**
HAT	17.719	(8.871)	(1.000)	**7.848**
HC	15.769	(9.659)	0.000	**6.110**
IE	1.178	(0.747)	0.000	**0.431**
SLCTCC	3.362	1.032	(0.036)	**4.358**
Total	**225.582**	**(30.419)**	**(3.707)**	**191.456**
Schools	34.925	(1.147)	0.000	**33.778**
Total	**260.507**	**(31.566)**	**(3.707)**	**225.234**

4.28 The table below categorises projected Earmarked Reserves balances at 31 March for the next five years, in accordance with the Reserves Policy. Schools balances have been excluded from this analysis.

	Grants	Committed Liabilities	Funding Capital	Other	Not Controlled by Council	Total
	£m	£m	£m	£m	£m	£m
31.03.2021	30.148	59.367	24.768	89.760	21.539	**225.582**
31.03.2022	17.288	49.703	20.479	84.435	19.551	**191.456**
31.03.2023	13.824	39.907	12.354	53.486	18.309	**137.880**
31.03.2024	11.847	36.844	5.381	41.704	16.502	**112.278**
31.03.2025	11.256	35.007	0.092	35.035	15.889	**97.279**

5. Consultation

5.1 No consultation is required.

6. Alternative Options Considered

6.1 N/A – the Council is required to monitor and review the level of its reserves to ensure they are adequate to manage the risks of the Council. This is in accordance with the Reserve Policy which ensures the Council meets its statutory obligations regarding the level of reserves.

7. Implications

7.1 Appendix One sets out the relevant implications considered in the preparation of the report.

8. Background Papers

8.1 Held electronically by Financial Strategy Section, Financial Management & Strategy, Finance & ICT Division, County Hall.

9. Appendices

9.1 Appendix One – Implications.

9.2 Appendix Two – Amounts to be released from Earmarked Reserves.

9.3 Appendix Three – Recategorisation of Earmarked Reserves at 1 April 2021 in accordance with DLHUC proposals.

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9.4 Appendix Four – Updated Reserves Policy.

10. Recommendations

That Cabinet:

10.1 Notes the current position on Earmarked Reserves.

10.2 Notes the details of the amounts to be released from Earmarked Reserves balances.

10.3 Notes the allocation of £3.707m Earmarked Reserves released to the Budget Management Earmarked Reserve.

10.4 Approves the updated Reserves Policy.

11. Reasons for Recommendations

11.1 The balance of both the General and Earmarked Reserves support good financial planning.

11.2 Any funds in Earmarked Reserves which are no longer required for the item for which they have been set aside should be transferred to the General Reserve to ensure that the balance and level of Earmarked and General Reserves reflect a level adequate to manage the risks of the Council.

11.3 The allocation of additional funding to the Budget Management Earmarked Reserve will support the Council in setting a balanced budget in future years, through the use of one-off funding to support services.

11.4 A Reserves Policy ensures that the Council meets its statutory obligations and sets out the framework within which decisions are made regarding the level of reserves.

12. Is it necessary to waive the call in period?

12.1 No.

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Appendix One

Implications

Financial

1.1 As outlined in the body of the report.

Legal

2.1 As outlined in the body of the report.

Human Resources

3.1 None.

Information Technology

4.1 None.

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

6.1 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None.

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Appendix Two

Details of Earmarked Reserves where an amount is to be released:

Portfolio	Reserve	AC £m	CGR £m	CSB £m	CSSG £m	HAT £m	HC £m	IE £m	SLCTCC £m	Total £m
AC	Telecare	1.500								**1.500**
CSB	Chairs Fund Reserves			0.061						**0.061**
CSB	Derbyshire Discretionary Fund			0.007						**0.007**
CSB	Business Rates Appeals			0.300						**0.300**
CSB	Community Priorities Programme			0.803						**0.803**
HAT	Place: Prior Year Underspends					1.000				**1.000**
SLCTCC	Creswell Crags								0.036	**0.036**
Total		**1.500**	**0.000**	**1.171**	**0.000**	**1.000**	**0.000**	**0.000**	**0.036**	**3.707**

AC	=	Adult Care
CGR	=	Clean Growth and Regeneration
CSB	=	Corporate Services and Budget
CSSG	=	Childrens Services and Safeguarding
HAT	=	Highways Assets and Transport
HC	=	Health and Communities
IE	=	Infrastructure and Environment
SLCTCC	=	Strategic Leadership Culture and Tourism and Climate Change

Appendix Three

Recategorisation of Earmarked Reserves at 1 April 2021 in accordance with DLHUC proposals:

Portfolio	Contractual Commitments	Covid Grants	Grants	Planned Revenue Spend	Planned Capital Spend	Specific Risks	Budget Stabilisation	Other	Public Health Grant	DSG	Schools Balances	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
AC	0.000	0.000	0.000	1.539	16.103	0.000	0.000	0.000	0.000	0.000	0.000	**17.642**
CGR	0.302	0.000	0.000	0.203	0.114	0.000	0.000	0.000	0.000	0.000	0.000	**0.619**
CSB	45.756	12.515	0.253	5.240	7.279	64.496	11.917	14.864	0.000	0.000	0.000	**162.320**
CSSG	0.000	0.516	0.107	5.858	0.198	0.000	0.000	0.293	0.000	0.000	0.000	**6.972**
HAT	0.654	0.000	0.904	13.155	1.006	2.000	0.000	0.000	0.000	0.000	0.000	**17.719**
HC	0.136	4.900	2.019	0.122	0.040	0.000	0.000	0.021	8.532	0.000	0.000	**15.770**
IE	0.129	0.000	0.135	0.886	0.028	0.000	0.000	0.000	0.000	0.000	0.000	**1.178**
SLCTCC	0.318	0.000	0.270	2.085	0.000	0.000	0.000	0.689	0.000	0.000	0.000	**3.362**
Total	**47.295**	**17.931**	**3.688**	**29.088**	**24.768**	**66.496**	**11.917**	**15.867**	**8.532**	**0.000**	**0.000**	**225.582**
Schools	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	34.925	**34.925**
Total	**47.295**	**17.931**	**3.688**	**29.088**	**24.768**	**66.496**	**11.917**	**15.867**	**8.532**	**0.000**	**34.925**	**260.507**

Appendix Three

The table below categorises projected Earmarked Reserves balances at 31 March for the next five years, in accordance with the DLUHC's proposal. Schools balances have been excluded from this analysis.

	Contractual Commitments	Covid Grants	Grants	Planned Revenue Spend	Planned Capital Spend	Specific Risks	Budget Stabilisation	Other	Public Health Grant	DSG	Schools Balances	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
31.03.2021	47.295	17.931	3.688	29.088	24.768	66.496	11.917	15.867	8.532	0.000	0.000	**225.582**
31.03.2022	42.417	11.281	1.593	18.539	20.479	69.006	15.552	8.174	4.415	0.000	0.000	**191.456**
31.03.2023	39.507	11.133	0.855	8.231	12.354	61.522	0.000	2.442	1.836	0.000	0.000	**137.880**
31.03.2024	35.982	11.079	0.265	4.536	5.381	52.538	0.000	1.994	0.503	0.000	0.000	**112.278**
31.03.2025	33.881	11.079	0.178	3.892	0.092	46.538	0.000	1.620	0.000	0.000	0.000	**97.280**

Appendix Four

Reserves Policy

Peter Handford BA (Hons) PGCert FCPFA

Executive Director, Corporate Services and Transformation

Approval and Authentication

Name	Job Title	Signature	Date
Peter Handford	Executive Director, Corporate Services and Transformation		December 2021
Cabinet			24 January 2022

RESERVES POLICY

Introduction

This policy establishes a framework within which decisions will be made regarding the level of reserves held by the Council and the purposes for which they will be used and maintained.

Sections 32 and 43 of the Local Government Finance Act 2003 require local authorities to have regard to the level of resources needed to meet estimated future expenditure when calculating the annual budget requirement.

Definitions

Reserves are sums of money held by the Council to meet future expenditure. There are two principal types of reserves:

(a) General - non-specific reserves which are kept to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed over the period of the Council's Five Year Financial Plan (FYFP). The Council's general revenue reserves are held in the General Reserve Balance.

(b) Earmarked Reserves which are held for specific purposes and which are established either by statute or at the discretion of the Council.

A summary of all reserves, including in year movements and year-end balances are contained in the Council's Statement of Accounts.

General Reserve Balance

The Council will maintain an adequate level of General Reserve Balance to:

- Provide a working balance to cushion the impact of uneven cash flows and avoid unnecessary short-term borrowing.
- Provide a contingency to cushion the impact of unexpected events or emergencies.
- Plan for potential major items of expenditure.

The appropriate level of reserves for this purpose will be determined by the Council's FYFP, which will be reviewed annually and will be subject to approval by a meeting of the Council's Cabinet. However, the Council will not maintain levels of General Reserve balances that are excessive compared with appropriate minimum levels. In this context, "excessive" will be assessed and reviewed annually in the FYFP with regard to:

- The projected level of General Reserve balance at the end of the FYFP, less the appropriate minimum level.
- The annual planned use of reserves in each year of the FYFP.
- The impact of sudden large changes in annual use of balances on services or Council Tax levels.

The adequacy of the General Reserve Balance will be determined by assessing the financial risks associated with meeting continuing obligations to provide services. The risk assessment will be reviewed annually.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance about the factors which should be taken into account in determining the overall level of reserves and balances. These are:

- Assumptions regarding inflation.
- Estimates of the level and timing of capital receipts.
- Treatment of demand-led pressures.
- Treatment of savings.
- Risks inherent in any new partnerships.
- Financial standing of the Authority (i.e. level of borrowing, debt outstanding, etc.).
- The Authority’s track record in budget management.
- The Authority’s capacity to manage in year budget pressures.
- The Authority’s virements and year-end procedures in relation to under and over-spends.
- The adequacy of insurance arrangements.
- An assessment of external risks.
- Impact of major unforeseen events.
- Likely level of Government support following major unforeseen events.

The General Reserve Balance will be reviewed and projections on future balances will be made at key points during the financial year, namely as part of the budget setting process and update of the FYFP. In exceptional circumstances, the actual level of the Council’s balance may fall below the level which is considered appropriate. This is consistent with the need to provide to meet short-term unforeseen expenditure. However, the actual level will be monitored against balances outlined in the FYFP. The plan will set out the level of planned balances, as well as confirming acceptable thresholds above or below the balance. If the balance falls outside of the planned tolerance levels, a plan will be agreed by the Council to restore balances to the appropriate level.

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Earmarked Reserves
Departments may establish Earmarked Reserves from within their cash-limited budgets to properly reflect on-going financial commitments, fund future service developments or expenditure of an uneven nature. Earmarked Reserves are not available to the Council for use in setting its ongoing base budget. They are required for specific purposes and are a means of building up funds to meet known or predicted liabilities. These reserves have no upper threshold on them; however, individually their limit and purpose must be approved before they are created using the following approval limits:

- Up to £100,000 – Executive Director in consultation with Director of Finance & ICT.
- Between £100,000 and £500,000 – Cabinet Member.
- Above £500,000 – Cabinet.

Transfers between reserves shall be in accordance with the Scheme of Delegation and Financial Regulations, namely:

- Up to £100,000 – Executive Director
- Between £100,000 and £500,000 – Cabinet Member
- Above £500,000 – Cabinet

Transfers up to £100,000 between departments requires the authorisation of both relevant Executive Directors.

Balances carried forward from previous year's underspend will be allocated to a departmental reserve and proposals for their use will be subject to final approval by the Cabinet Member.

Balances should be reasonable for the purpose held and must be used for the item for which they have been set aside, if circumstances arise to which the reserve is no longer required for its original purpose, they should be transferred to the General Reserve. In order to establish that they are fit for purpose, there will be a review of balances on an annual basis, the outcome of which will be reported to Cabinet.

Earmarked Reserves will be analysed into the following categories:

- **Contractual Commitments** - Genuine liabilities that are known and current to the Council (this does not include holding a balance to cover possible future liabilities), such as PFI scheme obligations. It will also include money held on behalf of partnerships and other Councils.

- **Grants** – Any reserve that was created through the receipt of a grant (excluding Public Health and Dedicated Schools Grants). This could be due to the timing of the payment of the grant.
- **Planned future Revenue Spend** – Funding intended to meet the cost of Revenue expenditure which has yet to be incurred.
- **Planned future Capital Spend** – Amounts held to meet funding required by the capital programme.
- **Specific Risks** – Any reserve held for specific risks which can be named (this does not include balances held as general contingency or to stabilise the budget against a reduction in funding).
- **Budget Stabilisation** – Balances held to stabilise the budget against a reduction in funding.
- **Schools Reserves** - Balances which a scheme, made under Section 48 of the School Standards and Framework Act 1998, provides must be carried forward to be used for the purpose of schools. These amounts represent the amount of unspent schools' budgets.
- **Dedicated Schools Grant (DSG)** – The aggregate of these reserves should be consistent with the Council’s return to the Department for Education (DfE) made under Section 251 of the Apprenticeships, Skills, Children and Learning Act 2009. This is the balance of ring-fenced specific government grant paid in support of the Council’s schools’ budgets which is as yet unspent.
- **Other** – All other earmarked reserve balances.

School Reserves
School balances are held for two main reasons; as a contingency against financial risks and to meet planned commitments in future years.

Schools are encouraged to retain, where possible, a modest balance towards future liabilities and potential need for replacement of equipment. In order to allow the local authority to monitor schools’ financial positions, governing bodies will be asked to report to the local authority on the use which the schools intend to make of surplus balances. The local authority will focus particularly on those schools which have built up significant excessive uncommitted balances and/or where some level of redistribution would support improved provision across a local area.

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Agenda Item

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

24 January 2022

Joint Report of the Managing Director and the Executive Director, Corporate Services and Transformation

Budget Consultation Results
(Corporate Services and Budget)

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is not a Key Decision.

3 Purpose of the Report

3.1 To enable Cabinet to consider the outcome of the Council's budget consultation exercises in formulating its budgetary proposals to Full Council regarding the Revenue Budget for 2022-23.

3.2 This report should be read alongside the following reports to this meeting: the Reserves Position and Reserves Policy Report, the Revenue Budget Report 2022-23 and the Capital Programme Approvals, Treasury Management and Capital Strategies for 2022-23 Report.

4 Information and Analysis

4.1 The Council has, for a number of years, undertaken a variety of consultation exercises, using a range of methods, in the preparation of its annual revenue budget. For 2022-23 the Council devised a 'Your Council, Your Voice 2021' survey. As in the previous two years, this was an in-depth survey, combining both budget and residents' consultations, to provide even more useful information than in surveys prior to 2020-21. The headline findings from the survey are being used to refresh the Council Plan for 2022-23 and the budget consultation elements are reported on here. Plans are being formulated to undertake further analysis to support wider strategy development across the Council and engagement with residents and local communities.

Online Survey

4.2 The online survey combined both budget and residents' consultations and ran for six weeks, from 18 October 2021 to 28 November 2021. Participation in the survey has been encouraged using various means including social media posts on Twitter and Facebook, and a Facebook advertising campaign which reached 221,000 people and resulted in 13,898 clicks through to the survey. The survey was also publicised in the Council's residents' magazine Derbyshire Now, both the printed and e-version, featured in the Our Derbyshire employee newsletter, the Councillors' briefing Members' News and Community eNews. In addition, 6,296 residents who had previously expressed an interest in being involved in further consultation with the Council were e-mailed the survey directly. A total of 2,550 Derbyshire residents completed the survey. Last year, the Council attracted 2,101 responses to its survey. The survey response remains strong, especially considering the ongoing Covid-19 pandemic.

4.3 To promote participation amongst residents who are less familiar with, or have no internet access, copies of a paper consultation questionnaire, containing the same questions, were made available on request. A freepost address was used to encourage participation. A small number of paper questionnaires were sent out, but none were returned.

4.4 The average age of respondents was 56 years, with the age of respondents ranging from 16 to 90 years old. This compares to an average age of 57 for the 2021-22 consultation. Responses from the over 65 group have decreased compared to the 2021-22 consultation response, broadly returning to 2020-21 response levels for this age group, and in line with their proportion of the Derbyshire population according to the Office for National Statistics (ONS). Engagement with the 16-44 age group has increased but responses remain fourteen percentage points below their proportion of the Derbyshire population. The strongest response is again from the 45-64 age group. Of those responding, 49% were male and 51% were female, a similar proportion to the 2021-22 consultation, when 50% were male and 50% were female. This is broadly in line with the ONS gender profile for Derbyshire.

4.5 A map showing the Derbyshire location of respondents is attached at Appendix Two. If survey response rates were to follow the percentage of population in each district, the Council would expect 9% of respondents to be resident in Derbyshire Dales. The analysis shows that residents from Derbyshire Dales are over-represented in the consultation, as 18% of all respondents live in Derbyshire Dales. High Peak residents are also over-represented (3% higher), whilst those in South Derbyshire are particularly under-represented (4% lower). These findings were similar in the 2020-21 and 2021-22 consultations.

4.6 A total of 17% of respondents identified themselves as having a disability, a similar proportion to the 2021-22 budget consultation. This compares to 20% of the population identified in the 2011 Census who said their day to day activities were limited.

4.7 Further demographic analysis is attached for consideration at Appendix Three.

4.8 An infographic showing headline results in respect of the Your Council Your Voice 2021 Survey, including the budget consultation questions, has been produced and is attached at Appendix Four.

4.9 Within the survey, local people were asked six budget consultation questions to establish their views on what the Council's top and bottom three priority services should be and why they had chosen these, to rank in order of importance nine options the Council could use to save money or raise additional revenue and whether they had any other suggestions for how the Council could save money or raise additional revenue. Of the six budget consultation questions, five required respondents to select their answers from options given in the consultation and one allowed respondents to comment freely. Fewer responses were received where respondents were asked to comment freely.

4.10 The following views were expressed:

- From a choice of 22 Council services, respondents thought that the top three priorities, with the most popular listed first, should be: 'highways services including planning and maintenance' (selected by 41% of respondents as being in their top three priority services), 'waste and recycling centres' (31%) and 'environmental policy including flooding and climate change' (28%). These are the same top three priorities as in the 2021-22 budget consultation, in the same order, but the support for each has increased. These 'top priority' services were not the least frequently selected from the same list requiring respondents to select their 'bottom three priorities'. The least selected service as a bottom priority was 'safeguarding and child protection' (2%), followed by 'day care or residential care for older adults' (3%), then 'support for vulnerable children and families' (3%). These are the same bottom three priorities as in the 2021-22 budget consultation.
- The top Council service priority selected by both males and females is 'highways services including planning and maintenance', although 51% of males, compared to 32% of females, chose this service priority. The second most popular service priority for both males and females is 'waste and recycling centres'. The third most popular service priority, again for both males and females, is 'environmental policy including flooding and climate change'. A convergence of male and female views is evident, with the same service priorities selected by both groups in each of the top three positions. This differs to the budget consultation 2021-22.
- The most important reason for choosing the top Council service priorities in the survey was 'important to you or your family' (48%), followed by 'need to protect and support vulnerable people' (33%) and then 'importance of road and public transport issues' (31%).

- From the same choice of 22 Council services, the priorities which respondents thought should be at the bottom, with the ones most frequently selected first, are: ‘museums, heritage and arts services’ (selected by 41% of respondents as being in their bottom three priority services), followed by ‘grants and aid to voluntary groups’ (35%), then ‘adult community education’ (24%) - this is identical to the 2021-22 budget consultation. These ‘bottom priority’ services were not all present in the least frequently selected from the same list requiring respondents to select their ‘top three priorities’ question. The least selected service as a top priority was ‘fostering and adoption services’ (1%), followed by ‘trading standards’ (3%), then ‘adult community education’ (3%) – these are the same three as in the 2021-22 budget consultation.
- The bottom two Council service priorities above were selected most by both males and females. However, the third most selected bottom Council service priority was ‘adult community education’ overall, but ‘welfare rights advice’ for males and ‘trading standards’ for females.
- The most important reason for choosing the bottom Council service priorities in the survey was ‘other services are more important’ (69%), followed by ‘difficult to choose’ (51%) and then ‘not relevant or important to you or your family’ (43%).
- Respondents identified the most important of nine options the Council could use to save money or raise additional revenue as ‘work with other councils to deliver shared services’, followed by ‘use other ways of delivering services such as local trusts or other ‘not for profit’ partnerships’, then ‘put more services on-line’. Males and females agreed on the top three choices and their ranking. This top three is identical to both the 2020-21 and 2021-22 budget consultations.
- The least important of the nine options to save money or raise additional revenue, as ranked by both male and female respondents, was ‘increase Council Tax’. This was followed by ‘increase charges for services supplied to the public’, again selected by both male and female respondents. The overall third least important selection was ‘maintain services but do less frequently or reduce level of service’, although females selected ‘reduce or stop delivery of less important services’. This overall order is identical to both the 2020-21 and 2021-22 budget consultations.
- Most people (1,579 respondents) did not make any suggestions on alternative ways for saving money or raising additional revenue. An additional 94 people referred to services that were provided by district/borough councils or other organisations such as the Government or health. The remaining comments were grouped into a range of topics including:

- Staffing issues (168 respondents) - including reducing the number, pay, sick leave and pensions of managers and staff and using fewer consultants. Also, continually reviewing services to improve efficiency, providing value for money whilst maintaining quality of services, and embracing modern ways of working and best practice, such as working from home and holding online meetings.
- Increasing funding (74 respondents) - various ways including lobbying Government, instigating a local lottery and using the private sector to help raise finance.
- Highways issues (73 respondents) - concerned about issues such as the quality of work on potholes, leading to additional spending.
- Developing Council sites (47 respondent) – selling or leasing buildings and property or renting out unused rooms. Combining buildings to produce hubs of services.
- Combining local authorities or collaboration (36 respondents).

Focus Groups

4.11 It was agreed as part of the “Your Council, Your Voice 2021” consultation approach that a number of online focus groups would be held.

4.12 A total of 33 residents took part in five focus groups. The average age of those attending was 63 years; the youngest person was 32 and the oldest was 88. Participants were split 52% female and 48% male.

4.13 The focus groups primarily focused on value for money, satisfaction and priorities.

4.14 An infographic summarising key outcomes and demographic information from the focus groups has been produced and is included at Appendix Five.

4.15 The key issues and findings from the groups include:

- There was a view that people are less satisfied with public services in general, reflecting nationwide issues rather than specific examples relating to the Council.
- Residents confirmed that the selection of their top three priorities is primarily driven by individual use and/or need for a particular service.
- Experience of contact with Elected Members, both positive and negative, has a direct effect on satisfaction ratings.
- There is growing awareness of the different tiers of local government and public services and a desire to see more partnership working to provide effective, value for money and efficient services.

- There is increasing appetite for residents to be involved at an early stage in policy formulation and how services are delivered.
- There is a general consensus that residents would find more information about the Council's performance and finances interesting and useful in determining their views on satisfaction and value for money.
- There was wide understanding that Elected Members and senior officers have to balance many competing issues when making decisions, however residents would like more openness and transparency on how decisions are reached and why, particularly in terms of the weight given to residents' views.
- There was an increased desire to see the Council prioritise a more integrated public transport system in Derbyshire to meet not only climate change targets but to reduce the impact on the amount of vehicles using the current highway network and the damage this causes.

4.16 A detailed analysis of the consultation results and themes arising from the comments that participants contributed are included at Appendix Six.

Other Consultation

4.17 The Council's Constitution provides that the Improvement and Scrutiny Committee should also be notified of the budget proposals. The Director of Finance & ICT has engaged with the Committee regularly throughout the year, with particular emphasis on the December 2021 meeting in relation to the budget for 2022-23. The December meeting was dedicated solely to discussion around the forthcoming budget. At this meeting there were several comments, questions and views expressed by members of the Committee. The comments were around the following broad issues:

- The key drivers of costs for children's social care.
- The adequacy of the current Highways Winter Maintenance budget.
- The level of earmarked reserves held.
- Scrutiny and governance of traded services activity.

4.18 The trade unions will be consulted at the Corporate Joint Committee to be held on 27 January 2022. A verbal update will be provided at the Full Council meeting on 2 February 2022.

4.19 In addition, the Local Government Finance Act 1992 requires local authorities to consult representatives of business ratepayers in their area about the budget proposals for each financial year. The Council is seeking the views of business ratepayers by corresponding with representatives of Derbyshire and Nottinghamshire Chamber of Commerce and the Federation of Small Businesses on the Council's budget proposals. A verbal update will be provided at the Full Council meeting on 2 February 2022.

5 Consultation

5.1 No consultation is required.

6 Alternative Options Considered

6.1 Do Nothing – there is no statutory requirement to undertake budget consultation, however, a key element of the Council's budget setting process is consultation with stakeholders. Not doing this would be contra to Appendix 7 of the Council's Constitution – Budget and Policy Framework Procedure Rules.

6.2 The Council has, for a number of years, undertaken a variety of consultation exercises, using a range of methods, in the preparation of its annual revenue budget. For 2022-23 the Council devised a 'Your Council, Your Voice 2021' survey. As in the previous two years, this was an in-depth survey, combining both budget and residents' consultations, to provide even more useful information than in surveys before 2020-21.

7 Implications

7.1 Appendix One sets out the relevant implications considered in the preparation of the report.

8 Background Papers

8.1 Papers held electronically by Policy and Financial Strategy Section, Financial Management & Strategy, Finance & ICT Division, County Hall.

9 Appendices

9.1 Appendix One – Implications.

9.2 Appendix Two – Map - Location of Your Council Your Voice 2021 Survey Respondents.

9.3 Appendix Three – Demographic Profile of Budget Consultation Respondents.

9.4 Appendix Four – Infographic – Your Council Your Voice 2021 Survey Summary Results.

9.5 Appendix Five – Infographic – Your Council Your Voice 2021 Focus Groups Summary.

9.6 Appendix Six – Budget Consultation - Analysis of Consultation Responses.

10 Recommendations

That Cabinet:

10.1 Takes into account the views of consultation respondents in formulating its proposals to Full Council regarding the Revenue Budget for 2022-23.

11 Reasons for Recommendation

11.1 When setting the Revenue Budget, the Council must be mindful of the potential impact on service users. The consultation exercises which have been undertaken in the preparation of the Revenue Budget for 2022-23 are relevant in this respect. The responses to these consultation exercises must be conscientiously taken into account when setting the Revenue Budget.

12. Is it necessary to waive the call in period?

12.1 No

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Implications

Financial

1.1 The outcomes of these consultations should be used to inform service planning and help determine budget priorities.

Legal

2.1 Members are invited to have regard to the advice contained in the Revenue Budget Report 2022-23. In addition:

2.2 Under section 65 of the Local Government Finance Act 1992, as a major precepting authority, the Council has a statutory duty to consult ratepayer representatives on its annual expenditure proposals, ahead of setting its budget. Certain prescribed information must be sent to the persons the Council proposes to consult as soon as practicable and, in any event, not later than 15 February by virtue of the Non-Domestic Ratepayer (Consultation) Regulations 1992.

2.3 The Council also has a statutory duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness and when determining how to discharge this duty has to consult representatives of a wide range of local persons.

2.4 In performing these statutory duties the Council must have regard to statutory guidance issued by the Secretary of State.

2.5 The obligations set out in the Budget and Policy Framework included in the Constitution are as outlined in the body of the report.

2.6 Case law has established minimum requirements of consultation, which are:

- Consultation must be at a time when proposals are at a formative stage.
- Sufficient information must be given to permit a person to “give an intelligent consideration and response”.
- Adequate time must be given for consideration and response.
- The results of the consultation must be conscientiously taken into account in finalising any proposal and provided to the decision maker to inform their decision.

2.7 The type and extent of consultation must be proportionate to the potential impact of the proposals. The consultation exercise will be conducted in a timely fashion to enable sufficient time for the budget to be approved by Cabinet and Council in accordance with the timescales set out in the report.

2.8 The consultation activities set out in the report meet the necessary legislative and Constitutional requirements.

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 Members are invited to have regard to the advice contained in the Revenue Budget Report 2022-23.

Corporate objectives and priorities for change

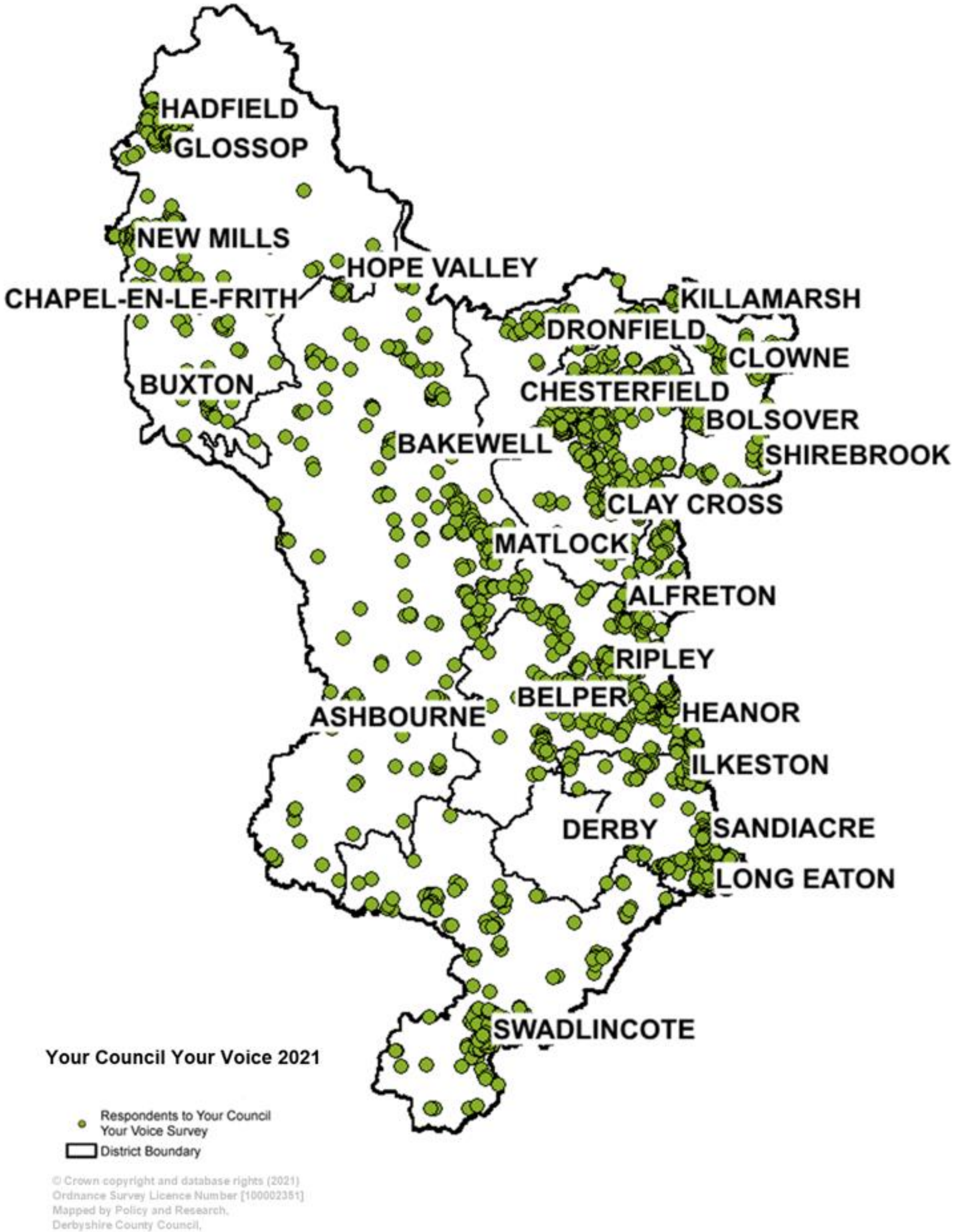
6.1 The Council Plan values commit to spending money wisely, making the best use of the resources that the Council has.

6.2 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations. The Covid-19 pandemic has increased the financial uncertainty for all local authorities. The Council is committed to ensuring that it sets a balanced budget over the medium-term, therefore ensuring good financial management and use of reserve balances to meet the costs of any unforeseeable events arising from the pandemic.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

Map - Location of Your Council Your Voice 2021 Survey Respondents



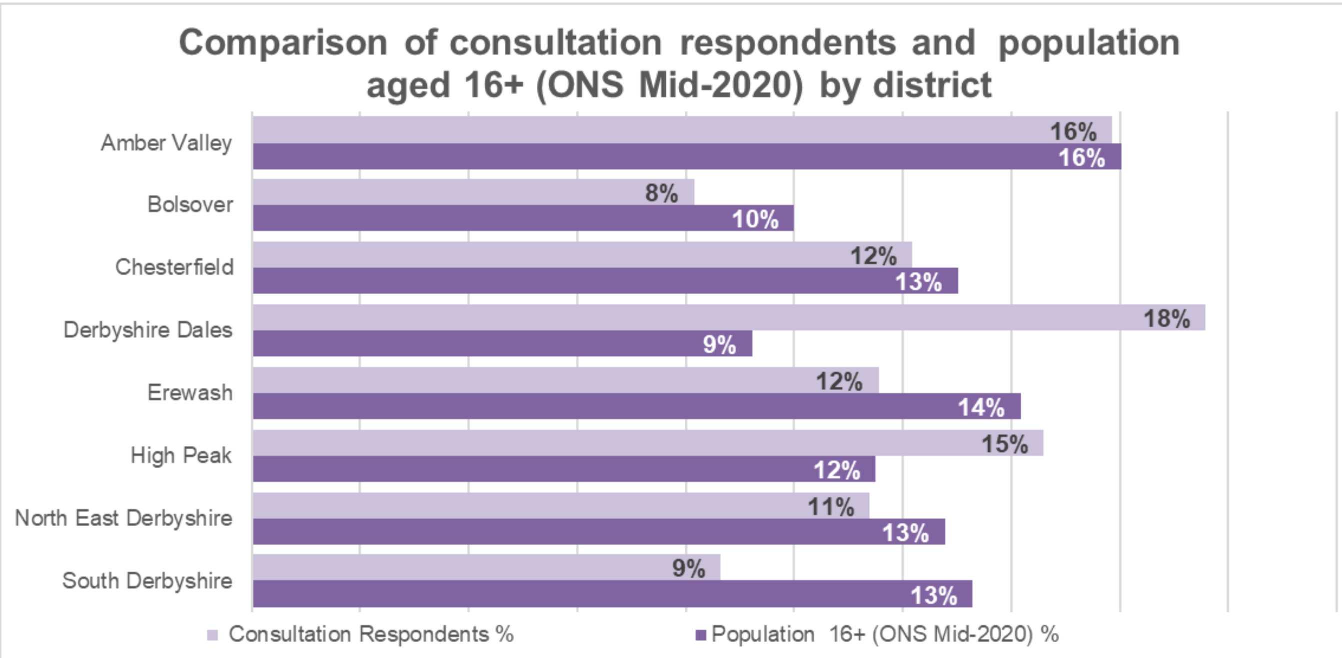
Demographic Profile of Budget Consultation Respondents

A total of 2,611 people responded to the consultation, but the analysis included in this report looks at the analysis of 2,550 respondents. This excludes the responses of 25 people who lived outside Derbyshire and 33 people who submitted multiple entries. The total number of respondents will vary for individual questions as not all respondents answered all of the questions. All responses were completed online. A small number of paper questionnaires were posted out to residents, but none were returned.

Location

The Derbyshire District of consultation respondents supplying a valid postcode has been compared to the distribution of the Derbyshire population aged 16+ according to the latest Office for National Statistics (ONS) mid-year population estimates for 2020.

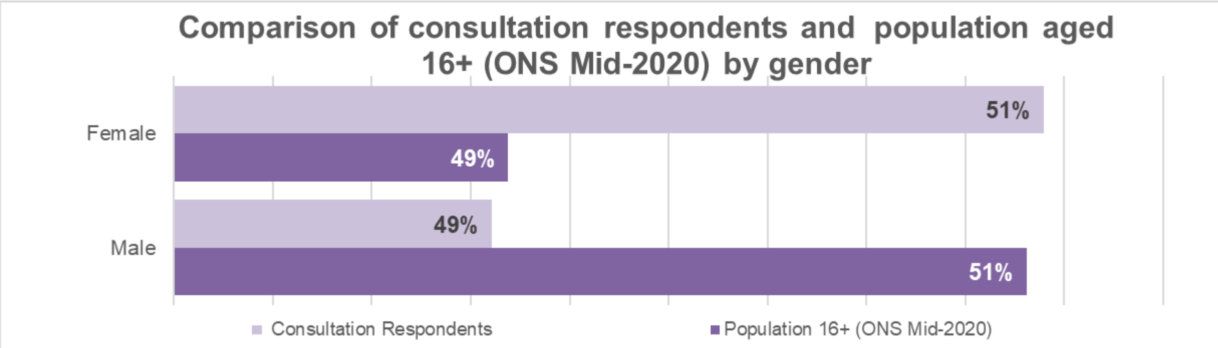
District	Consultation Respondents		Population 16+ (ONS Mid-2020)		Difference (Respondents - Population)	
	Number	%	Number	%		
Amber Valley	387	16%	107,245	**16%**	-0.2%	↓
Bolsover	199	8%	66,935	10%	-1.8%	↓
Chesterfield	297	12%	87,121	13%	-0.8%	↓
Derbyshire Dales	429	**18%**	61,763	9%	8.4%	↑
Erewash	282	12%	94,840	14%	-2.6%	↓
High Peak	356	15%	77,017	12%	3.1%	↑
North East Derbyshire	278	11%	85,524	13%	-1.4%	↓
South Derbyshire	211	9%	88,958	13%	-4.6%	↓
Total	**2,439**	**100%**	**669,403**	**100%**		



Gender

The gender and age profile of respondents have also been compared to the profile of all residents as given by the mid-2020 ONS population estimates.

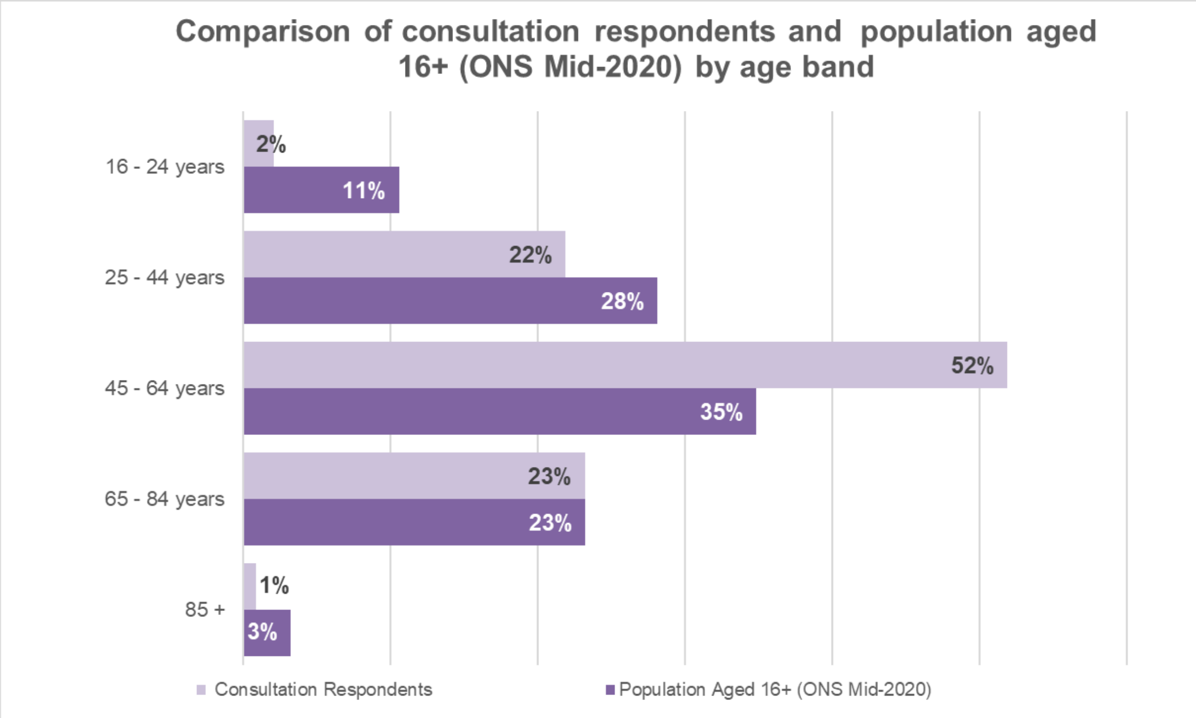
Gender	Consultation Respondents		Population 16+ (ONS Mid-2020)		Difference (Respondents - Population)	
	Number	%	Number	%		
Female	1,289	51%	325,927	49%	2.7%	↑
Male	1,219	49%	343,476	51%	-2.7%	↓
Total	**2,508**	**100%**	**669,403**	**100%**		



Age

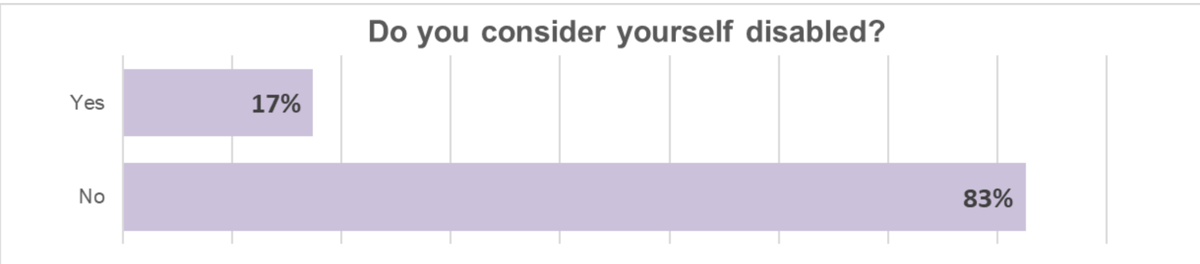
Age Band	Consultation Respondents		Population Aged 16+ (ONS Mid-2020)		Difference (Respondents - Population)	
	Number	%	Number	%		
16 - 24 years	44	2%	70,854	11%	-8%	↓
25 - 44 years	455	22%	188,274	28%	-6.2%	↓
45 - 64 years	1,078	52%	233,306	35%	17.0%	↑
65 - 84 years	482	23%	155,464	23%	0.0%	↓
85 +	18	1%	21,505	3%	-2.3%	↓
Total 16 or over	**2,077**	**100%**	**669,403**	**100%**		

The average age of respondents was 56 years.



Disability

Do you consider yourself disabled?	Consultation Respondents	
	Number	%
Yes	421	17%
No	1,995	83%
Total	**2,416**	**100%**

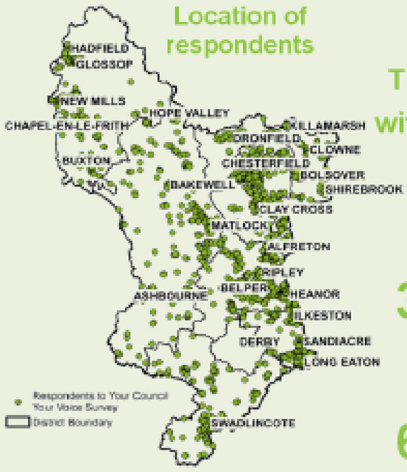


Infographic – Your Council Your Voice 2021 Survey Summary Results

Your Council Your Voice Headline Results 2021

2,550 residents responded to the survey which asked for views on a range of Council services and priorities, support and living in Derbyshire

Location of respondents



51% of respondents were female

The average age of respondents was **56** years with the youngest being **16** and the oldest **90**

42% were satisfied with how the the Council runs things

36% had given unpaid help to groups, clubs or organisations once at least once a month

47% said they trust the Council

66% agreed Derbyshire is a safe place to live

73% were satisfied with their local area as a place to live

Percentage of residents who agreed that the Council:

- Stands up for Derbyshire - 49%
- Keeps people informed about decisions - 43%
- Makes it easy to access services - 40%
- Treats people fairly - 41%
- Provides value for money - 29%

Percentage who were satisfied or dissatisfied with services:

highest satisfaction levels:

Service	%
Countryside services e.g. trails & country parks	74
Waste & recycling centres	68
Libraries	55

highest dissatisfaction levels:

Service	%
Highway services including planning & maintenance	55
Public Health	35
Support for vulnerable children & families	32

Policy & Research - November 2021
Source: Derbyshire County Council Your Council Your Voice Survey 2021
DERBYSHIRE County Council

CONTROLLED

Infographic – Your Council Your Voice 2021 Focus Groups Summary

Derbyshire Budget Consultation Online Focus Groups November/December 2021

33 residents took part in **5** online\focus groups

16 of those taking part were male and 17 female

The average age of those attending was **63** years, the youngest person was **32** and the oldest **88**

What does 'Value for Money' mean?

Generally people agreed it was difficult to judge value for money, they felt it would be useful to be given additional information to make value judgements including:

Budget information

Services provided

What influences levels of satisfaction?

communications

councillor

community

quality

trust

outcomes

involvement

information

honesty

performance

transparency

feedback

perception

Why are services selected as priorities?

The top 3 priorities from the survey are:

- Highway services
- Waste & recycling centres
- Environmental policy inc. flooding & climate change

Why?

- We all use roads in some way
- We all need to consider our actions on the planet
- We all produce waste

Priorities may vary depending on:

- How people are answering the survey
- Lack of understanding of services/information
- Respondents personal agenda

Policy & Research December 2021

Source: Derbyshire County Council Budget Online Focus Groups November/December 2020

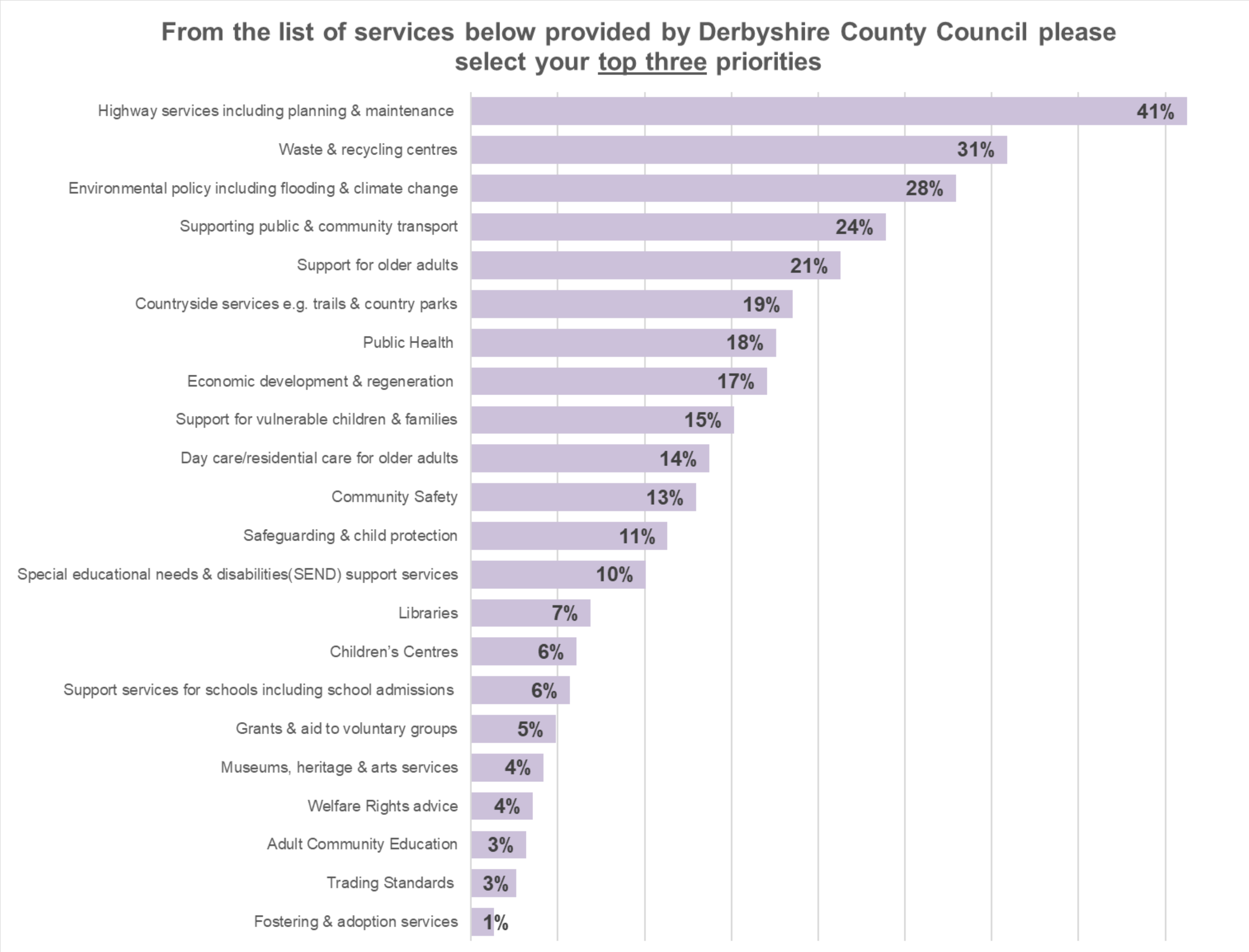
DERBYSHIRE County Council

Budget Consultation - Analysis of Consultation Responses

All Derbyshire Respondents

From the list of services below provided by Derbyshire County Council please select your <u>top three</u> priorities:

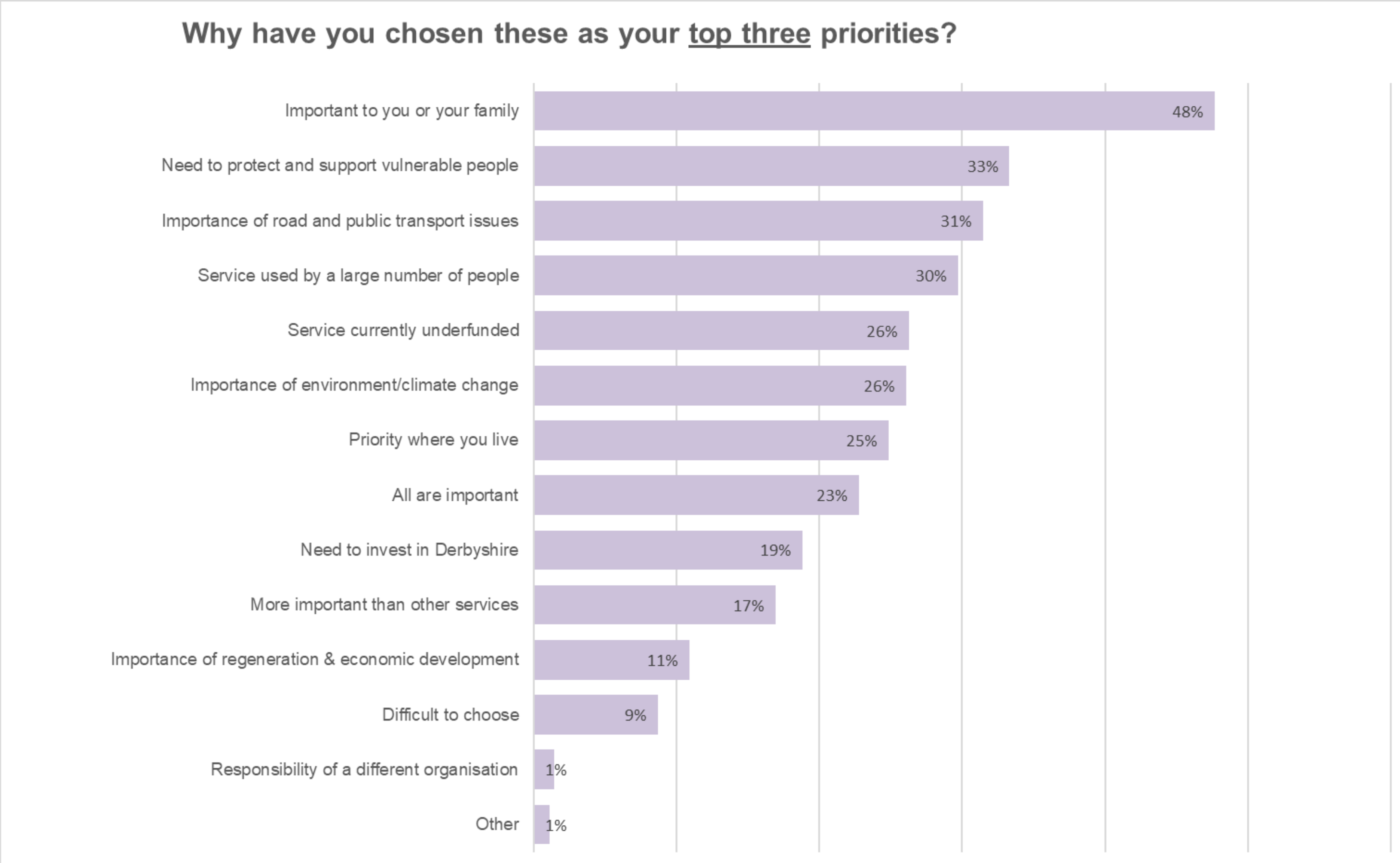
From the list of services below provided by Derbyshire County Council please select your top three priorities:			
Priority	**Consultation responses**		
	Number	**%**	**Rank**
Highway services including planning & maintenance	1,046	**41%**	**1**
Waste & recycling centres	784	**31%**	**2**
Environmental policy including flooding & climate change	708	**28%**	**3**
Supporting public & community transport	606	24%	4
Support for older adults	539	21%	5
Countryside services e.g. trails & country parks	470	19%	6
Public Health	445	18%	7
Economic development & regeneration	433	17%	8
Support for vulnerable children & families	385	15%	9
Day care/residential care for older adults	349	14%	10
Community Safety	329	13%	11
Safeguarding & child protection	286	11%	12
Special educational needs & disabilities(SEND) support services	256	10%	13
Libraries	175	7%	14
Children's Centres	154	6%	15
Support services for schools including school admissions	144	6%	16
Grants & aid to voluntary groups	124	5%	17
Museums, heritage & arts services	106	4%	18
Welfare Rights advice	90	4%	19
Adult Community Education	81	3%	20
Trading Standards	66	3%	21
Fostering & adoption services	33	1%	22
Total	**7,609**		


From the list of services below provided by Derbyshire County Council please select your top three priorities
Highway services including planning & maintenance 41%
Waste & recycling centres 31%
Environmental policy including flooding & climate change 28%
Supporting public & community transport 24%
Support for older adults 21%
Countryside services e.g. trails & country parks 19%
Public Health 18%
Economic development & regeneration 17%
Support for vulnerable children & families 15%
Day care/residential care for older adults 14%
Community Safety 13%
Safeguarding & child protection 11%
Special educational needs & disabilities(SEND) support services 10%
Libraries 7%
Children's Centres 6%
Support services for schools including school admissions 6%
Grants & aid to voluntary groups 5%
Museums, heritage & arts services 4%
Welfare Rights advice 4%
Adult Community Education 3%
Trading Standards 3%
Fostering & adoption services 1%

Public
Appendix Six

Why have you chosen these services as your top three priorities?

Why have you chosen these services as your top three priorities:			
	Consultation responses		
	Number	%	Rank
Important to you or your family	**1,538**	**48%**	**1**
Need to protect and support vulnerable people	**1,076**	**33%**	**2**
Importance of road and public transport issues	**1,015**	**31%**	**3**
Service used by a large number of people	961	30%	4
Service currently underfunded	850	26%	5
Importance of environment/climate change	842	26%	6
Priority where you live	801	25%	7
All are important	737	23%	8
Need to invest in Derbyshire	608	19%	9
More important than other services	547	17%	10
Importance of regeneration & economic development	353	11%	11
Difficult to choose	281	9%	12
Responsibility of a different organisation	46	1%	13
Other	35	1%	14


Why have you chosen these as your top three priorities?
Important to you or your family
48%
Need to protect and support vulnerable people
33%
Importance of road and public transport issues
31%
Service used by a large number of people
30%
Service currently underfunded
26%
Importance of environment/climate change
26%
Priority where you live
25%
All are important
23%
Need to invest in Derbyshire
19%
More important than other services
17%
Importance of regeneration & economic development
11%
Difficult to choose
9%
Responsibility of a different organisation
1%
Other
1%

Only 1% of respondents chose “Other” as an option, fourteen of the comments duplicated the question options; the remaining have been grouped into a range of topics including:

- Important of health and wellbeing (4)
- Support the children and young people of Derbyshire (4)
- Resource currently not up to standard (2)

Examples of comments include:

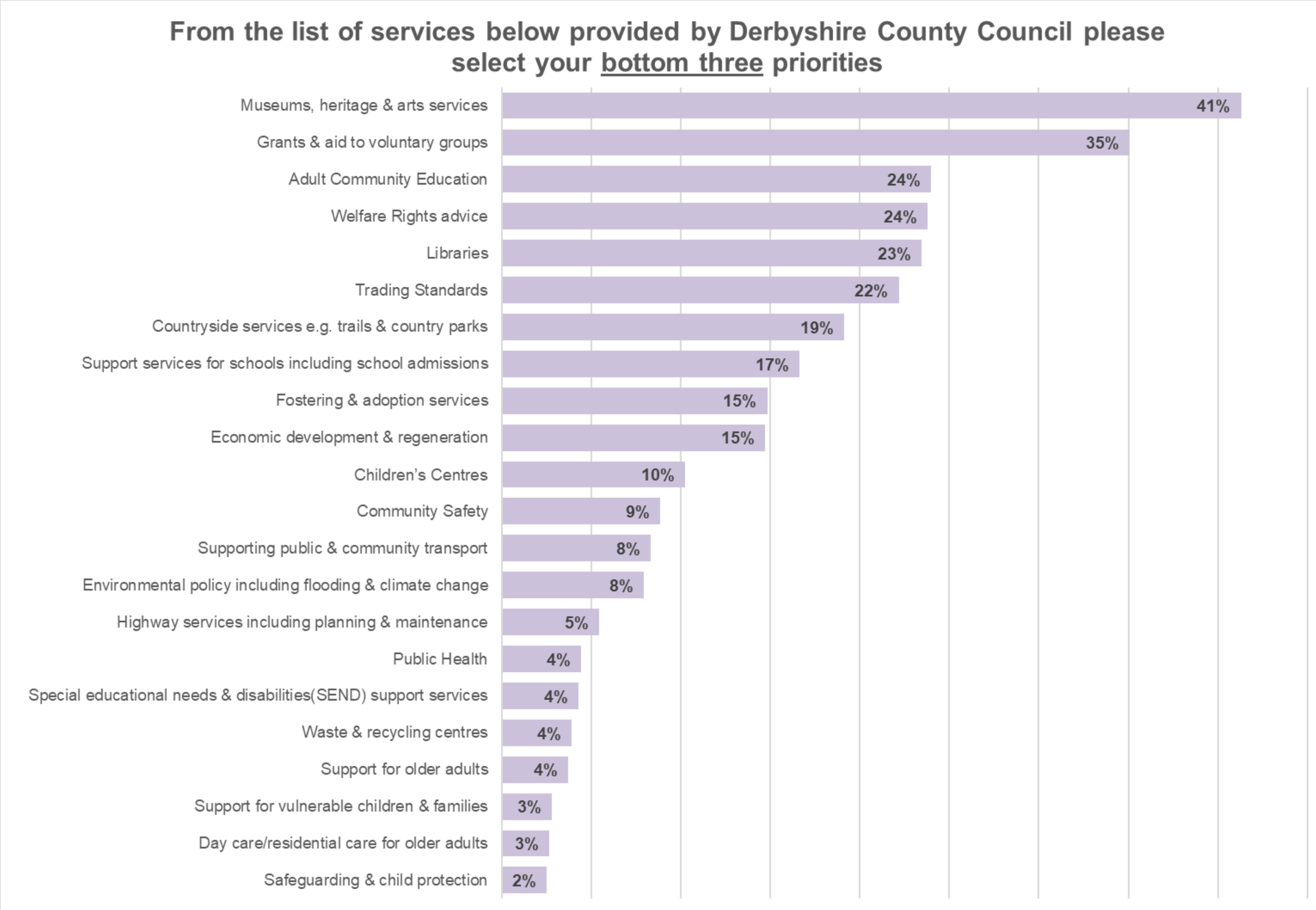
- Trading Standards should be restored to be "in house", bringing back the high level of customer advice and protection we previously enjoyed, especially in regard to on-line trading and fraudulent commerce.
- Children's services are important because children will shape the future of our community.
- Public transport services (not roads). Climate change mitigation has to be the top, without it none of rest will matter
- Highways Winter Maintenance, particularly ploughing off deep snowdrifts is very important in addition to the above items, gritting less so.
- These services affect the most vulnerable and impact on future generations.
- Steps needed to continue to protect against Covid-19 adverse effects.
- There is a lot of support for the young, old and vulnerable. As none of these what is the great mass of the people getting for our money?
- Residential care needs reforming and bringing back into public service management. The private sector is financially abusing the public and the public purse.
- Libraires connect people, provide face to face advice/signposting, help with literacy and make reading free - helping wellbeing - the library staff are excellent resource.
- I believe schools are the centre of raising new generations responsibly, they are essential support for those in need. The environment is essential to sustain life on earth. Arts and heritage are the backbone of our culture and are increasingly underfunded.
- The significance of not doing enough on climate change will impact on everything we do and cost significantly more.
- Smaller, less priority services such as welfare rights advice, can prevent people needing high cost services
- The environment is an extremely important issue, especially right now when outdoor access is so crucial to mental health during the pandemic.
- Rather than focus on distribution of funds, the focus should be on value for money/productivity of the service. How to achieve the same or more on reduced funds.
- You provide opportunity for people to learn. Those people can then change and develop. More skills and knowledge bring on more confidence.

- I believe these three choices underpin many of the others on the list and need solid foundations upon which the others can be incorporated.
- Local business is important. Need to get away from using big business and support local. Need to protect wildlife and the environment. Make animal crossings under/over roads. Many roads are dangerous...too fast, too narrow, truck drivers are dangerous, not enough parking space.
- Would have included support for voluntary agencies but I fear there is too much reliance on, and responsibility off loaded onto, volunteers, that should be a Council role. Increasing how much those of us with sufficient income pay in Council Tax would be a better way to manage budget than to cut inadequate services.

From the list of services below provided by Derbyshire County Council please select your bottom three priorities:

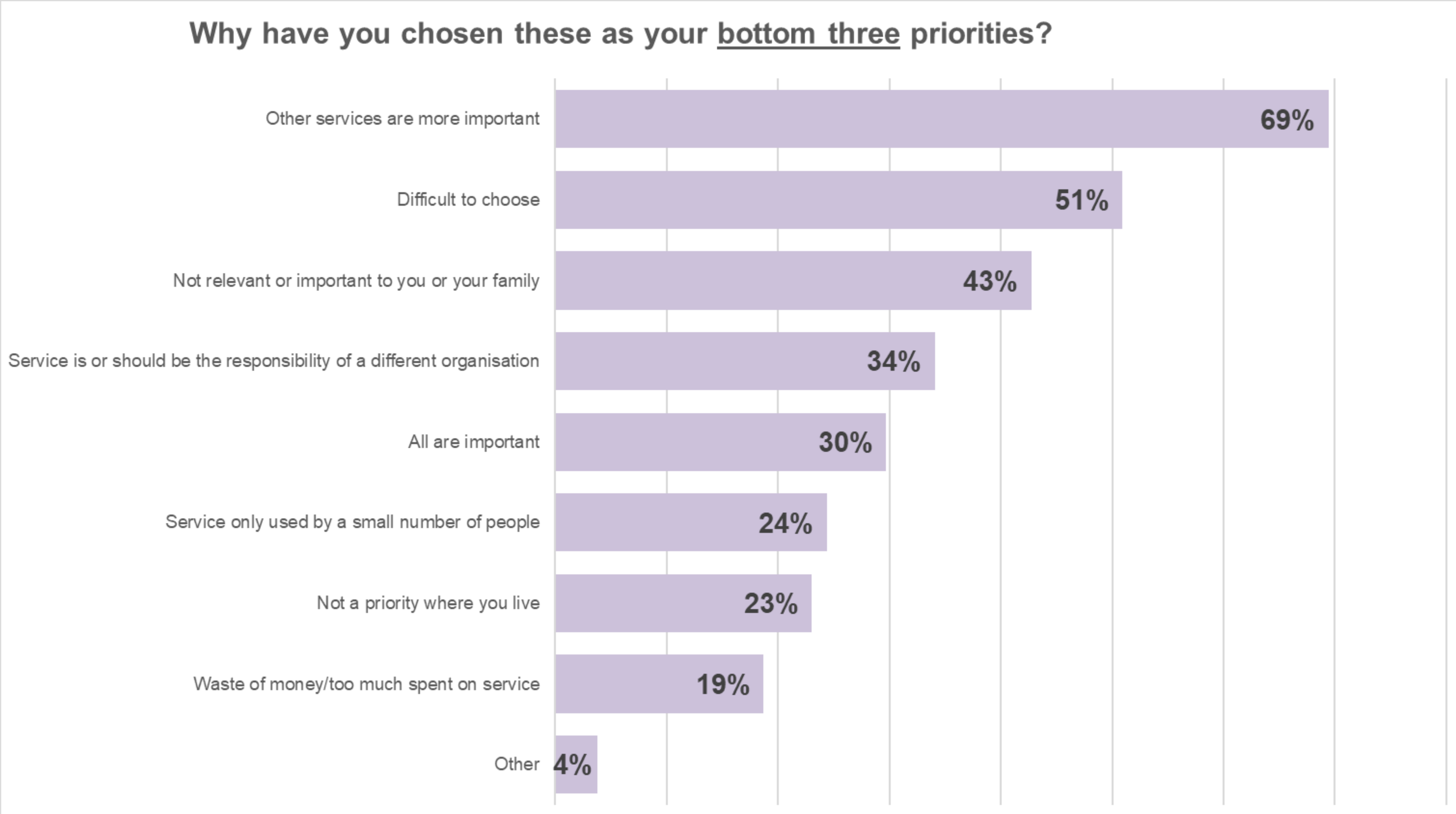
From the list of services below provided by Derbyshire County Council please select your bottom three priorities:

Priority	Consultation Responses		
	Number	%	Rank
Museums, heritage & arts services	943	**41%**	**1**
Grants & aid to voluntary groups	802	**35%**	**2**
Adult Community Education	548	**24%**	**3**
Welfare Rights advice	543	24%	4
Libraries	534	23%	5
Trading Standards	507	22%	6
Countryside services e.g. trails & country parks	437	19%	7
Support services for schools including school admissions	380	17%	8
Fostering & adoption services	339	15%	9
Economic development & regeneration	336	15%	10
Children's Centres	234	10%	11
Community Safety	202	9%	12
Supporting public & community transport	190	8%	13
Environmental policy including flooding & climate change	181	8%	14
Highway services including planning & maintenance	124	5%	15
Public Health	101	4%	16
Special educational needs & disabilities(SEND) support services	98	4%	17
Waste & recycling centres	89	4%	18
Support for older adults	84	4%	19
Support for vulnerable children & families	64	3%	20
Day care/residential care for older adults	61	3%	21
Safeguarding & child protection	57	2%	22
Total	**6,854**		


From the list of services below provided by Derbyshire County Council please select your bottom three priorities
Museums, heritage & arts services
41%
Grants & aid to voluntary groups
35%
Adult Community Education
24%
Welfare Rights advice
24%
Libraries
23%
Trading Standards
22%
Countryside services e.g. trails & country parks
19%
Support services for schools including school admissions
17%
Fostering & adoption services
15%
Economic development & regeneration
15%
Children's Centres
10%
Community Safety
9%
Supporting public & community transport
8%
Environmental policy including flooding & climate change
8%
Highway services including planning & maintenance
5%
Public Health
4%
Special educational needs & disabilities(SEND) support services
4%
Waste & recycling centres
4%
Support for older adults
4%
Support for vulnerable children & families
3%
Day care/residential care for older adults
3%
Safeguarding & child protection
2%

Why have you chosen these services as your bottom three priorities?

Why have you chosen these services as your bottom three priorities:			
	Consultation responses		
	Number	%	Rank
Other services are more important	**1,205**	**69%**	**1**
Difficult to choose	**884**	**51%**	**2**
Not relevant or important to you or your family	**742**	**43%**	**3**
Service is or should be the responsibility of a different organisation	592	34%	4
All are important	516	30%	5
Service only used by a small number of people	423	24%	6
Not a priority where you live	400	23%	7
Waste of money/too much spent on service	325	19%	8
Other	65	4%	9
Total	**5,152**		


Why have you chosen these as your bottom three priorities?
Other services are more important
69%
Difficult to choose
51%
Not relevant or important to you or your family
43%
Service is or should be the responsibility of a different organisation
34%
All are important
30%
Service only used by a small number of people
24%
Not a priority where you live
23%
Waste of money/too much spent on service
19%
Other
4%

4% of respondents chose “Other” as an option, the details provided by these respondents has been summarised into a range of topics including:

- All services are important (22).
- Difficult to choose or could not choose (10).
- Already getting enough support (6).
- Only made the choice because they had to (4).

Examples of comments include:

- Feel they should be addressed by central government.
- Highways - money should be spent on reducing vehicular use and supporting green travel.
- It is hard to choose as all services are important.
- Lots of help for adults wishing to learn at the library.
- You cannot compare without an indication of the % cost of each service.
- They are all important but when you have to balance the books you have to make difficult choices.
- Good provision already in place for recycling.
- All are worthy, but prioritising has to take place, on number of people affected by any activity.
- Doesn’t need more money spent on it.
- The relative impact of county council spending on, for example, ‘economic regeneration’ is minor.
- So much info is available online, the service can be delivered differently and resources diverted.
- Lower priority when resources are scarce and needed to be spent elsewhere.
- Community Safety must be a combined budget responsibility with Police/ HM Treasury and National Ambulance.
- Some of the other services are a statutory duty e.g. safeguarding.
- Voluntary groups should be self-funding - when I see Council money spent it often seems to lack value for money.
- You can use the Internet to resolve welfare queries – it doesn’t have to be face to face.
- Libraries are less important with the advance of technology.
- Greater priority should be given by national government.
- I either don’t use these services or feel that plenty of money is already spent on them.
- Because I think there is already plenty of money spent in these areas.
- Some cannot be utilised or waiting lists are too long.
- All important but by focusing on regeneration and community safety other issues can be resolved.

- Those selected are important, however could be delivered in the private sector if needed.
- They are all important to a well-balanced society but in different degrees to different people.
- Trading standards are terrible and should be the responsibility of other departments.
- Other funding streams are available, and it shouldn't always be the responsibility of the Council.
- Already adequately supported and financed.

Public
Appendix Six

Please rank the following options that the Council could use to save money or raise additional revenue from 1 to 9 in order of importance.
(Please rank the option you consider most important as 1, the second most important as 2 through to the least important option as 9)

Rank	Option
1	Work with other councils to deliver 'shared services'
2	Use other ways of delivering services such as local trusts or other 'not for profit' partnerships
3	Put more services on-line
4	Use Council assets to win business from the private sector
5	Reduce the number of properties the Council owns
6	Reduce or stop delivery of less important services
7	Maintain services but do less frequently or reduce level of service
8	Increase charges for services supplied to the public
9	Increase Council Tax

If you have any other suggestions for how you think the Council could save money or raise additional revenue, please provide details.

Most people (1,579) did not make any suggestions on alternative ways for saving money or raising additional revenue. An additional 94 people referred to services that were provided by district/borough councils or other organisations such as the Government or health.

The remaining comments were grouped into a range of topics including:

- Staffing issues (168 respondents) - including reducing the number, pay, sick leave and pensions of managers and staff and using fewer consultants. Also, continually reviewing services to improve efficiency, providing value for money whilst maintaining quality of services, and embracing modern ways of working and best practice, such as working from home and holding online meetings.
- Increasing funding (74 respondents) - various ways including lobbying Government, instigating a local lottery and using the private sector to help raise finance.
- Highways issues (73 respondents) - concerned about issues such as the quality of work on potholes, leading to additional spending.
- Developing Council sites (47 respondent) – selling or leasing buildings and property or renting out unused rooms. Combining buildings to produce hubs of services.
- Combining local authorities or collaboration (36 respondents).

Examples of comments include:

- Utilise online presence to free up resources for other things.
- The Council should do more to challenge underfunding from Government.
- Lobby Government for the restoration of the Government local authority grant.
- Become a Unitary Authority covering Derbyshire.
- Do not outsource to private companies, keep everything in house with fully trained permanent staff
- Combine with other regions for a centralised resource procurement body.
- More digital services and self-service. Consider e-books instead of libraries.
- Dramatically cut back/stop funding services that are irrelevant, underused or Public Relations based.
- Yearly independent audit available to the public.
- Reduce staffing that is duplicated in other departments.
- Better management of personnel, too many people doing the same job, when better management could reduce.
- Fight for better funding from Government and more equitable funding between councils.

- Businesses to sponsor projects – for example quarry companies sponsoring eco projects, motor manufacturers sponsoring transport projects.
- Promote home working and reduce the requirement for office space.
- Combine departments; train and develop staff to work in other areas, utilising skills.
- Use more volunteers. There is an army of retired people out there. Use them.
- Promote Derbyshire tourism, for instance, walks, path maintenance.
- Involve the community more in local initiatives to reduce the reliance on the Council.
- Consistently look to cut out waste in every aspect of Council expenditure.
- Continue Council employees working from home as and where practical.
- Tender for work supplied by the private sector.
- Replace free bus passes with payment of a set fee.
- A unitary authority approach is likely to be a more cost-effective way of delivering services.
- The Government needs to let councils move money about to where the Council knows they need it.
- Promote tourism in order to raise revenue from Council owned sites and properties.
- Partner with promoters and cultural groups to deliver charged events (for instance, relating to food, concerts, films, sports).
- Get businesses to invest in return for advertising.
- Utilise on-line presence to free up resources for other things.
- Increase volunteer activities in as many ways as possible (all age groups) to help improve Derbyshire.
- Don’t waste money on poor repairs to roads. Do a proper job so that repairs last.
- Ask for more money from Government.
- Monitor workforce efficiency and effectiveness with more rigour.
- Review Council land and properties. If more staff now work from home, fewer offices are required.
- Put solar panels on all Council buildings, use wind turbines, rent out office space and build on owned land.
- The Council needs to reduce the use of agencies, bringing all services back in house.
- Think long-term about decisions made today - is the Council making savings today that will cost tomorrow?
- Make efficiency savings by reducing red tape and bureaucracy, improving procurement processes and improving accuracy.
- Relocate services with other agencies to local multi agency hubs.
- The Council could involve itself in local innovation pilots and become a partner in enterprises.

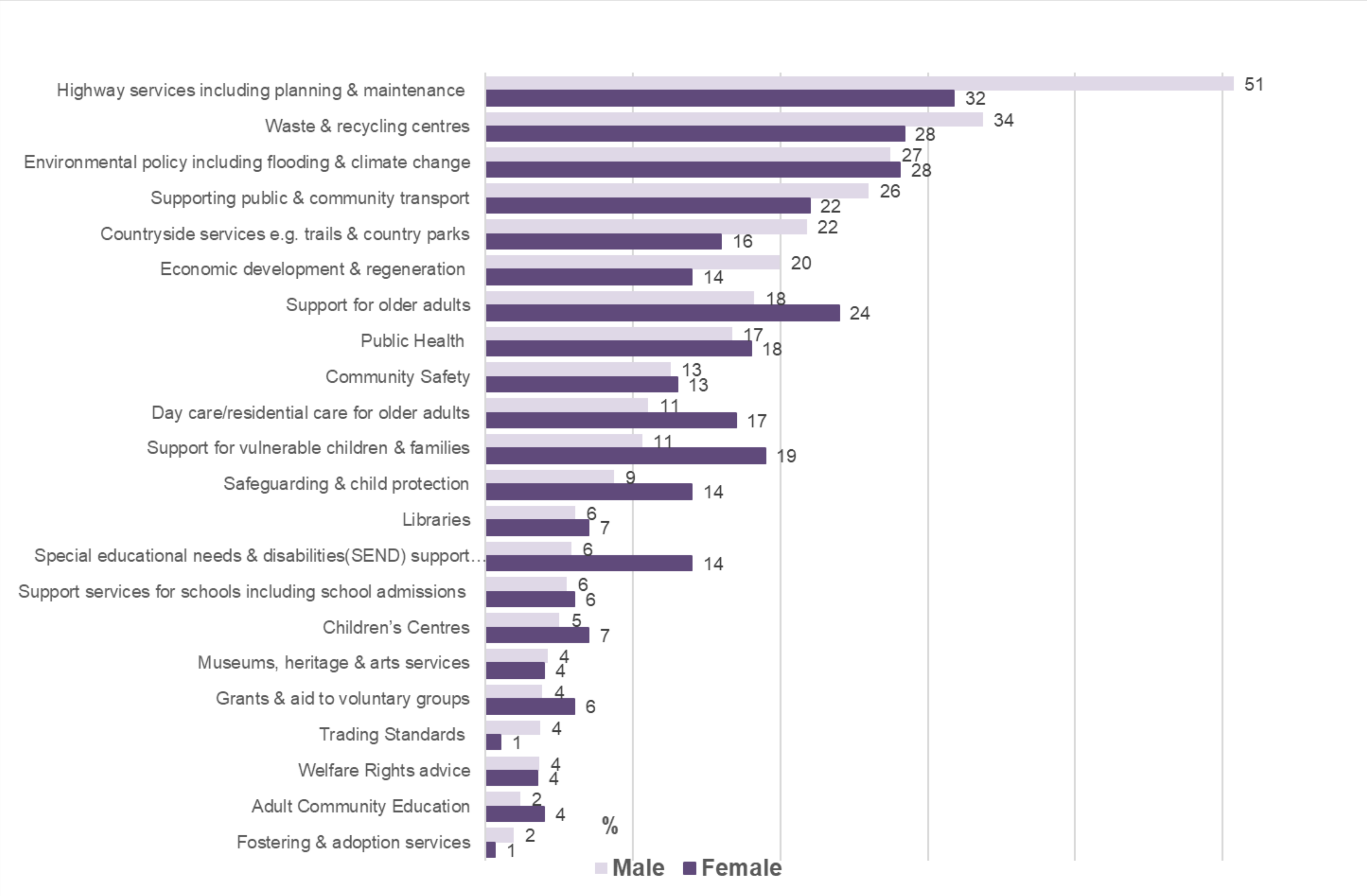
- Fundamental review of workplaces required, in light of working from home.
- Localised energy efficiency schemes for Council premises and employees.
- Make buildings as efficient as possible (solar panels, insulation, heating).
- Have a minimum charge for all for use of the waste recycling centres and let people bring all their waste regularly.
- Think long term - e.g. temporary repairs to potholes are not economical.
- Allow staff to work from home, sell expensive unoccupied buildings. Put services online.
- Check for duplication of services between, for example, health and social care and children's services.
- Coordinate services to prevent overlap or repetition, including with other organisations.
- Be less wasteful and target spending for long term results, not short-term fixes, for instance resurfacing roads.
- Look at other councils who do traded services and learn from them. The Council is a high credibility “brand”.
- Collaboration with neighbouring councils. Using local providers/ service companies / products.
- Share buildings, staff and resources with local councils and health trusts. Joint working is better for all.
- Use focus groups across different sectors, age, gender and race, to raise ideas and find out what is / isn’t working.
- Think about who the Council is giving the grants to and monitor the outcomes, make sure grants are used wisely.
- The Council would save money if they repaired potholes and speed humps to prevent claims.
- Outdoor advertising - billboards, digital advertising on bus stops. It's a huge opportunity.

Analysis of Consultation Responses – All Derbyshire Respondents By Gender

From the list of services below provided by Derbyshire County Council please select your top three priorities:

Priority	Males		Females		All Respondents	
	Number	Percentage	Number	Percentage	Number	Percentage
Highway services including planning & maintenance	615	51%	408	32%	1,046	41%
Waste & recycling centres	409	34%	365	28%	784	31%
Environmental policy including flooding & climate change	333	27%	361	28%	708	28%
Supporting public & community transport	315	26%	284	22%	606	24%
Support for older adults	221	18%	311	24%	539	21%
Countryside services e.g. trails & country parks	264	22%	200	16%	470	19%
Public Health	203	17%	236	18%	445	18%
Economic development & regeneration	242	20%	186	14%	433	17%
Support for vulnerable children & families	129	11%	248	19%	385	15%
Day care/residential care for older adults	134	11%	215	17%	349	14%
Community Safety	152	13%	168	13%	329	13%
Safeguarding & child protection	106	9%	179	14%	286	11%
Special educational needs & disabilities (SEND) support services	71	6%	181	14%	256	10%
Libraries	74	6%	96	7%	175	7%
Children's Centres	61	5%	92	7%	154	6%
Support services for schools including school admissions	67	6%	74	6%	144	6%
Grants & aid to voluntary groups	47	4%	77	6%	124	5%
Museums, heritage & arts services	51	4%	55	4%	106	4%
Welfare Rights advice	44	4%	45	4%	90	4%
Adult Community Education	29	2%	47	4%	81	3%
Trading Standards	45	4%	16	1%	66	3%
Fostering & adoption services	23	2%	8	1%	33	1%
Total	**3,635**	**300%**	**3,852**	**300%**	**7,609**	**300%**

From the list of services below provided by Derbyshire County Council please select your <u>top three</u> priorities:



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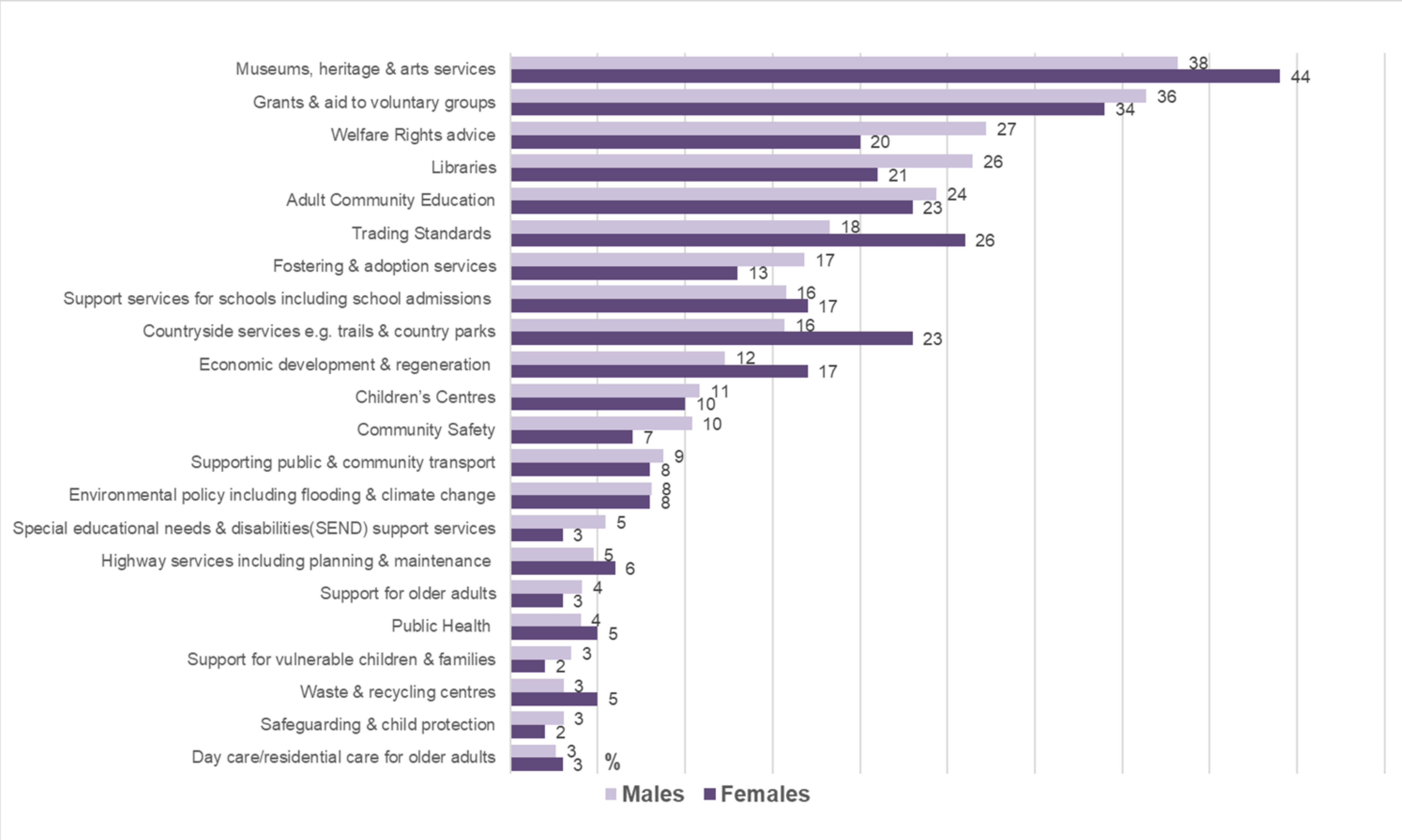
From the list of services below provided by Derbyshire County Council please select your bottom three priorities:

Priority	Male		Female		All Respondents	
	Number	Percentage	Number	Percentage	Number	Percentage
Museums, heritage & arts services	426	38%	498	44%	943	41%
Grants & aid to voluntary groups	406	36%	386	34%	802	35%
Adult Community Education	272	24%	266	23%	548	24%
Welfare Rights advice	304	27%	230	20%	543	24%
Libraries	295	26%	234	21%	534	23%
Trading Standards	204	18%	294	26%	507	22%
Countryside services e.g. trails & country parks	175	16%	257	23%	437	19%
Support services for schools including school admissions	176	16%	197	17%	380	17%
Fostering & adoption services	188	17%	148	13%	339	15%
Economic development & regeneration	137	12%	195	17%	336	15%
Children's Centres	121	11%	111	10%	234	10%
Community Safety	116	10%	83	7%	202	9%
Supporting public & community transport	98	9%	87	8%	190	8%
Environmental policy including flooding & climate change	90	8%	87	8%	181	8%
Highway services including planning & maintenance	53	5%	67	6%	124	5%
Public Health	45	4%	53	5%	101	4%
Special educational needs & disabilities (SEND) support services	61	5%	37	3%	98	4%
Waste & recycling centres	34	3%	52	5%	89	4%
Support for older adults	46	4%	37	3%	84	4%
Support for vulnerable children & families	39	3%	24	2%	64	3%
Day care/residential care for older adults	29	3%	32	3%	61	3%
Safeguarding & child protection	34	3%	22	2%	57	2%
Total	**3,349**	**300%**	**3,397**	**300%**	**6,854**	**300%**

From the list of services below provided by Derbyshire County Council please select your <u>bottom three</u> priorities:



Please rank the following options that the Council could use to save money or raise additional revenue in order of importance (Please rank one option as 1, one option as 2, one as 3 etc….)			
	Consultation responses - by gender		
	Males	**Females**	**All Respondents**
	Overall rank		
Work with other councils to deliver 'shared services'	1	1	1
Use other ways of delivering services such as local trusts or other 'not for profit' partnerships	2	2	2
Put more services on-line	3	3	3
Use Council assets to win business from the private sector	6	4	4
Reduce the number of properties the Council owns	5	5	5
Reduce or stop delivery of less important services	4	7	6
Maintain services but do less frequently or reduce level of service	7	6	7
Increase charges for services supplied to the public	8	8	8
Increase Council Tax	9	9	9

Analysis of Consultation Responses – All Derbyshire Respondents By Age Group

From the list of services below provided by Derbyshire County Council please select your <u>top three</u> priorities:

Priority	Consultation responses - by age band											
	16 to 24		25 to 44		45 to 64		65 to 84		85+		All respondents	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Highway services including planning & maintenance	11	25%	161	36%	468	44%	201	42%	9	50%	1046	41%
Waste & recycling centres	8	18%	105	23%	350	33%	155	32%	6	33%	784	31%
Environmental policy including flooding & climate change	12	27%	113	25%	315	29%	149	31%	4	22%	708	28%
Supporting public & community transport	11	25%	79	17%	216	20%	148	31%	3	17%	606	24%
Support for older adults	0	0%	64	14%	245	23%	117	24%	6	33%	539	21%
Countryside services e.g. trails & country parks	10	23%	109	24%	199	19%	79	16%	1	6%	470	19%
Public Health	7	16%	95	21%	175	16%	79	16%	2	11%	445	18%
Economic development & regeneration	10	23%	85	19%	197	18%	73	15%	2	11%	433	17%
Support for vulnerable children & families	13	30%	74	16%	159	15%	65	14%	4	22%	385	15%
Day care/residential care for older adults	2	5%	37	8%	158	15%	81	17%	5	28%	349	14%
Community Safety	4	9%	68	15%	155	14%	46	10%	1	6%	329	13%
Safeguarding & child protection	11	25%	56	12%	121	11%	51	11%	2	11%	286	11%
Special educational needs & disabilities(SEND) support services	4	9%	76	17%	102	10%	37	8%	0	0%	256	10%
Libraries	3	7%	26	6%	52	5%	51	11%	3	17%	175	7%
Children's Centres	5	11%	59	13%	49	5%	20	4%	1	6%	154	6%
Support services for schools including school admissions	5	11%	45	10%	46	4%	19	4%	1	6%	144	6%
Grants & aid to voluntary groups	6	14%	22	5%	48	4%	24	5%	0	0%	124	5%
Museums, heritage & arts services	6	14%	27	6%	43	4%	15	3%	1	6%	106	4%
Welfare Rights advice	0	0%	19	4%	47	4%	7	1%	1	6%	90	4%
Adult Community Education	0	0%	22	5%	35	3%	11	2%	0	0%	81	3%
Trading Standards	1	2%	9	2%	25	2%	10	2%	0	0%	66	3%
Fostering & adoption services	3	7%	6	1%	11	1%	5	1%	2	11%	33	1%
Total	**132**	300%	**1,357**	300%	**3,216**	300%	**1,443**	300%	**54**	300%	**7,609**	300%

From the list of services below provided by Derbyshire County Council please select your <u>bottom three</u> priorities:

Priority	Consultation responses - by age band											
	16 to 24		25 to 44		45 to 64		65 to 84		85+		All respondents	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Museums, heritage & arts services	17	39%	179	42%	397	41%	173	40%	9	51%	943	41%
Grants & aid to voluntary groups	11	25%	130	31%	324	34%	165	39%	9	51%	802	35%
Adult Community Education	11	25%	76	18%	223	23%	124	29%	6	34%	548	24%
Welfare Rights advice	4	9%	85	20%	236	25%	111	26%	5	28%	543	24%
Libraries	11	25%	109	26%	247	26%	85	20%	1	6%	534	23%
Trading Standards	17	39%	139	33%	189	20%	87	20%	1	6%	507	22%
Countryside services e.g. trails & country parks	10	23%	71	17%	164	17%	97	23%	3	17%	437	19%
Support services for schools including school admissions	7	16%	42	10%	185	19%	62	14%	4	23%	380	17%
Fostering & adoption services	6	14%	57	14%	144	15%	65	15%	4	23%	339	15%
Economic development & regeneration	8	18%	73	17%	134	14%	61	14%	2	11%	336	15%
Children's Centres	3	7%	35	8%	112	12%	43	10%	1	6%	234	10%
Community Safety	2	5%	22	5%	78	8%	49	11%	1	6%	202	9%
Supporting public & community transport	0	0%	55	13%	81	8%	23	5%	0	0%	190	8%
Environmental policy including flooding & climate change	3	7%	34	8%	73	8%	34	8%	1	6%	181	8%
Highway services including planning & maintenance	7	16%	38	9%	43	4%	15	4%	2	11%	124	5%
Public Health	2	5%	15	4%	46	5%	20	5%	1	6%	101	4%
Special educational needs & disabilities(SEND) support services	1	2%	11	3%	61	6%	14	3%	1	6%	98	4%
Waste & recycling centres	6	14%	32	8%	30	3%	9	2%	1	6%	89	4%
Support for older adults	1	2%	28	7%	33	3%	10	2%	0	0%	84	4%
Support for vulnerable children & families	0	0%	4	1%	37	4%	15	4%	0	0%	64	3%
Day care/residential care for older adults	3	7%	20	5%	27	3%	7	2%	1	6%	61	3%
Safeguarding & child protection	0	0%	10	2%	25	3%	15	4%	0	0%	57	2%
Total	**130**	300%	**1,265**	300%	**2,889**	300%	**1,284**	300%	**53**	300%	**6,854**	300%

Please rank the following options that the Council could use to save money or raise additional revenue in order of importance (Please rank one option as 1, one option as 2, one as 3 etc....)						
	Consultation responses - by age band					
	16 to 24	**25 to 44**	**45 to 64**	**65 to 84**	**85+**	**All respondents**
	Overall rank					
Work with other councils to deliver 'shared services'	1	1	1	1	1	1
Use other ways of delivering services such as local trusts or other 'not for profit' partnership	2	3	2	2	2	2
Put more services on-line	3	2	3	4	6	3
Use Council assets to win business from the private sector	4	4	4	7	5	4
Reduce the number of properties the Council owns	7	5	5	5	4	5
Reduce or stop delivery of less important services	5	7	6	3	3	6
Maintain services but do less frequently or reduce level of service	6	6	7	6	7	7
Increase charges for services supplied to the public	8	8	8	8	9	8
Increase Council Tax	9	9	9	9	8	9

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Agenda Item

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

24 January 2022

Joint Report of the Managing Director and the Executive Director, Corporate Services and Transformation

Revenue Budget Report 2022-23
(Corporate Services and Budget)

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is a Key Decision.

3 Purpose of the Report

3.1 To make proposals to Full Council regarding the Revenue Budget and Council Tax for 2022-23. This report should be read alongside the following reports to this Council meeting: the Budget Consultation Results Report for 2022-23, the Reserves Position Report and the Capital Programme Approvals, Treasury Management and Capital Strategies for 2022-23 Report.

4 Information and Analysis

4.1 The budget has been constructed in the context of currently known information. Details of the Final Local Government Finance Settlement are expected to be published in early February 2022. Information relating to the funding and income streams to the Council are set out in Appendix Two. The report commences with details of the in-year position, including the impact of Covid-19, details of the Autumn Budget and Spending Review 2021, and the Provisional Local Government Finance Settlement, including Council Tax levels, before identifying the service pressures facing the Council and consequent budget savings required. The report concludes with comments on the Council's financial standing and the robustness of the estimates made in preparing the budget.

4.2 Forecast Revenue Outturn 2021-22

4.2.1 The Revenue Budget 2022-23 is set in the context of the current in-year financial position. The forecast outturn for 2021-22 as at Quarter 2 (30 September 2021), compared to controllable budget, was reported to Cabinet on 13 January 2022 and is summarised below. The Covid-19 pandemic is continuing to have a significant impact on the Council's finances in 2021-22. The forecast outturn table shows the position net of the impact of the ring-fenced Dedicated Schools Grant (DSG) of £378.684m and Public Health grant of £42.607m, other ring-fenced grants and income from other third parties and their associated spend.

	Budget	Use of DLUHC Covid-19 & SFC Grant Funding	Adjusted Budget	Forecast Actuals	Projected Outturn	Budget Performance
	£ Millions	£ Millions	£ Millions	£ Millions	£ Millions	
Adult Care	256.903	4.058	260.961	267.223	6.262	
Clean Growth and Regeneration	0.828	0.026	0.854	0.844	-0.010	
Corporate Services and Budget	48.035	1.071	49.106	54.053	4.947	
Children's Services and Safeguarding	137.113	4.645	141.758	147.251	5.493	
Health and Communities	8.537	0.095	8.632	7.539	-1.093	
Highways and Transport	30.747	1.228	31.975	34.652	2.677	
Infrastructure & Environment	42.692	2.956	45.648	45.821	0.173	
Strategic Leadership, Culture,Tourism and Climate Change	12.763	0.079	12.842	12.937	0.095	
Total Portfolio Outturn	**537.618**	**14.158**	**551.776**	**570.320**	**18.544**	
Risk Management	24.280	0.000	24.280	3.813	-20.467	
Debt Charges	28.767	0.000	28.767	27.958	-0.809	
Interest and Dividend Income	-4.099	1.206	-2.893	-5.056	-2.163	
Levies and Precepts	0.354	0.000	0.354	0.357	0.003	
Corporate Adjustments	4.930	0.555	5.485	5.214	-0.271	
Total	**591.850**	**15.919**	**607.769**	**602.606**	**-5.163**	

4.2.2 An overall Council underspend of £5.163m is forecast, after accounting for use of £15.919m of non-ringfenced grant funding provided by the Department for Levelling Up Housing & Communities (DLUHC) to support local authorities with the impacts of the Covid-19 pandemic. This includes funding from:

- compensation for lost sales, fees and charges (SFC) income claimable under the Government scheme announced on 2 July 2020, which has been extended to 30 June 2021; and
- Covid-19 emergency grants of £15.337m awarded in 2021-22 and £11.248m awarded and brought forward from 2020-21. Any unspent balance of specific Covid-19 grants at the year-end will be earmarked for carry forward to set alongside related Covid-19 costs in 2022-23.

4.2.3 A summary of forecast portfolio Covid-19 impacts, showing use of specific funding for portfolio Covid-19 costs and use of non-ringfenced Covid-19 emergency grant funding against the balance of these portfolio costs, is provided below:

Portfolios – Forecast Covid-19 Gross Costs and Additional Income

	Covid-19 Related Costs £m	LESS: Specific Funding for Portfolio Covid-19 Costs £m	Use of DLUHC Covid-19 and SFC Grant Funding £m
Adult Care	18.154	(14.096)	4.058
Clean Growth and Regeneration	0.026	0.000	0.026
Corporate Services and Budget	1.071	0.000	1.071
Childrens Services and Safeguarding	8.593	(3.948)	4.645
Health and Communities	7.747	(7.652)	0.095
Highways and Transport	1.228	0.000	1.228
Infrastructure and Environment	2.956	0.000	2.956
Strategic Leadership, Culture, Tourism and Climate Change	0.079	0.000	0.079
Total Portfolio Covid-19 Impacts	**39.854**	**(25.696)**	**14.158**

4.2.4 A summary of the nature of specific funding for Covid-19 costs, forecast to be used towards Covid-19 portfolio costs, is provided below:

Portfolios – Forecast Use of Specific Funding for Covid-19 Costs

Adult Care	**£m**
Hospital Discharge Recharge	4.868
Infection Control Fund	9.228
Total Adult Care	**14.096**
Childrens Services and Safeguarding	
Home to School Transport	0.217
Wellbeing for Education return	0.153
Winter Grant Scheme	1.012
Covid Local Grant Scheme	2.566
Total Childrens Services and Safeguarding	**3.948**
Health and Communities	
Test and Trace	0.078
Contain Outbreak Management	7.287
Support CEV Individuals	0.269
Practical Self-Isolation Support	0.018
Total Health and Communities	**7.652**
Total Use of Portfolio Specific Covid-19 Funding	**25.696**

4.2.5 Of the forecast £18.544m portfolio overspend, the significant variances are an overspend of £6.262m overspend on the Adult Care portfolio, a £5.493m overspend on the Children’s Services and Safeguarding portfolio, a £4.947m overspend on the Corporate Services and Budget portfolio and a £2.677m overspend on the Highways and Transport portfolio.

4.2.6 The forecast £6.262m overspend on the Adult Care portfolio relates to Purchased Services costs driven by the number of new care packages required to be provided to assessed individuals.

4.2.7 The forecast £5.493m overspend on the Children's Services and Safeguarding portfolio is primarily due to continued high demand for placements for children who are in care or unable to remain at home. The needs of individual children and the availability of placements has also meant that there are an increased number of children who have been placed in both more expensive fostering arrangements and more expensive residential provision. Other factors contributing to the overspend include the price and the number of journeys associated with transporting children with educational needs to school and the safeguarding costs of supporting a greater number of children in care and children and families in need.

4.2.8 The Council plans to support the Children's Services and Safeguarding portfolio through allocations of a combination of ongoing budget growth and one-off funding to put these services on a sustainable financial footing by the time mitigation measures are able to stabilise the demand pressures on looked after children. Recent modelling suggests that demand is likely to level off by 2023-24.

4.2.9 The forecast £4.947m overspend on the Corporate Services and Budget portfolio is mainly due to current and prior-year savings targets which are not expected to be achieved in 2021-22, relating to the Corporate Property function, running costs on buildings that are awaiting disposal and a delay in the implementation of the new Legal Services operating model.

4.2.10 The forecast £2.677m overspend on the Highways and Transport portfolio relates to the Winter Service budget and to savings targets which have not yet been allocated to specific services.

4.2.11 There is a forecast underspend on corporate budgets in 2021-22. The underspend on the Risk Management budget relates mainly to a contingency amount of £8.000m set aside to mitigate general risks arising from the current uncertain environment resulting from Covid-19 and £13.000m of additional non-ringfenced grants which were announced after the 2021-22 Revenue Budget was set. An underspend on the Debt Charges budget is forecast as the portfolio of the Council's long-term loans is repaid and interest on this debt reduces. A favourable variance is forecast in the Interest and Dividends budget. The Council utilises a range of investments to maximise its income on cash balances.

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4.3 Autumn Budget and Spending Review 2021

4.3.1 The Spending Review 2021 (SR 2021) was launched on 7 September 2021, along with plans for Social Care Reform. These Social Care Reform plans include:

- 1.25% increase in National Insurance (NI), from April 2022, ring-fenced for health and social care.
- From April 2023, the NI increase will be legislatively separate and separately identified on employees' pay slips as a separate Health and Social Care Levy. It will also apply to individuals working above state pension age.
- 1.25% increase in tax on share dividends, from April 2022.
- These changes will raise £36bn UK-wide, of which an average of £5.4bn will be for adult social care over the next three years.
- An £86,000 cap on total care costs and means-testing for financial support to people with less than £100,000 in relevant assets will be implemented from October 2023.

4.3.2 On 27 October 2021, the Government announced the details of the Autumn Budget and SR 2021, which sets out public spending totals for three years, from 2022-23 to 2024-25.

4.3.3 The Office of Budget Responsibility (OBR) forecasts that Gross Domestic Product (GDP) will rise by 6.5% in 2021. The OBR now expects the economy to regain its pre-pandemic size around the turn of the year, earlier than the previously expected mid-2022. All medium-term forecasts are revised upwards.

4.3.4 The key announcements in the Autumn Budget and SR 2021, relevant to local government, were:

- Core spending power for local authorities is estimated to increase by an average of 3% in real terms each year over the SR 2021 period, including investment in Adult Social Care reform.
- The approach to allocating funding in 2022-23 will be set out in the Provisional Local Government Finance Settlement.
- There will be further engagement with the sector on wider reforms to be implemented in subsequent years.
- Around £1.6bn of new funding is allocated over each year of the SR 2021 period, for social care and other services. This is the largest increase in core local government funding in over a decade. Funding for the additional cost of NI for Social Care is included in this new funding. Over the SR 2021 period, this funding also includes:
    - £200m to expand the Supporting Families programme
    - £37.8m to address cyber security issues facing local government.

- A further £3.6bn of the £5.4bn of funding for adult social care reform announced on 7 September 2021 will be routed through local government, to implement the cap on personal care costs and changes to the means test. This funding will also help local authorities better sustain their local care markets by moving towards a fairer cost of care.
- Within the Department for Health and Social Care settlement is £1.7bn from the £5.4bn of funding for adult social care reform, which will be invested over three years to improve social care more broadly, of which at least £500m will be dedicated to improving skills, qualifications and wellbeing in the adult social care workforce.
- The Government will maintain the Public Health Grant in real terms over the SR 2021 period.
- £259m is allocated over the SR 2021 period to maintain capacity and expand provision in secure and open residential children’s homes.
- Investment of £500m over the next three years to transform ‘Start for Life’ and family help services in half of the council areas across England. This will fund a network of Family Hubs, Start for Life services, perinatal mental health support, breastfeeding services and parenting programmes. It includes an additional £200m for the Supporting Families programme.
- Provision of £200m each year to continue the holiday activities and food programme for disadvantaged children in England.
- A 2% per year Council Tax general increase is assumed, with an additional 1% per year of Adult Social Care Precept (ASC Precept) for social care authorities. Local authorities can carry forward unused ASC Precept in 2021-22, in addition to the 1% cap in 2022-23.
- Reform of business rates, including a significant tax cut for retail, hospitality and leisure industries. Local authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs. There will be additional compensation for under-indexation of the Business Rates multiplier, including the gap between CPI and RPI inflation rates, and will be additional to the £4.8bn increase in core spending power.
- It was also announced that there will be more frequent Business Rates revaluations, which will be every three years from 2023.
- There will be an increase in the National Living Wage (NLW) by 6.6% to £9.50 an hour for people aged 23 and over, starting on 1 April 2022. The Government continues to aim for a NLW of two-thirds of median incomes by 2024.
- The Government will oversee an increase in skills spending over the parliament, up by £3.8bn.
- An additional £4.7bn towards the core schools’ budget in England by 2024-25.

- Allocation of £2.6bn over the SR 2021 period for 30,000 new school places for children with special educational needs and disabilities (SEND) in England.
- £3.2bn for educational recovery over the SR 2021 period, including a £1bn Recovery Premium for the next two academic years, and support for additional learning hours, tutoring courses for disadvantaged pupils and teacher training.
- £560m towards youth services in England.
- Announcement of the first local infrastructure projects to receive £1.7bn in allocated funding through a £4.8bn multi-department Levelling Up Fund.
- The first 21 projects to be funded by a £150m Community Ownership Fund were also announced.
- Up to £200m was announced to deliver eight Freeports in England.
- The UK Shared Prosperity Fund is the successor to the EU Structural Fund programme, and funding will rise to £1.5bn a year by 2024-25.
- The Levelling Up White Paper will provide further information on the Government's plans regarding devolution deals.
- Allocation of £2.7bn over the next three years for local roads maintenance in places not receiving City Region Settlements.
- Bus investment of £3bn across the parliament, including a new dedicated commitment of £1.2bn for bus transformation deals in England, to deliver London-style services, fares and infrastructure improvements.
- Additional income in 2024-25 from the Extended Producer Responsibility Scheme, for managing packaging waste in the final year of the SR 2021 period.
- £34.5m of additional funding over the SR 2021 period to further strengthen local delivery and transparency. This funding will help to strengthen the sector's procurement and commercial capacity, establish the Audit Reporting and Governance Authority as the new local audit systems leader, and help local councils meet new transparency requirements.

4.4 Local Government Finance Settlement

4.4.1 Details of the Provisional Local Government Finance Settlement 2022-23 (Provisional Settlement) were published on 16 December 2021. The Provisional Settlement was broadly in line with the indicative quantum announced in the Autumn Budget and SR 2021. Publication marked the start of a four-week consultation period. The Director of Finance & ICT submitted the Council's response to the Provisional Settlement ahead of the deadline for responses, which was 13 January 2022, following consultation with the Cabinet Member, Corporate Services and Budget. A copy is attached at Appendix Three. Details of the Final Settlement are expected to be published by early February 2022. This may be after the Council has formally set its budget and Council Tax on 2 February 2022. Whilst this presents a risk, it is felt to be manageable within the context of the Council's overall finances.

4.4.2 Further to the key announcements relevant to local government from the Autumn Budget and SR 2021, the headlines from the Provisional Settlement and associated Technical Consultation, and later announcements, are:

- SR 2021 announced additional funding for local government of £1.8bn, this being £1.6bn of new grant funding and £0.2bn for adult social care reform. The new grant funding of £1.6bn has been allocated to local authorities as follows:
    - £822m 'one-off' 2022-23 Services Grant.
    - £636m Social Care Grant.
    - £73m additional un-ringfenced funding allocated to the Revenue Support Grant.
    - £63m additional Improved Better Care Fund.
- The Council Tax basic referendum principle will be a 1.99% increase for 2022-23 with an additional 1% flexibility for the ASC Precept, plus any carry forward from 2021-22 where local authorities have not taken the full 3% ASC Precept increase allowed in that year.
- The Government's intention was for a reform of the New Homes Bonus (NHB) system to be implemented for 2022-23 and this has not happened. Therefore, there has been a new £333m payment for local authorities.
- Allocations of the Public Health Grant are expected to be announced in January 2022 and are most likely to rise with inflation, however, this is still to be confirmed.

- SR 2021 confirmed that the schools budget will increase by £4bn, from £49.8bn in 2021-22 to £53.8bn in 2022-23. Government also announced that £2.6bn of capital funding was being allocated for school places for children with SEND. The Dedicated Schools Grant (DSG) announcement contains an additional £325m of High Needs funding, in addition to that announced in SR 2021, bringing the total additional High Needs funding to £1bn for 2022-23. A package of £1.8bn over the three-year Spending Review period for education recovery was also confirmed, including a £1bn Recovery Premium for the next two academic years for schools. As a result of the DSG announcement, every local authority area is forecast to see a cash terms increase of at least 4.7% per pupil in its mainstream school funding, alongside the high needs funding increases.
- There is no additional funding to support Covid-19 related costs, however, there was an indication that this would be visited early in 2022, in the event that further restrictions are implemented.
- In addition to the above, local authorities have been allocated £162m for adult social care reform, through a 'Market Sustainability and Fair Cost of Care Fund'. The allocation for Derbyshire is £2.4m. The Government is consulting on the methodology for distribution of this fund, with the preferred option of using the adult social care relative needs formula. The 2022-23 funding is designed to ensure local authorities can prepare their markets for reform. To prepare markets, the Government expect local authorities will carry out activities such as:
    - Conduct a cost of care exercise to determine the sustainable rates and identify how close they are to it.
    - Engage with local providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market (particularly the 65+ residential care market, but also additional pressures to domiciliary care).
    - Strengthen capacity to plan for, and execute, greater market oversight (as a result of increased section 18(3) commissioning) and improved market management to ensure markets are well positioned to deliver on our reform ambitions.
    - Use this additional funding to genuinely increase fee rates, as appropriate to local circumstances. To fund core pressures, local authorities can make use of over £1bn of additional resource specifically for social care in 2022-23. This includes the increase in Social Care Grant and the improved Better Care Fund, a 1% ASC Precept and deferred flexibilities from last year's settlement.

- As a condition of receiving further grant funding relating to the Market Sustainability and Fair Cost of Care Fund' in the two following years, local authorities will need to submit to the Department of Health and Social Care (DHSC):
    - A cost of care exercise – produced by surveying local providers for 65+ residential and nursing care and 18+ homecare to determine a sustainable fee rate for different care setting. Exercises will need to accurately reflect local costs such as staff pay and travel time and provide for an appropriate return on capital or return on operations. Local authorities will be expected to publish the exercises.
    - A provisional market sustainability plan setting out local strategy for the next 3 years (2022 to 2025) – using the cost of care exercise as a key input, this provisional plan will demonstrate the pace at which local authorities intend to move towards a sustainable fee rate, in particular taking account of the impact of section 18(3) as well as other pressures they have identified. The Government also expects to see strategic planning for changes in types of provision in response to local need with other local areas, taking into consideration the role of new models of care (including housing).
    - A spend report – this will detail how money has been allocated in line with the Government's expectations in order to achieve a more sustainable local market as set out above.

Future Funding Levels

4.4.3 A multi-year settlement provides local authorities with some certainty, supporting medium-term financial planning and financial sustainability. The Provisional Settlement provides provisional allocations for one year only. It is disappointing that the Provisional Settlement has failed to announce a multi-year settlement, as it constricts the flexibility of local authorities to balance budgets across the medium term. The local government sector has implored Government for a multi-year settlement. Meetings with Government representatives during Autumn 2021 indicated that next year would be the first year of a multi-year settlement. However, despite the signals, 2022-23 will be the fourth continuous single-year settlement.

Settlement Funding Assessment

4.4.4 Settlement Funding Assessment (SFA) is made up of Revenue Support Grant (RSG), Business Rates Top-Up (both of which are received directly from Government) and localised Business Rates, which are received directly from the district and borough councils. Details of the allocations are summarised below:

	2021-22 allocations £m	2022-23 allocations £m
Revenue Support Grant	13.813	14.231
Business Rates Top-Up	94.892	94.892
Business Rates – Local*	12.257	15.875
	120.962	**124.998**

*2021-22 Business Rates – Local - updated for final 2021-22 estimates.

- **Revenue Support Grant -** RSG has increased in line with the Consumer Price Index (CPI) between September 2020 and September 2021, with no change to the distribution of RSG from that used in 2021-22.

- **Business Rates Top-Up -** Business Rates Top-Up has not increased. This is in line with the freeze in the Business Rates multiplier. However, the 'business rates capping' grant, has increased to compensate for the under-indexation of the multiplier. The Government has fixed, in real terms, authorities' retained business rates baselines until the business rates system is reset, with no alteration of the existing mechanism for determining tariff and top-up payments in 2022-23.

- **Business Rates – Locally Retained -** The figure for Local Business Rates shown in the table above is the Council's high-level estimate of its Derbyshire business rates income for 2022-23, based on previous years' income and the assumption that there will be a 1% growth in local business rates taxbase in 2022-23 but a deficit on the collection fund of £3.500m as a result of the Covid-19 pandemic (2021-22: £6.927m). No 2022-23 business rates estimates have been received from the billing authorities. Although the billing authorities have until 31 January 2022 to provide the Council with the final estimates for 2022-23 growth to be used in setting the budget, the difficulties for billing authorities of forecasting during the Covid-19 pandemic mean that this information will again be received later than was usual pre-pandemic.

  The Council receives 9% of business rates collected locally. A verbal update of the business rates income forecast will be provided at the meeting, when it is expected that some information will have been received. As a result, the Council's estimate of locally retained business income could change to a greater extent than in a 'normal' year. Any changes to the figure shown in Appendix Two will be managed through the Risk Management Budget or Reserves.

New Homes Bonus (NHB)

4.4.5 The NHB grant was introduced in April 2011. The scheme is aimed at encouraging local authorities to grant planning permission for the building of new houses and then share in the additional revenue generated. It is paid annually from a top slice of RSG. The allocations tend to favour councils with lower tier responsibilities. The Government’s intention was for a reform of the system to be implemented for 2022-23 and this has not happened. There is a new £333m payment for local authorities in 2022-23 and the allocation for the Council is better than anticipated, at £1.868m.

4.4.6 The payment methodology is the same as in 2021-22. As announced in 2020-21, no legacy payments will be made on new allocations from 2020-21 onwards; meaning that the 2020-21-2022-23 bonuses are not included in the calculation of payments in 2022-23. The final outstanding legacy payment will be made on the allocation from earlier years, as previously announced.

General Grant

4.4.7 Details of further grant allocations are set out in the table below:

	2021-22 £m	**2022-23 £m**
Improved Better Care Fund (iBCF)	34.682	35.713
Business Rates Capping*	9.176	9.274
Social Care Grant	27.617	37.628
2022-23 Services Grant	0	7.781
Local Council Tax Support*	6.000	0
Local Tax Income Guarantee Scheme for 2020-21**	0.700	0
Independent Living Fund*/***	2.534	0
Extended Rights to Free Travel*/***	1.405	0
Local Reform and Community Voices Grant*/***	0.520	0
War Pensions Scheme Disregard*/***	0.162	0
Prison Services*/***	0.094	0
Moderation Phonics Grant*/***	0.033	0
Financial Transparency Grant*/***	0.017	0
	82.940	**90.396**
Covid-19 (C-19) Grants:		
C-19 Local Authority Support	15.337	0
C-19 Additional Dedicated Home to School Transport*	0.094	0
C-19 Wellbeing for Education Return*	0.121	0
C-19 Clinically Extremely Vulnerable*	1.294	0
C-19 Sales, Fees and Charges Scheme*	1.473	0
Total	**18.319**	**0**

* 2021-22 figures updated from Revenue Budget Report following announcement/release of allocations.
** 2021-22 includes forecast amount for grants/funding announced and expected to be received by the end of 2021-22.
*** For 2022-23 awaiting Government information about this grant; where numbers are included it is considered likely that funding will be received at around 2021-22 levels or an indicative allocation has been received.

- **Improved Better Care Fund (iBCF)** – the Comprehensive Spending Review 2015 announced that £1.5bn would be added to the ring-fenced Better Care Fund progressively from 2017-18. This was later increased by £2bn, at the Spring Budget 2017, allocated over a three-year period, reaching £1.837bn in 2019-20 nationally. In 2020-21 the iBCF additionally incorporated £240m of funding allocated as a Winter Pressures Grant in 2019-20, no longer ring-fenced for alleviating NHS winter pressures. For 2021-22, funding was maintained at 2020-21 cash terms levels (£2.1bn). For 2022-23, the 2021-22 allocation has been uplifted by £63m for the change in CPI between September 2020 and September 2021, with the existing distribution formula again unchanged.

- **Business Rates Capping** – compensates authorities by means of Section 31 grants for reductions in business rates income, following decisions by Government to change the rate relief for some organisations in the 2018 Budget and for changes in the uprating of the business rate multiplier from the Retail Price Index (RPI) to the lower CPI. The amount included in the Council’s 2022-23 budget calculation is the Council’s Provisional Settlement allocation for under-indexing of the business rates multiplier. Billing authorities will provide final estimates by 31 January 2022 to be used in setting the budget. A verbal update of business rates income will be provided at the meeting.

- **Social Care Grant** - the £2.35bn Social Care Grant consists of £636m new funding (announced in SR 2021) and direct continuation of the 2021-22 £1.71bn Social Care Grant. The 2022-23 new funding allocations of £556m have been determined according to the Adult Social Care Relative Needs Formula, and the remaining £80m used to equalise a local authority’s ability to raise additional funding through the ASC Precept, at the same level of equalisation as in 2020-21 and 2021-22. As a result, the Council receives a higher share of the Social Care Grant, which reflects its low Council Tax taxbase. The whole £2.35bn Social Care Grant is un-ringfenced, with no conditions attached.

- **2022-23 Services Grant** – the new £822m 2022-23 Services Grant is to support the delivery of all local authorities' services in 2022-23. The funding will be distributed through the existing formula for assessed relative need. This grant includes funding for local government costs for the Social Care Reform increase in employer National Insurance Contributions, announced in September 2021. The grant is un-ringfenced, with no conditions attached. This will be a one-off grant for 2022-23. Government intends to work closely with authorities on how to best distribute this money for 2023-24 onwards.

- **Local Council Tax Support** – 2021-22 new funding of £670m provided in recognition of the increased costs of providing local Council Tax support and other help to economically vulnerable households following the pandemic. Essentially this is un-ringfenced compensation for a depleted Council Tax taxbase and to keep Council Tax bills low for those who have been hardest hit by the Covid-19 pandemic.

- **Local Tax Income Guarantee Scheme** – 2021-22 compensation to local authorities for 75% of irrecoverable losses in Council Tax and Business Rates income in respect of 2020-21 (announced in SR 2020).

- **Independent Living Fund (ILF)** – in 2015 local authorities in England became responsible for supporting clients previously supported through the ILF. The Government originally committed to providing non ring-fenced funding to local authorities until 2019-20 but this continued into 2021-22 with no increase. The Provisional Settlement did not announce whether ILF grant would again be received in 2022-23, and pending receipt of any further information, no grant income has been assumed for 2022-23. One-off support for Adult Social Care and Health equal to the 2021-22 ILF grant will be provided from the Council's General Reserve to compensate for this. In the event that the Government does later confirm continuation of the ILF grant for 2022-23, Adult Social Care and Health will be required to reimburse the General Reserve for this one-off support.

- **Other Grants** - pending receipt of grant information, no income amounts for the other grants below have been included in the Council's 2022-23 budget calculation. Departments have been compensated previously, in the base budget, for these grants and hence any receipt will be taken into the Risk Management Budget.

    - **Extended Rights to Free Travel** – funding to support extended rights to free school travel.

- **Local Reform and Community Voices Grant** – this grant is comprised of funding for Deprivation of Liberty Safeguards, local Healthwatch and Independent Complaints Advisory Services.

- **War Pensions Scheme Disregard** - compensates authorities for disregarding, for the purposes of social care charging, most payments made under the War Pension Scheme.

- **Prison Services** – funding for social care in prisons.

- **Covid-19 Pandemic Grants -** the Council, like all local authorities, has incurred additional costs as a result of the Covid-19 pandemic. Grant income has been received from Government in respect of Covid-19 in 2020-21 and 2021-22. Any unspent balance of Covid-19 grants at the year-end will be earmarked for carry forward to 2022-23. No additional Covid-19 funding has been announced in the Provisional Settlement, although Government might review this, now the more infectious Omicron variant of concern has become dominant, and new wave cases and hospitalisations have increased. The Sales, Fees and Charges Scheme continued from 2020-21 into the first quarter of 2021-22. This scheme has now ended. The scheme focused on compensating councils for irrecoverable and unavoidable losses from sales, fees and charges income generated in the delivery of services.

Private Finance Initiative Grant (PFI)

4.4.8 The PFI grant is received to support expenditure which is incurred in meeting payments to contractors for the capital element of school building projects previously undertaken through PFI and similar funding arrangements. These funding arrangements require payments to be made over a 25-year period. The capital payments due on these schemes will end in three phases between 2029 and 2035. The Council's allocation for 2021-22 is £10.504m.

Ring-Fenced Grants

4.4.9 The Council receives the following ring-fenced grants:

- **Dedicated Schools Grant (DSG)** - Grant is paid to local authorities to provide school, high needs, early years and central school services block budgets. Local authorities are responsible for determining the allocation of grant in conjunction with their local Schools Forum. Local authorities are responsible for allocating funding to schools and academies, high needs and early years providers in accordance with their local funding formulae. DSG funding allocations for 2022-23 were published on 16 December 2021. Details of DSG schools block funding will be considered in a separate report to this meeting and the remaining blocks will be considered in March 2022.

- **Public Health** - Public Health expenditure is funded from a ring-fenced grant. The budget is largely spent on drug and alcohol treatment services, sexual health services, health protection and promoting activities to tackle smoking and obesity and to improve children's health. The Council's allocation for 2022-23 is expected to be announced in January 2022 and will most likely rise with inflation, however, this is still to be confirmed. The Government has also not yet confirmed whether the ring-fence and grant conditions will remain in place, but it is expected that they will, until at least 31 March 2023. At some point it is expected that the funding for Public Health will form part of revised funding mechanisms for local authorities following funding reviews, however these have been delayed because of the impacts of Covid-19.

- **Better Care Fund** - The Better Care Fund (BCF) was announced in June 2013 as part of the 2013 Spending Round. It provides an opportunity to transform local services so that people are provided with better integrated health and social care. The BCF supports the aim of providing people with the right care at the right place at the right time. This builds on the work which the Clinical Commissioning Groups (CCGs) and the Council are already doing, for example as part of integrated care initiatives, joint working and on understanding of patient/service user experiences.

  The 2022-23 allocation for Derbyshire as a whole has yet to be announced and to date there is no indication as to whether the National Health Service (NHS) contribution to the Better Care Fund will increase. The 2021-22 allocation of £108.604m was split as follows:

	2021-22 £m
Tameside and Glossop CCG	2.622
Derby and Derbyshire CCG	60.216
CCG Minimum Contribution	**62.838**
CCG Additional Contribution	
Other	0.928
Total CCG Contribution	**63.766**
DCC Additional Contribution	
ICES Equipment	1.647
Other	0.611
Disabled Facilities Grant	7.898
Improved Better Care Fund	31.055
Winter Pressures Grant	3.627
	44.838
	108.604

The funding can be used to improve health outcomes for clients and their carers. Derbyshire will look to invest in services jointly commissioned with health services, which include reablement, seven-day services, better information sharing, joint assessments and reducing the impact on the acute sector. The resources for reducing the impact on the acute sector are performance related and will not be paid to the acute service if the targets are not achieved.

The BCF has national metrics underpinning its performance, which will be used to measure success, include reducing admissions to residential care homes, effectiveness of reablement out of hospitals, delayed transfer of care, avoidable emergency admissions and patient/service user experience.

This funding system presents opportunities and risks to the Council and these are the subject of detailed negotiation with the CCGs. The additional funding helps to bridge the funding gap left by the reduction in Revenue Support Grant over the last few years.

4.5 Council Tax

4.5.1 District and borough councils are required to provide details of their Council Tax taxbases, together with any surplus or deficit figures on their collection funds, to the Council.

Taxbase

4.5.2 The Council's Band D Council Tax rate is calculated by dividing the Council's Council Tax Requirement (CTR) by the total taxbase figures. Each of the borough and district councils uses a Collection Fund to manage the collection of Council Tax and to make an adjustment to reflect the actual collection rate of Council Tax in the previous year. Following the introduction of the Business Rates Retention Scheme in April 2013, the borough and district councils are required to take account of both Council Tax and Business Rates collected in determining their surpluses or deficits. Whilst Council Tax taxbase positions have been received from all billing authorities these have yet to be fully confirmed. The billing authorities have until 31 January 2022, the statutory deadline, to confirm their taxbase positions.

4.5.3 The total Council Tax taxbase figure for 2022-23 is provisionally forecast at 257,097.90, based on the number of equivalent Band D properties, a 1.86% increase on the previous year. Individual authority information is shown at Appendix Four.

4.5.4 The additional Council Tax due as a result of the increase in taxbase is £6.488m. This is calculated by multiplying the increase in the number of properties by the Council's Equivalent Band D Council Tax rate in 2021-22. Previous years have seen increases in the taxbase of 0.41%, 1.71% and 1.17%. The taxbase increase for 2021-22 was less than in recent years because of the impact of the Covid-19 pandemic, namely an increase in the number of residents claiming Council Tax benefits. However, support is being received from the Council Tax Support Scheme grant in respect of that year, referred to above. Essentially this is un-ringfenced compensation for a depleted Council Tax taxbase and to keep Council Tax bills low for those who have been hardest hit by the C-19 pandemic. Based on strong expected housing growth, the Five Year Financial Plan (FYFP) assumes prudent annual taxbase increases of 1.50% from 2023-24.

Collection Fund

4.5.5 Covid-19 severely impacted on the Council Tax collection fund position in the Council’s Revenue Budget 2021-22. The Council Tax collection fund deficit for 2021-22 was estimated at £2.306m in the Council’s Revenue Budget 2021-22 Report, although this figure was not final. Billing authorities have until 31 January to confirm in writing their final collection fund estimates; the latest provisional figures were included. There have been difficulties for billing authorities forecasting during the Covid-19 pandemic, and billing authorities required time to consider 2021-22 announcements of the Local Income Tax Guarantee Scheme for 2020-21 and the Local Council Tax Support scheme. This meant that final collection fund estimates were being received later than is usual. A verbal update was provided at the full Council Meeting, with a final collection fund deficit of £2.357m. In comparison, the collection fund position reported in the Revenue Budget 2020-21 Report, before the pandemic, was a surplus of £3.310m.

4.5.6 The repayment of collection fund deficits arising in 2020-21 is being spread over the following three years rather than the usual period of a year, giving local authorities ‘breathing space’ in setting budgets for 2021-22. The regulations to implement the collection fund deficit phasing came into force on 1 December 2020. Under this collection fund deficit phasing, a deficit of £1.041m was carried forward and spread into each of 2022-23 and 2023-24.

4.5.7 The total Council Tax collection fund surplus for 2022-23 is estimated at £3.437m, based on provisional information received to date from billing authorities, including £1.041m of deficit carried forward from 2021-22 budget setting. This provisional collection fund position is in line with the position before the pandemic. A verbal update of the Council Tax collection fund position will be provided to this meeting, when it is expected that more information will have been received. Forecasting difficulties for billing authorities remain as the Covid-19 pandemic continues. As a result, the Council’s estimate of Council Tax collection fund position could change more than in a ‘normal’ year. Any changes to the figure shown in Appendix Two following this Council meeting, or the full Council meeting, will be managed through the Risk Management Budget or Reserves.

4.5.8 The provisional Council Tax collection fund surpluses/deficits for the individual authorities are shown at Appendix Four.

Referendum Principles

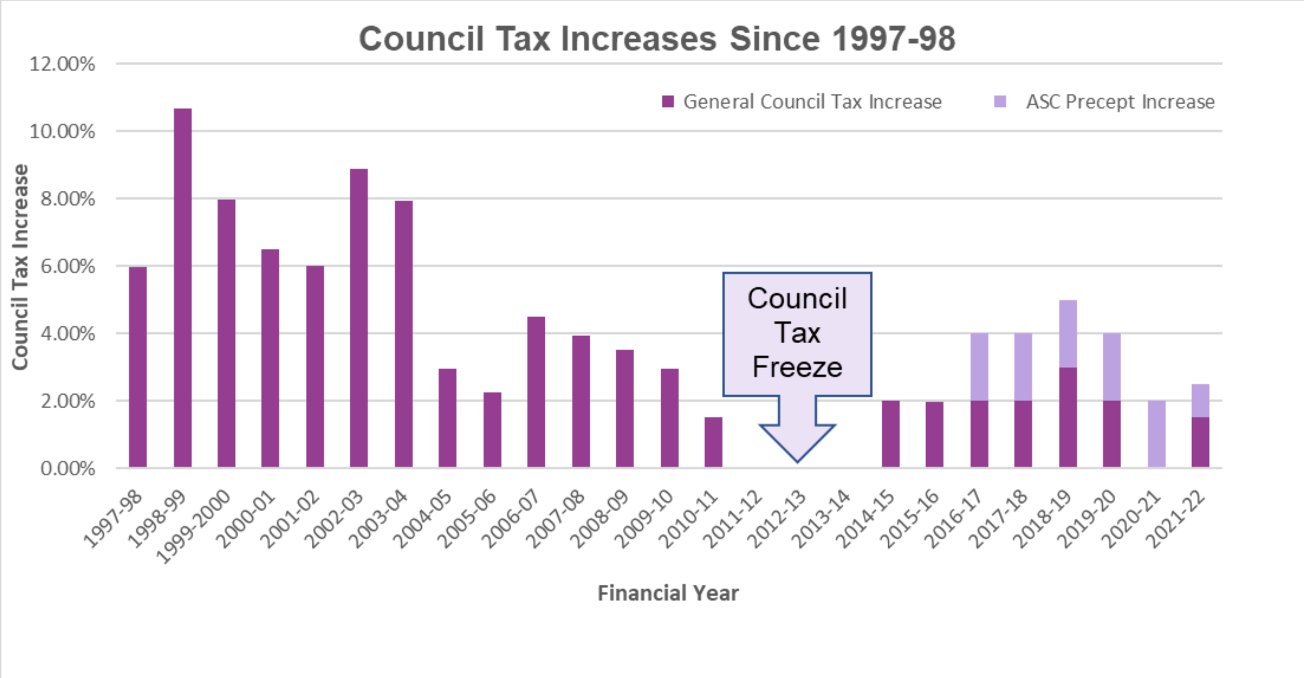
4.5.9 Since 2012-13, local authorities have been required to determine whether the amount of Council Tax they plan to raise is excessive. A set of principles defined by the Government is used to determine if the amount to be raised is excessive. An authority proposing an excessive increase in Council Tax must hold a local referendum.

4.5.10 SR 2020 provided local authorities with adult social care responsibilities the ability to increase adult social care spending by levying up to 3% using the ASC precept, in addition to an increase for county councils of up to 2% for general spending. In recognition that local authorities might not want to take up the full ASC precept flexibility in 2021-22, some, or all, of the precept could be deferred for use in 2022-23. The Council set a 1.5% general spending increase and a 1% ASC precept increase in 2021-22, providing the flexibility to set a deferred 2% ASC precept in 2022-23, on top of any general increase and irrespective of other referendum principles that may apply in 2022-23. SR 2021 provides county councils with the flexibility to increase Council Tax by up to 2% for general spending. In addition, local authorities with adult social care responsibilities will be able to increase adult social care spending by levying up to a further 1% using the ASC precept. This means that, for the Council, the maximum total Council Tax increase for 2022-23 is 5%.

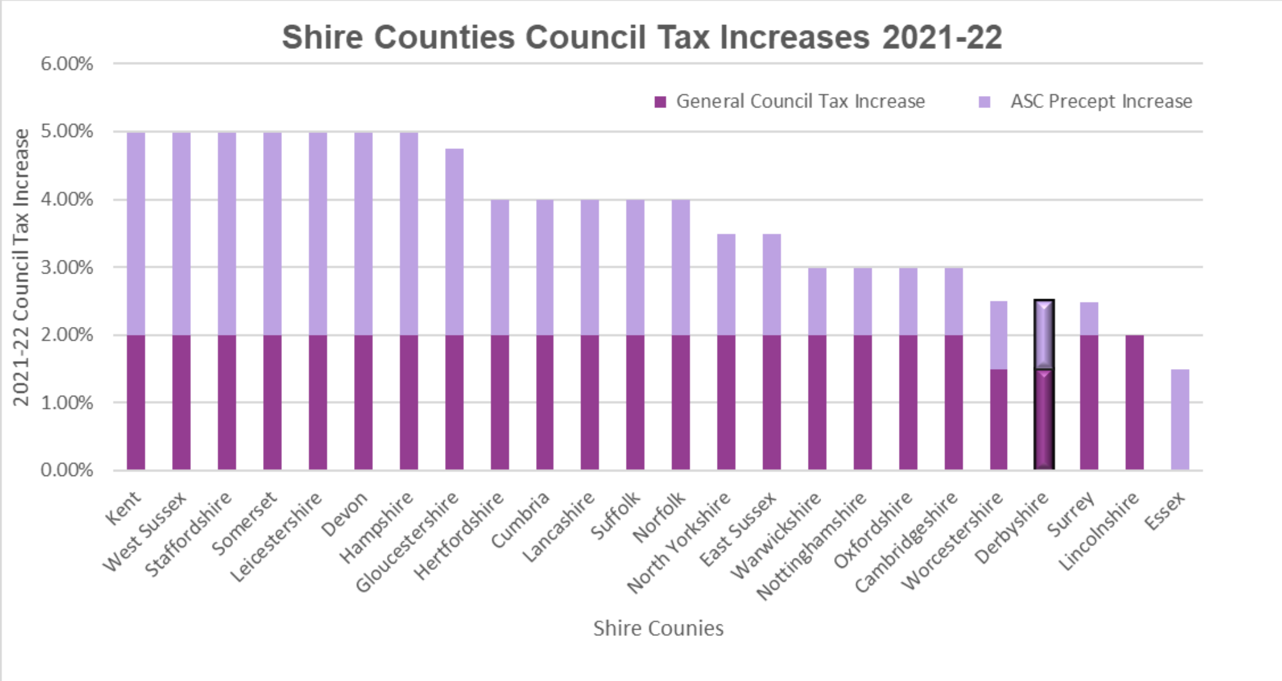
4.5.11 Details of any assurance process relating to the use of the ASC Precept in 2022-23 have yet to be issued. As usual, billing authorities will be required to include information on the face of the Council Tax bill, with a narrative statement on the front of the bill highlighting any Council Tax attributable to levying this funding for adult social care, as well as providing further information to the taxpayer. Further information is also required to be included with the Council Tax bill.

Council Tax Increase

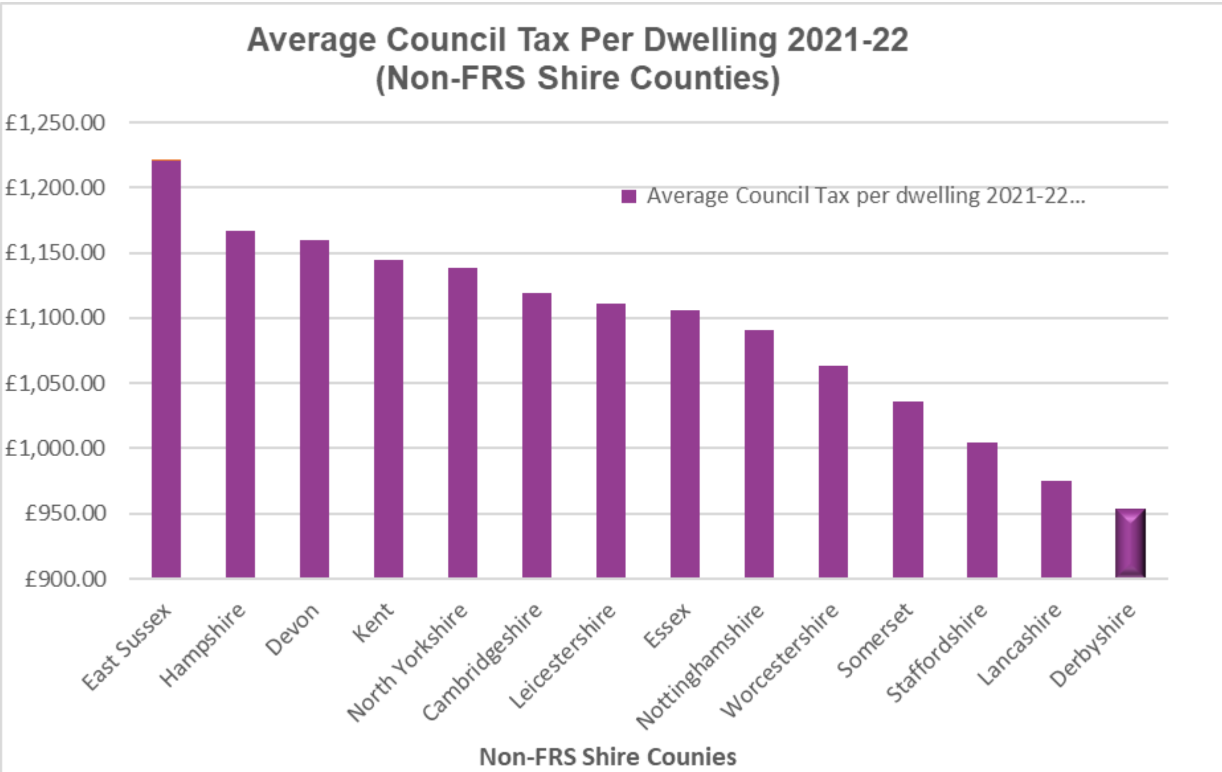
4.5.12 The graph below illustrates the increases raised by the Council over the last 20+ years:



4.5.13 Since 2016-17 there has been the ability to raise an additional amount of Council Tax specifically to additionally fund adult social care spending. This has added 2% to the referendum limited increase in 2016-17 through to 2020-21. In 2020-21 the Council levied the 2% ASC precept increase but not the permitted 2% general increase. In 2021-22, the Council set a total increase of 2.5%, with a 1.5% general spending increase, of a permitted 2%, and a 1% ASC precept increase, of a permitted 3%. This provides the Council with the flexibility to set an additional deferred 2% ASC precept in 2022-23. The average shire county council Council Tax increase in 2021-22, including ASC precept, was 3.8%. The chart below sets out 2021-22 total Council Tax increases and the general Council Tax/ASC Precept increase split for shire county councils. The Council had the equal lowest general Council Tax increase and was amongst the lowest third in respect of its ASC Precept increase.



4.5.14 In terms of absolute position, the Council's Band D Council Tax level is around the average. This is a measure which does not reflect the actual spread of housing in an area into the various bands. As Derbyshire is less affluent than many county areas it has around 80% of properties in Bands A, B and C and the average property is in Band B. This means that the mean average Council Tax paid per household is the lowest amongst the fourteen shire county councils who provide the same services as the Council (non-Fire and Rescue Service (FRS) authorities).



4.5.15 Local authorities have urged Government to provide additional funding to support vital services, particularly Children's Social Care and Adult Social Care. Additional resources have been allocated to the Council as part of the Government's response. The additional social care funding announced in SR 2019, with further increase in SR 2020 and SR 2021, and the continuation of payment of Revenue Support Grant, has helped to keep general Council Tax low whilst helping to fund the rising costs for social care and other vital front-line services. However, it is clear that Government has a clear and definite expectation that part of the additional pressures in adult care will be funded by levying additional ASC Precept. Of 152 authorities with adult social care responsibilities, 148 utilised some, or all, of their ASC precept flexibility for 2021-22. Of these, 100 authorities utilised the full 3%. All but one shire county council complied with the Government expectation and levied the ASC Precept. The average ASC Precept increase for shire county councils was 1.9%.

4.5.16 Pressures across both Children's and Adult Social Care continue to far outstrip the additional grant offered by the Government. Furthermore, these costs are likely to increase significantly in later years.

4.5.17 The Council's preference is for Government to recognise costs associated with social care through the re-distribution of national taxation. However, the clear expectation from Government is that local taxation is also part of the solution. Therefore, it is recommended that the Council accepts the need to levy the ASC Precept at 1% for 2022-23 and also to increase basic Council Tax by 2%, in recognition of Adult Social Care pressures and the significant increase in general budget pressures the Council is experiencing. This recommendation means that the Council's option of levying the remaining 2% ASC Precept from 2021-22, in addition to the increases permitted by the 2022-23 Referendum Principles, has not been exercised.

4.5.18 The Council is facing significant financial pressures, including pay and price increases as set out in Section 4.7 of the report. There are also substantial demands on the Council's services, in particular, social care. In meeting Council Plan priorities, it is important that the Council invests in its services to ensure that it continues to deliver essential services for Derbyshire communities. Details of the financial cost pressures faced by the Council are set out in Section 4.8, with further detail provided at Appendix Five. Additional funding from Government has been provided to support risings costs, however, it is not sufficient to meet the full cost of the service pressures identified. Therefore, increasing Council Tax by 3% will raise an additional £10.667m in Council Tax income in 2022-23 and future years to support the Council's vital services.

4.5.19 The Council will always attempt to keep Council Tax rises as low as possible. However, pressures will continue to emerge over the medium term, in particular additional costs around pay, and inflationary pressures, have been largely absent over the last ten years or so. The need to manage these, and other pressures, will be challenging and as a result future Council Tax increases cannot be easily forecast with a high degree of certainty and it is possible that predictions expressed in the initial forward plan (FYFP) update contained within this report will prove inadequate and will need to be revised upwards.

4.6 Price Increases

4.6.1 In line with recent years, there will be no direct increase to departmental budgets for specific price rises, other than for business rates expenditure. The impact of this price increase is estimated at £0.046m.

4.6.2 Annual UK Consumer Price Inflation (CPI) fell slightly, to 3.1%, in September 2021 but then started to increase, and reached 5.1% in November 2021. The reasons for the increase are broad-based, largely due to surging demand and supply chain problems. However, the largest increases came from transport (particularly motor fuels), clothing and footwear, partially offset by a large downward contribution from restaurants and hotels. Recognising the rising cost of energy and food, specific amounts have been set aside within contingency budgets. See section 4.7 below.

Pay Award

4.6.3 SR 2020 recommended to local authorities that employees earning more than the NLW but less than £24,000 should receive a minimum £250 increase in pay; for other employees there should be a “pay pause” in 2021-22, with no general increase. The Council’s 2021-22 budget assumed that the recommendations of SR 2020 would be adopted and set aside £2.313m in the Council’s contingency budget, to be held until such time that a final agreement is made, when the budget will be allocated to departments. In July 2021, the national employers made a pay offer of 2.75% on National Joint Council (NJC) pay point 1 and 1.75% on all NJC pay points 2 and above. However, negotiations with the unions are still taking place and an agreement is not expected to be reached until 2022. If the pay award is agreed at a level above this 2021-22 contingency amount, the additional cost will have to be found from within existing budgets.

4.6.4 SR 2021 announced that NLW would increase by 6.6% for 2022-23, from £8.91 to £9.50, for those aged 23 and over. The last Council FYFP assumed a general pay award of 2% for 2022-23. The unions have yet to submit a 2022-23 pay claim to the national employers, which means that local authority negotiations have yet to commence. The submission is not expected until February 2022 at the earliest but may be later, with the 2021-22 pay award yet to be agreed. At this stage, a 2% 2022-23 pay award is assumed, from a starting position for 2021-22 which assumes that the July 2021 pay offer is adopted. This equates to an additional cost of £6.789m, which will be also be held in the Council's contingency budget, until such time that a final agreement has been made, when the budget will be allocated to departments. If the pay award is agreed at a level above this, the additional cost will have to be found from within existing budgets.

4.7 Corporate Budgets

Contingency Budgets - £33.470m

4.7.1 The overall Contingency Budget includes pay and price issues elements of £25.441m, detailed below, and one-off Local Government Pension Scheme employer pension contributions forecast at £1.381m, which are required because of a difference between forecast and actual pensionable pay. It also includes ongoing Departmental Service Pressures of £3.702m and one-off Departmental Service Pressures of £2.946m to be held over pending further information, as detailed in Appendix Five. The total Contingency Budget is £33.470m.

Pay and Price Issues - £25.441m

4.7.2 The Council maintains a Contingency Budget which is used to help manage pay and price increases over which there is some uncertainty. Details of the Contingency Budget for pay and price issues are set out below.

- **Independent Sector Fees Increases - £12.257m** - Due to the increase in the NLW each year, there has to be an above inflation increase in the independent sector care home fees the Council pays, to reflect the additional cost pressures on the providers. For 2022-23, the NLW will increase by 6.6%, from £8.91 to £9.50, for those aged 23 and over. This amount is to be held in the Contingency Budget until negotiations are complete.

- **Pay Award - £9.102m (£2.313m for 2021-22 and £6.789m for 2022-23)** - See paragraphs 4.6.3 and 4.6.4 above. Negotiations are still ongoing. These amounts are to be held in the Contingency Budget until negotiations are complete.

- **National Insurance Social Care Levy - £1.811m** – Forecast additional cost of a 1.25% increase in employer National Insurance contributions from April 2022, ring-fenced for health and social care.

- **Local Government Pension Scheme employer contributions - £0.646m** – Forecast additional Local Government Pension Scheme employer pension contributions, which are required because of a difference between forecast pensionable pay when contributions were agreed and actual pensionable pay experience.

- **Energy/Food - £1.000m** – This is additional funding set aside to support Departments with the rising cost of energy and food in non-school budgets. This amount is to be held in the Contingency Budget until actual costs are known. Whilst energy prices will rise considerably in 2022-23, the Council's energy usage has decreased during the pandemic because of changes in the way the Council works. It is expected that energy usage will not return to the pre-pandemic level. Additional funding will be available up to £1.000m. It is envisaged that Departments will submit bids for this funding.

- **Operating Model - £0.210m** – This is the additional estimated cost arising from the decision to review the Council's leadership model during 2021.

- **Street Lighting Energy - £0.415m** - This is the estimated ongoing increase in street lighting energy costs. This amount is to be held in the Contingency Budget until actual costs are known. Additional funding will be available up to this level.

External Debt Charges and Minimum Revenue Provision - £35.784m

4.7.3 This represents the interest payable on the Council's outstanding debt. The Council has paid off a number of loans, which were used to support the Council's Capital Programme, in recent years and has not undertaken further borrowing. In 2018-19 this provided the opportunity to reduce the ongoing budget by £8.500m, with a further reduction of £1.500m in 2021-22, to reflect the reduction in interest charges.

4.7.4 The Minimum Revenue Provision (MRP), is a prudent amount of revenue set aside to contribute towards capital expenditure which has been financed by borrowing or credit arrangements. The Council reviewed its MRP Policy in 2016-17, in a report to Cabinet on 22 November 2016. It was considered that future savings could be achieved without compromising the future prudent provision made by the Council. In conjunction with the policy being reviewed, the level of the Capital Adjustment Account (CAA) reserve into which the money is set aside has been reviewed.

4.7.5 The amount of MRP that has been transferred since 2010-11 to the CAA reserve is in excess of £162.8m, however the actual amount of loan repayments during that time is significantly lower, at £125.3m. With the Council not undertaking any new borrowing within the last twelve years, this indicates that the Council's CAA reserve contains in excess of what is required to ensure the Council can repay its debt. Whilst the Council will continue to set aside a prudent amount of revenue for MRP each year, it will ensure that its future annual provision is appropriate. In light of this, one-off reductions to MRP totalling £25m were planned between 2018-19 and 2021-22, with the base budget profiled to return to its 2017-18 level by 2022-23. In line with the revision to the profile of reductions, approved at Cabinet on 21 November 2019, the MRP base budget will increase by £7.0m in 2022-23. The Council will however continue to review its MRP policy annually to ensure in future years that adequate/prudent provisions are still being made.

4.7.6 Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. By doing so, the Council is able to reduce net borrowing costs and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. The Council will monitor this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2022-23, with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

4.7.7 In addition, the Council may borrow short-term to cover cash flow shortages where it is advantageous to do so.

Risk Management Budget - £nil

4.7.8 The Council has maintained a Risk Management Budget for a number of years, the purpose of which is to provide a base budget from which the Council can help manage some of the longer term risks and pressures, alongside the resources available in the Earmarked Reserve available for budget management and General Reserves.

4.7.9 Given the uncertainties experienced during 2020 and 2021 as a result of Covid-19, it is important, more than ever, to maintain a prudent level of risk management budget to mitigate the risks faced by the Council, details of which are set out later in the report. However, 2022-23 budget pressures mean that the balance on the risk management budget of £10.289m will be depleted during 2022-23, providing support to priority services.

Interest Receipts - £4.016m

4.7.10 On 10 March 2020, the Bank of England reduced its base rate of interest from 0.75% to 0.25%, to counter the ‘economic shock’ resulting from the Covid-19 outbreak. On 19 March 2020, the base rate was further reduced, to 0.1%. The base rate remained at this level until 16 December 2021, when it was increased back to 0.25%, in response to rising inflation. Up to that point there were fears that the recent occurrence of the Omicron variant of Covid-19 could slow the economy and delay a forecast rise in interest rates. The Council’s budget assumes that the Council will continue to earn additional income, by utilising a range of risk assessed investment vehicles to increase its income from external investments.

4.7.11 In the Council’s 2021-22 Revenue Budget, interest receipts were reduced by £2.182m, to £4.016m, reflecting the continuing impact of the pandemic on returns. In the Council’s Performance and Budget Monitoring/Forecast Outturn 2021-22 as at 30 September 2021, 2021-22 interest receipts are forecast to be £5.056m, which exceeds budget. However, a projected 2021-22 decrease of £0.952m in dividend income on the Council’s investments in pooled funds, compared to 2019-20, is forecast to be supported by the use of DLUHC Covid-19 grant funding. Furthermore, receipts in 2021-22 are continuing to benefit from interest contractually committed before the Covid-19 pandemic and its associated impact on interest rates. The expectation is that interest receipts in 2022-23 will remain under pressure and the continued reduction in budgeted interest receipts, at the 2021-22 level, reflects this.

4.8 Service Pressures

4.8.1 A number of service pressures have been identified by Departments. Details of Departmental pressures identified for 2022-23 are shown at Appendix Five. Service Pressures originally identified by Departments have been reduced to the position shown, following extensive senior cross-departmental review and challenge. A prioritisation session was held in December 2021.

4.8.2 Of the ongoing Departmental service pressures of £30.770m, a total of £27.068m will be allocated to Departmental base budgets and a further £3.702m will be held over in Contingency Budgets, pending further information.

4.8.3 Overall Ongoing Service Pressures of £29.794m include the above Departmental services pressures of £30.770m, plus an increase in Corporate External Debt Charges pressures of £7.000m and use of the Corporate Risk Management Budget of £7.976m, all referred to in Section 4.7.

4.8.4 One-off support of £12.880m will be allocated from reserves for one-off Departmental Service Pressures and a further £2.946m will be held over in reserves as a contingency, pending further information.

4.8.5 Overall one-off pressures of £17.207m include the above amounts and a contingency for one-off support for Local Government Pension Scheme employer contributions of £1.381m, which is required because of a difference between forecast pensionable pay when contributions were agreed and actual pensionable pay experience.

4.8.6 The base budget is to be balanced by a one-off contribution from reserves of £3.796m. However, actions will take place over the next few months to work to further reduce the base Service Pressure bids, assimilate the results of the Final Local Government Settlement, receive the remaining confirmation of collection fund and taxbase positions and understand further grant stream announcements, as happens every year, that will be made in the next few months. It is expected that this combination of actions will result in the minimisation, at worst, or the removal of the need to support the base budget with reserves.

4.9 Budget Savings Targets

4.9.1 Target savings by the end of 2026-27 are estimated to be £67m, of which £27m have been identified.

4.9.2 Significant consultation and planning timeframes are required to achieve many of these savings. Delays in agreeing proposals could result in overspends by departments, which would then deplete the level of General Reserve held by the Council, decreasing its ability to meet short term, unforeseeable expenditure.

4.9.3 In many cases the proposals will be subject to consultation and equality analysis processes. In including potential cost savings in this report no assumptions have been made as to the outcome of those consultations or the outcome of final decisions which have yet to be made. With regard to the savings proposals which have not yet been considered by Cabinet and, where appropriate, by individual Cabinet Members, the necessary consultation exercises will be undertaken, and any equality implications will be assessed before final decisions are made. Throughout the process it will be essential to ensure that the Council continues to meet its statutory and contractual obligations.

4.9.4 Details of identified departmental annual budget savings totalling £26.300m over the FYFP are shown at Appendix Seven. Significant budget preparation work has taken place in 2021. This has helped in identifying some additional savings.

4.9.5 However, overall, there is now a significant shortfall of identified annual budget savings against the £67.034m budget savings target, over the five years of the FYFP. In headline terms the Council has now identified measures which should help achieve 39% of the budget gap over the period of the FYFP. This is a worse relative position than was reported in the Revenue Budget Report 2021-22, when measures had been identified to meet 53% of the budget gap. Although £2.068m of additional savings have been identified over the four years from 2022-23, referred to above, and additional forecast funding is now forecast over these years, meaning the shortfall over these years has reduced by £14.707m, there is now an expectation that budget pressures will continue into 2026-27, which is the final year of the FYFP, when a further £19.933m of savings are now forecast as being required. This has meant the shortfall has grown over the course of 2021-22 and is now £39.803m, around £5m higher. There is a clear and significant challenge to identify savings to bridge the remaining savings gap and plan the best approach to achieving those savings over the next few years, if additional funding is not received over and above that forecast. Additional funding may come from further increasing Council Tax in 2023-24 onwards, over and above the 2% increases forecast, up to referendum limits, further Government grants over and above those predicted or from increased business rates growth.

4.9.6 The table below summarises the savings originally identified in last year's Revenue Budget Report for 2022-23, changes made since then to arrive at the revised savings identified by department for 2022-23, and the level of achievement of 2022-23 savings for each department planned for 2022-23.

	Original* 2022-23 Savings Identified £m	**Changes £m**	**Revised 2022-23 Savings Identified £m**	**2022-23 Savings Achievable in 2022-23 £m**
Adult Social Care and Health	6.811	-0.931	5.880	5.880
Children's Services	0.046	0.000	0.046	0.046
Place	0.756	0.000	0.756	0.756
Corporate Services and Transformation	0.178	0.266	0.444	0.444
Total	**7.791**	**-0.665**	**7.126**	**7.126**

*New 2022-23 savings in last year's Revenue Budget Report, with a reallocation of a Libraries saving of £0.156m from Corporate Services and Transformation (formerly Commissioning, Communities and Policy), to Place, following a portfolio switch.

4.9.7 The £0.931m reduction in Adult Social Care and Health savings identified remain allocated to the Adult Social Care and Health budget for 2022-23 and alternative savings will need to be brought forward.

4.9.8 The savings proposals continue to mark a change from principles adopted for a number of years until 2020-21, with significant protection again for the Children's Services budget, as in 2021-22.

4.10 Statutory Requirements of the Local Government Act 2003

4.10.1 There is a duty placed on the Executive Director, Corporate Services and Transformation, as the Council's statutory Chief Financial Officer (Section 151 Officer), to report on certain matters to Council when it is making its statutory calculations required to determine its precept. The Council is required to take the report into account when making the calculations. The report must deal with:

- The robustness of the estimates included in the budget.
- The adequacy of reserves for which the budget provides (guidance on local authority accounting suggests this should include both the General Reserve and Earmarked Reserves).

4.10.2 Good practice requires the Council to consider the professional advice of the Chief Finance Officer on these two matters. This report has been drafted with all of these requirements in mind and this section in particular deals with these matters and their connection with matters of risk and uncertainty for the Council.

Estimation Processes

4.10.3 There has been no change to the fundamental methods used in the preparation of the budget, this has ensured that many professional officers from a range of different disciplines are involved in a process which takes into account and evaluates all known facts. This was evidenced in a budget prioritisation exercise held during a full day Corporate Management Team Budget Session in December 2021. There continues to be great emphasis on assessing and evaluating all known changes, including pay and price levels, statutory changes and demands for service. None of these matters are omitted from advice to Members. The process is underpinned by the Council's integrated Risk Management Strategy, service improvement and Improvement and Scrutiny deliberations. In particular, emphasis is placed on the ability to maintain and develop services through a five year forward financial planning process linked to agreed Council Plan and Service Plan objectives.

Financial Resilience

4.10.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) has developed its Financial Resilience Index, which is a comparative analytical tool to support good financial management, providing a common understanding within a council of its financial position. The index illustrates a range of measures associated with financial risk, including reserves balances and social care spend as a proportion of the Council's overall budget. Whilst the pandemic has resulted in a delay to the publication of the index, it is still able to provide a comprehensive pre-Covid-19 baseline, illustrating the financial resilience of authorities as they entered the pandemic. The most recent analysis shows that the Council has a history of managing and maintaining its reserves balances efficiently. Overall, the Council performs in the median range when compared to other County Councils, demonstrating a well-balanced approach to financial management against a backdrop of significant demand pressures and Government funding cuts. When the Financial Resilience Index is next published, the Council's relative performance is not expected to show a marked change to that published previously.

Financial Management Code

4.10.5 CIPFA has also designed the Financial Management Code (FM Code), to support good financial management, as well as demonstrating a local authority's financial sustainability, giving assurance that authorities are managing resources effectively. Complying with the standards set out in the FM Code is the collective responsibility of the Council's elected members, the S151 Officer and their professional colleagues in the Leadership Team. Complying with the FM Code will help strengthen the framework that surrounds financial decision making.

4.10.6 The FM Code builds on elements of other CIPFA codes, such as The Prudential Code for Capital Finance, the Treasury Management in the Public Sector Code of Practice and the Code of Practice on Local Authority Accounting in the United Kingdom. By following its essential aspects, the Council will be providing evidence to show they are meeting important legislative requirements.

4.10.7 The Code is based on a series of principles supported by specific standards and statements which are considered necessary to managing finances over both the short and medium term, managing financial resilience to meet foreseen demands on services and to manage unexpected shocks in its financial circumstances.

4.10.8 Compliance is required in 2021-22. To demonstrate conformity with the FM Code's standards, a document evidencing the applicable parts of the Council's Constitution, Financial Regulations, reports and policies has been compiled. From work on this document to date it is evident that the Council already has a strong level of compliance with many aspects of the FM Code relevant to budget setting, including:

- Risk arrangements.
- The Chief Financial Officer's role within the Council.
- Budget and treasury management and strategy.
- Budget setting.
- Auditor Value for Money opinion.
- Capital strategy.
- Stakeholder engagement.
- Using reports to identify and correct emerging risks to the Council's financial sustainability.

4.10.9 A report was presented to Audit Committee in September 2021 which provided an update on the progress made to date in addressing the principles of the Code.

4.10.10 A financial resilience assessment is also required. In producing the assessment, the sensitivity of financial sustainability to alternative plausible scenarios for the key drivers of costs, service demands, and resources will be considered. This requires an analysis of future demand for key services and consideration of alternative options for matching demand to resources. Ongoing work demonstrates this assessment. It is again planned to complete this work following the setting of the Revenue Budget and ahead of closing the accounts. A short document will be produced, to support External Audit in arriving at their Value for Money opinion.

Spending Review 2021

4.10.11 The Government's commitment to support additional social care funding is welcome. However, it is not enough to meet the rising cost pressures experienced by the Council to date and over the medium-term. This report and the response to the Provisional Settlement demonstrate the exceptional demand led pressures experienced by local authorities in recent years. Disparities in the current funding regime need to be addressed so that there is a mechanism which addresses the funding disparity for social care across the country.

4.10.12 There is uncertainty around the variables used as part of the budget-setting process for 2022-23, exacerbated by the Covid-19 pandemic. There have been significant financial pressures as a result of the pandemic. However, planning has been based on what is known at this time. Whilst the Spending Review has provided some stability for the next three years, without a multi-year Settlement the medium to longer-term outlook remains unclear. All local authorities in the UK are faced with another period of uncertainty and without knowing what the individual funding allocations are likely to be beyond 2022-23 there is uncertainty as to what this means for the need for further austerity measures.

4.10.13 The Council has had sound financial management arrangements in place for a number of years, supported by a healthy, risk assessed five-year financial planning programme. It is because of these arrangements that the Council has been able to set balanced budgets year-on-year in the past and will be able to do so again for 2022-23. This does not mean that the setting of the 2022-23 revenue budget comes without risks which need to be properly identified and understood. The Council's Revenue Budget assumptions are predicated on making a 1% ASC Precept increase and a 2% general Council Tax increase, meaning a 3% Council Tax rise for residents, which is lower than the permitted 5%, including the remaining 2% ASC Precept increase from 2021-22, available to the Council in 2022-23. When the Council Tax increase of 2.5% was set for 2021-22, it was noted that the Council's service pressures would be more manageable if the ASC Council Tax rise is taken in full over the two years 2021-22 and 2022-23, to minimise cost pressures in 2022-23. Setting a low Council Tax increase again means that some difficult choices will be necessary in respect of 2022-23 priorities, as well as placing greater reliance on one-off funding to manage risks and service pressures.

Pressures

4.10.14 There is a significant commitment in the Council's 2022-23 revenue budget to provide an additional £44.5m of ongoing funding and £15.8m to further support the Council's Departmental service pressures:

- £27.1m of ongoing pressures allocated directly to Departments;
- £3.7m of ongoing budget to a Children's Services contingency until costs are known;
- £12.3m of inflation on independent care fees;
- £0.4m of inflation on street lighting energy;
- £1.0m of inflation on further energy and food price increases;
- £12.9m of reserves for one-off Departmental pressures; and
- £2.9m of reserves to a one-off Children's Services contingency until costs are known.

4.10.15 This commitment includes approximately £12m of ongoing budget growth for children's social care, with a further £4m held as a contingency for this purpose, until costs are known. The Children's Services budget has been under significant financial pressure for several years, despite significant additional ongoing budget increases and one-off funding, in particular aimed at meeting increases in the costs associated with rising numbers of looked after children. However, the fact remains that numbers are still rising, and predictive models currently used indicate a high degree of volatility in those numbers.

4.10.16 If current trends continue and the Government fails to provide adequate funding to support this, there will be further pressure on budgets in 2023-24 and in later years. The ability to estimate the value of these pressures or minimise demand is a challenge for the Council but needs clarity over the medium term.

4.10.17 This level of funding is considered to be affordable but with associated risks. In addition to the pressures recognised in the report for funding in 2022-23 there were a significant level of other pressure bids submitted by Departments which were not recommended for additional funding and are not covered by contingency funding in the 2022-23 revenue budget. In many cases this reflects uncertainty as to whether these pressures will either arise at all or to the level first indicated by departments. Consideration was given whether to include a further general contingency pressure, but this has not been possible, based on available funding. If these pressures do occur, the funding would initially come from the Council's General Reserve in 2022-23 but thereafter any such ongoing pressures must be met from additional savings that would need to be allocated to Departments on top of those forecast.

4.10.18 The Council has responded to the threat of Climate Change by the issue of a manifesto and the development of measures to address the manifesto's commitments. Funding was made available in the 2020-21 budget to develop a range of measures. Further reports to Cabinet will help set out the steps the Council will take. However, this is an issue that carries a high risk of financial uncertainty over the long term and will require coordinated effort by all public bodies, especially the Government. In the longer term it is hoped that early costs may be offset by future savings in the same way as the Council's successful LED programme for replacement of streetlights has done. Through the implementation of the Derbyshire Climate Change Framework, the Council is working with partners to reduce emissions and achieve a net zero target by 2050. Over the last ten years the Council has cut its emissions from its own estate and operations by 55% and has an ambitious target to achieve net zero carbon emissions by 2032, through the Carbon Reduction Plan. The Council is currently developing a Climate Change Strategy and Action Plan which will set out how emissions will be further reduced in the future.

Role of Audit Committee

4.10.19 The Council's Audit Committee receives regular reports detailing the strategic risks facing the Council, along with mitigation in place to ensure they are manageable. This provides a significant overview of the Council's potential liabilities and is supported by a rigorous set of processes across the organisation. Audit Committee also receives regular reports regarding the procedures and practices in place to ensure that the Council's budget and performance are closely monitored. In addition to this, Audit Committee received a report in December 2021 on the Production of 2022-23 Revenue Budget. Following presentation of the report, Members of the Audit Committee noted the process towards production of the 2022-23 Revenue Budget, the Revenue Budget Forecast Outturn for 2021-22, the key announcements in the Autumn Budget and SR 2021, relevant to local government, the quantum of Revenue Budget pressure bids received, which cannot all be funded without significant additional budget reductions across all areas, and the actions taken in respect of the shortlisting and agreement of Cost Pressure Bids to support the budget production process.

Reserves

4.10.20 An important link to the adequacy of reserves is the cash limit policy adopted some years ago. The approved Budget is expressed as cash limits. These should not be exceeded and where services have what are called "demand-led" issues, these are to be resolved in-year within cash limits. Budgets will continue to be subject to regular monitoring and reporting to both budget holders and Members. In recent years any year end overspending has tended to be met from the General Reserve rather than allocated to departments to find in the following year or from within their existing departmental reserves. In 2022-23 the ability to meet such pressures corporately will diminish based on medium term financial forecasts and departments should plan on the basis that they cannot rely on General Reserves to offset year end overspending.

4.10.21 The Council has in place a Reserves Policy which sets out the framework within which decisions will be made regarding the level of reserves. In line with this framework the balance and level of reserves are regularly monitored to ensure they reflect a level adequate to manage the risks of the Council. This covers both the General Reserve and Earmarked Reserves. Details of the latest review are included in a separate report for consideration at this meeting.

4.10.22 The level of General Reserve available over the next few years is largely dependent on the achievement of the annual budget savings target. There are pressures on demand-led services such as the ageing population, Children's Social Care, the NLW and waste disposal which will also have an impact on the balance if departments overspend. The level of the General Reserve is forecast to be between £10m and £39m over the medium term. Taking account of demand led pressures, any overspends in services over and above those currently projected could see the balance fall as low as £5m on the basis of a further £1m of annual overspends in each year of the forecast. Conversely, the Government may provide further funding for social care, which may reduce the call on the General Reserve to the value of £12m. This provides a worst/best case range of between £5m and £51m. In the Audit Commission's 'Striking a Balance' report published in 2012, the majority of Chief Finance Officers at the national level regarded an amount of between three and five per cent of councils' net spending as a prudent level for risk-based reserves. Over the medium term the Council's forecast figure is between 1.4% and 3.4%.

4.10.23 It is recognised that the forecast General Reserve balance over the medium term is lower than would be preferred. Restorative measures will be utilised over the period of the FYFP to build back up the balance of the General Reserve. There are further options around the funding of planned capital investment projects which could release in excess of £30m of revenue contributions to fund capital expenditure which could alternatively be funded from additional borrowing and the money utilised instead to ensure that the Council's General Reserve position remains at a reasonable, risk-assessed level.

4.10.24 The Council's FYFP has identified the need for significant savings in the medium term. The achievement of these savings is critical in ensuring that the Council balances its budget.

4.10.25 In order to achieve a balanced budget over the medium term, the Council is reliant on the achievement of a programme of budget savings. Progress against the budget savings targets will be closely monitored, however, lead-in times for consultation activity and increased demand on services, such as adult care and children in care demographics, mean that there is a continued risk of not achieving a balanced budget. Indeed, certain budget savings that were identified in the last medium-term plan have since proved to be unachievable and others need to be found to substitute for them.

4.10.26 There is still a risk of delay in implementation or indeed an inability to progress a particular saving for a variety of reasons. Delay can be relatively straightforward to quantify and in global terms can be expressed by noting that an average one month's delay across all the savings identified for the coming year would require the use of around an additional £1m of General Reserve; as a one-off cost this is manageable within the context of the resources available. The non-achievement of an indicated saving is less manageable and as a consequence Executive Directors have been made aware of the need to bring forward alternative savings, to at least an equal value, should this scenario occur.

4.10.27 The Council has also established a Budget Management Earmarked Reserve which is being used to supplement the use of the General Reserve to manage, where appropriate, any delayed savings to services, as detailed earlier in this report. However, this Earmarked Reserve will be depleted in funding the one-off pressures in the 2022-23 Revenue Budget and measures will need to be considered to replenish it. The Council's Performance Monitoring and Revenue Outturn 2020-21 Report allocated £14.000m from 2020-21 underspends to a newly established Earmarked Reserve as a contingency against potential funding losses during the Covid-19 recovery period.

4.10.28 The Council made the strategic decision to fund its capital expenditure in 2018-19 to 2020-21 from additional borrowing, rather than its revenue budget. These revenue contributions are held in an Earmarked Reserve (the Revenue Contributions to Capital Expenditure Earmarked Reserve), which is being held to supplement the use of the General Reserve and support the management of revenue budgets over the medium term. The Revenue Budget Report 2020-21 and 2021-22 approved the use of one-off support for the revenue budget from this Earmarked Reserve and it proposed that there is further one-off support for the revenue budget in 2022-23. Further contributions to this Earmarked Reserve, in the region of £2m, should be possible in 2022-23.

4.10.29 Whilst the Council maintains an adequate level of General Reserve, failure to achieve the required level of budget savings, in order to balance the budget, would see the balance of the General Reserve significantly depleted and lead to issues around financial sustainability that would require urgent, radical savings rather than the planned process that minimises the impacts of reductions as far as possible. The table below illustrates the reasonable, pessimistic forecast of General Reserve balances over the medium term.

2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
21.272	14.622	13.572	11.022	9.522

4.10.30 Earmarked Reserves are required for specific purposes and are a means of smoothing out the costs associated with meeting known or predicted liabilities. These reserves have no specific limit set on them, but they should be reasonable for the purpose held and it must be agreed that they are used for the item for which they have been set aside.

4.10.31 The external auditor makes a judgement on the financial stability of the Council each year when the accounts are audited. The judgement continues to be positive subject to the continuing achievement of budget savings and the maintenance of a robust, risk assessed level of reserves.

Medium Term Planning

4.10.32 Undoubtedly the Council has managed the achievement of a balanced budget in a robust and planned manner over the period of the downturn in general Government support for local authority spending since 2010 (albeit with increased funding support beginning to be received in recent years).

4.10.33 Given the significant uncertainty regarding Covid-19, the continuing period following EU Exit and local government devolution, together with the wide range of risks outlined below, it is vital that in setting the budget for 2022-23, consideration is also given to the financial years beyond it and the longer-term financial sustainability of the Council.

4.10.34 If the Council is to achieve its Council Plan vision, it needs services to be delivered on a stable financial footing. Setting a balanced budget in each year of the FYFP will still require significant savings to be found by departments. The demand pressure work for both Adult’s and Children’s Services have the potential to realise significant savings, but it should be noted that it will be some years before they are fully achieved. The pandemic has slowed down the Council’s savings programme and Departments will again be playing ‘catch-up’ in the next financial year whilst battling with delivering substantial savings proposals identified for 2022-23 and preparing for more substantial savings required from 1 April 2023 onwards. These savings can be ‘soft landed’ to a limited extent, in the short-term, but this means the Council has to make potentially significant calls on reserves to do so, which will reduce flexibility later in the FYFP period.

4.10.35 Over recent years the Government has expected councils to rely more and more on Council Tax and localised Business Rates to fund services. Core spending power for local authorities is estimated to increase by an average of 3% in real terms each year over the SR 2021 period, including investment in Adult Social Care reform. However, this increase is partly due to the ability of social care authorities to increase their Council Tax bills by up to 5%, depending on their increase in 2021-22.

4.10.36 The additional social care and service grant funding announced in SR2021 is welcome and helps to partly support the pressures on the Council's vital services, however, all services will have to find further savings to already stretched budgets.

4.10.37 There has been over a decade of reduced funding for local government. The Council has made well over £300m of savings during this period and whilst remaining committed to delivering value for money services, the ambition of the Council requires a significant period of transition to deliver the Strategic Approach as outlined in the Council Plan. There has to be a recognition that in some cases the Council may not be able to continue some services to the level it would like within the current funding envelope meaning some difficult decisions will be necessary.

4.10.38 Council Tax rises on households, many of which will be struggling as they cope with unemployment and an uncertain future, is a difficult decision. However, it is the single most effective way of providing base budget to support the delivery of services and maintain financial sustainability over the longer term. In the early days of the pandemic billing authorities anticipated that many households would struggle to pay Council Tax bills and there was an expectation that direct debit cancellations would be abundant. This has not transpired. Collection rates are back to around the level they were pre-pandemic.

4.11 Five Year Financial Plan

4.11.1 The Council's FYFP is reviewed and updated at least annually. It was updated and reported to Council in February 2021. The FYFP has been updated and this serves to inform the annual budget setting process. A copy of the FYFP is shown at Appendix Seven.

4.11.2 Members need to give consideration to a number of risks regarding the assumptions made in developing the FYFP, these being:

Risks and Uncertainties

- **Achievement of Savings** – there is a reliance on the achievement of a programme of budget savings. Any delays in implementation result in departmental overspends under normal circumstances, which result in reserves being used to cover the shortfall. Various scenarios for reserves have been modelled and the pessimistic General Reserve forecast results in a balance which is just 1.4% of forecast FYFP spending in 2026-27. Other earmarked reserves available for budget management are also forecast to reduce. The General Reserve needs to be preserved across the medium term to maintain financial sustainability, preserve the ability to soft land budget cuts and provide funding for Covid-19 recovery.

- **Service Pressures –** there is a commitment to support budget growth where necessary, and in particular within children's social care. However, if current trends continue regarding placements and there is inadequate funding to support this, there will be further pressure on budgets in later years. However, there is analysis underway to consider how to mitigate demand pressures on the number of looked after children, which has the potential to help control some of these financial pressures, but they are unlikely to be effective in the short-term. Demographic growth continues to affect Adult Social Care costs. Predictions show that the Council will experience further annual growth, with significant additional annual costs estimated over the period of the FYFP.

- **Pay –** the FYFP assumes that the Council's bottom pay-point reaches £10.69 an hour by 2024-25, which is based on the Government's NLW target to reach two thirds of median earnings by 2024. However, this wage is not calculated according to what employees and their families need to live, instead taking into account what is affordable for organisations. Under current Living Wage Foundation 'Real Living Wage' forecasts this would mean a rise to £10.50 per hour by 2024. In line with this forecast it is the Council's ambition that the Council's bottom pay-point will be £10.50 an hour by 2024. However, this pay ambition is not currently affordable within the constraints of the Council's funding.

  The Council would welcome Government support for local authorities in the 2022-23 Settlement, or if that is not possible, in future settlements, to address the serious issue of increasing pay award pressures in a period of rising inflation. Additional funding would assist the Council in its recruitment and retention of staff, which is becoming increasingly difficult at this key time for local authorities, when services are competing with rising demand and the impacts of the Covid-19 pandemic, as well as capacity issues across the sector.

- **Economic Climate** – the Covid-19 pandemic has resulted in a significant economic shock, from which the economy has partly bounced back, but it has taken some time to recover Gross Domestic Product to pre-pandemic levels. Rising inflation means there is the potential for reductions in the Council's income for discretionary services.

- **Spending Reviews** – the Government has issued single year spending reviews for the last three financial years. Despite the signals, 2022-23 will be the fourth continuous single-year settlement. A multi-year settlement provides local authorities with some certainty, supporting medium-term financial and service planning, and financial sustainability. There is also a risk that the Government's investment in the Covid-19 pandemic may result in further austerity measures in future years, as savings are required to repay the debt incurred by Government.

- **Fair Funding and Business Rates Reviews** – the reviews have been delayed for a number of years and the planned implementation for April 2021 was again postponed. A transparent, fair funding system is required, which reflects need and ability to fund services locally. The FYFP is predicated on the basis that mainstream funding continues as it is now.

- **Public Health Grant** – the Council's allocation for 2022-23 is expected to be announced in January 2022 and will most likely rise with inflation, however, this is still to be confirmed. The Government has also not yet confirmed whether the ring-fence and grant conditions will remain in place, but it is expected that they will, until at least 31 March 2023. At some point it is expected that the funding for Public Health will form part of revised funding mechanisms for local authorities following funding reviews, levelling up communities and addressing health inequalities exposed by Covid-19.

- **Devolution** – the expected Devolution White Paper is considered likely to be replaced by the Levelling Up White Paper, but this has yet to be published. It was expected in December 2021.

- **Brexit** – whilst a deal has been agreed and implemented between the UK and the EU, there remains elements of uncertainty as to how the agreement will work in practice over the medium to long term.

- **Covid-19 Financial Pressures** – no additional Covid-19 funding has been announced in the Provisional Settlement, although Government might review this, now the more infectious Omicron variant of concern has become dominant and new wave cases have dramatically increased. However, cases may have peaked in some areas and hospitalisations are much lower than the levels this time last year.

Covid-19 pressures for the Council have intensified, with rising costs, underlining the urgency for Government to extend outbreak funding for councils beyond March 2022. The Council would also welcome confirmation that previously issued Covid-19 funding will not be clawed back, given the uncertainty around new variants and the potential for further restrictions. This would give some certainty and allow the Council to plan accordingly.

4.11.3 Further significant risks are illustrated below.

Local Taxation

4.11.4 The following risks have been identified in respect of the Council's locally raised income from taxation, which is the income the Council receives from locally retained Business Rates, Council Tax and fees and charges. These risks must be managed effectively.

- **Current national and local economic conditions** - including inflation levels, economic growth rates, interest rates and unemployment levels, impacting on Business Rates, Council Tax and income from fees and charges.

- **Collection of amounts owed** – collection fund deficits for both Council Tax and Business Rates result and increase when there is a reduction in collection rates and this depends on the effectiveness of local borough and district councils, as well as on economic conditions.

- **Business Rates appeals** – exposure to appeals against rate valuations and avoidance of the tax. Whilst some appeals will go in the favour of local authorities, the uncertainty of the outcome and lack of knowledge about the timing of the decision means that councils are forced to accept a significant, unpredictable financial risk, impacting on the availability of funding for services.

- **Business Rates as taxation** – it is presently not known how the Government's commitment to conducting a fundamental review of Business Rates as a tax, engaging with businesses and local authorities might affect the Business Rates Retention system or future Local Government funding arrangements.

- **Future Council Tax levels** - a long-term consensus on future Council tax levels needs to be agreed as part of a strategy for the Council, within the context of forecast Referendum Principles limits.

- **Trading operations** – these have been pursued by departments for several years as a means of balancing budgets. The Covid-19 pandemic has highlighted the reliance of some services on external income from sales, fees and charges. Whilst the Government's scheme has assisted in meeting some of the shortfall, it has now ended, and adequate charges should reflect risk to provide security when incomes fall. A thorough review of services and charges must be undertaken in order to minimise risk to the rest of the Council's service delivery.

Service Pressures

4.11.5 The increasing importance of the identification of the nature and size of future budget pressures will require changes to the horizon scanning currently undertaken by departments, in order to reduce risks inherent in formulating and planning to meet pressures in the FYFP. The Council is working towards agreed methodologies for quantifying the cost implications of the areas of large and consistent budget pressure bids and ensuring these are adequately reflected in risk registers, alongside suitable mitigations, but there is still more work required in this area.

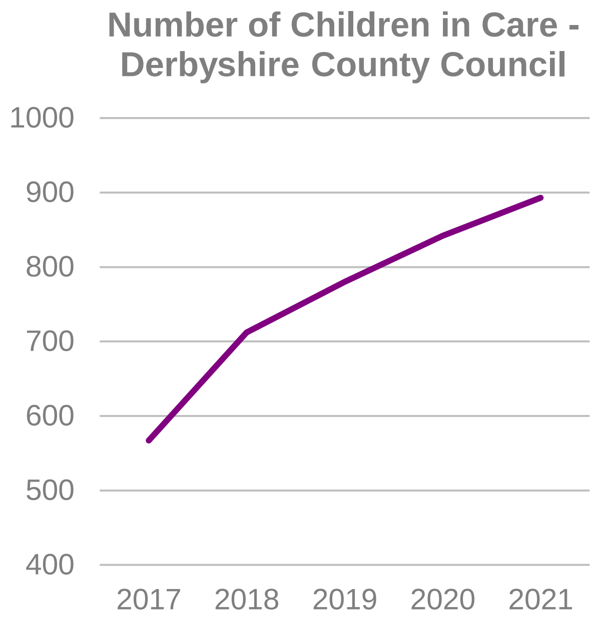
4.11.6 All other budgetary pressures will need to be contained within departmental budgets. As stated in the Revenue Budget Report 2021-22, where departments overspend from 2021-22 onwards, the Council's policy of ensuring that the departmental overspend is met from that department's budget in the following year will be expected after several years of meeting these costs corporately from the General Reserve.

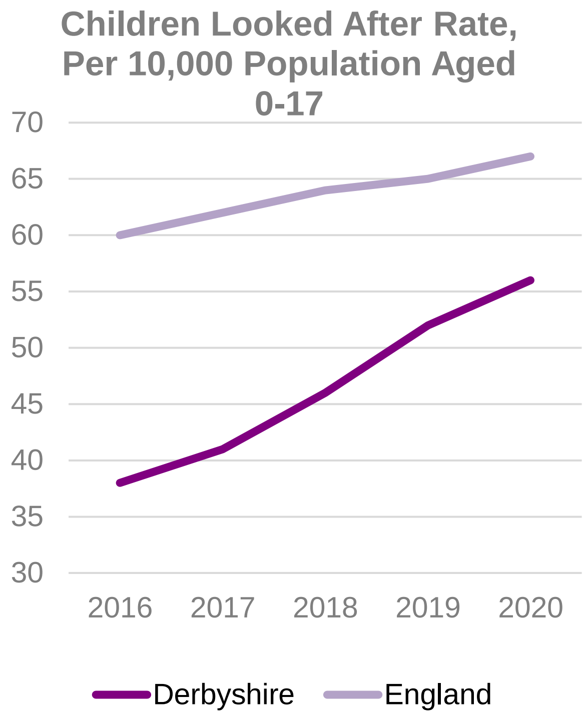
4.11.7 The Council's significant budget pressures are considered further below:

Children's Social Care

- As an upper tier authority, the Council is responsible for providing children's social care services. Those services include child protection and safeguarding, care for looked after children and aftercare, support for vulnerable children and their families.

- Nationally the number of children in care has risen significantly over the past decade creating unprecedented demand pressures on children's services. The national picture is being reflected in Derbyshire.



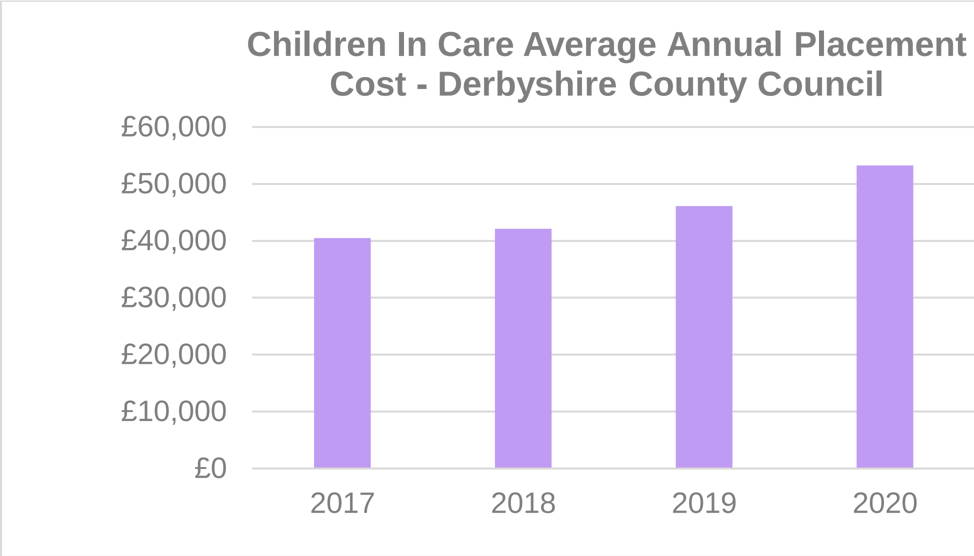


- As at 30 November 2021 there were 921 children in the care of the Council, a 30% increase on the number four years ago.

- The costs of caring for looked after children have also been rising.

- Emerging findings from a study into 'The Future of Children's Social Care' services, published in November 2021 by The County Councils Network (CCN) and Newton, found that the number of children in residential care across England has increased by 27% since 2015, largely due to councils struggling to source suitable alternatives, such as foster carers, and children staying in the care system for longer.

- Residential care is the most expensive form of care and average costs per week have been rising significantly. The study found that average residential placement costs falling to local authorities in England have increased by 43% over the five-year period to April 2020.



- These nationwide pressures are being reflected in Derbyshire.

- These pressures are expected to continue to grow for the foreseeable future. The Council, along with many other local authorities in the country, continue to express concern regarding substantial increases in the cost of children's social care, urging Government to provide additional funding for the service.

Schools and Learning

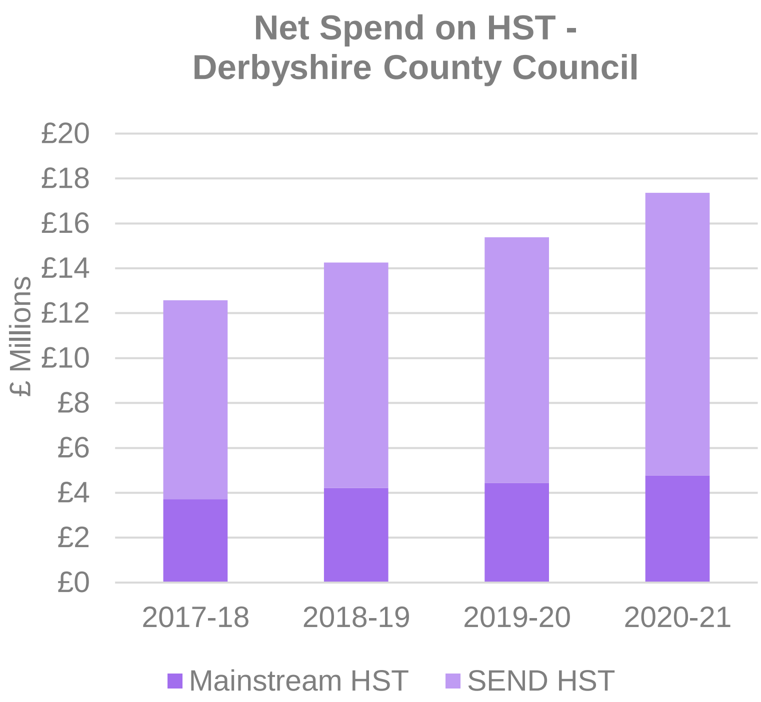
Whilst expenditure on school related activity would normally be expected to be met from within the allocated DSG, there are some school based pressures which could fall to the Council's General Reserve to fund:

- The Council's accumulated DSG deficit at 31 March 2022 is expected to be at least £5.5m and will need to be recovered from future DSG income. The main pressures for the Council, as with most local authorities, continues to be in respect of High Needs Block budgets. The December 2021 DSG announcement provided for an increase in High Needs funding of £11.638m (13.1%), however it is likely that further demand pressures may still result in spend exceeding income in 2022-23.

- Deficit balances that exist at the point a school becomes an academy may be left with the Council to fund. This is the case for 'sponsored' academies. Sponsored academies are those where conversion is a result of intervention, or where the school is not considered to be strong enough without the aid of a sponsor.

- There are some statutory duties relating to education which are funded from the Council's revenue funding. These include home to school transport (HST).

- Transport cost increases and growing number of pupils eligible for Council-funded transport have led to significant increases in spend on HST, in particular HST provided for children with special educational needs and disabilities (SEND).



- Net costs have risen by 38% in the last four years and this trend is expected to continue.

Adult Social Care

- Demographic growth continues to affect Adult Social Care costs. Growth predictions show that the Council is subject to approximate annual increases of £3m in relation to adult services, with a further £2m for children transitioning to adulthood. These additional costs of £5-6m each year are predicted to continue for at least the next five years.

- Over the last few years, the NLW has increased annually by between 2% and 7%. For 2022-23, the increase is 6.6%. This directly impacts on the fees the Council pays to the independent sector. If this level of increase is to continue it will cost the Council up to an additional £15m each year for at least the next five years.

Waste

- Waste Landfill tax, landfill site gate fees and contractual payments for the operation of Household Waste Recycling Sites and Waste Transfer Stations are subject to price rises in line with the Retail Price. There are also statutory increases of 3% in the cost per tonne of recycling credits.

- The Council and Derby City Council remain engaged in a project to develop a New Waste Treatment Facility (NWTF) in Sinfin, Derby, to deal with waste that residents in Derby and Derbyshire do not recycle. The facility, which was due to open in 2017, was being built on the councils' behalf by Resource Recovery Solutions (Derbyshire) Ltd (RRS), which was a partnership between national construction firm Interserve, which was also building the plant, and waste management company Renewi plc. However, the contract with RRS was terminated on 2 August 2019, following the issuing of a legal notice by the banks funding the project.

- A new contract has been put in place by the councils to make sure waste that residents cannot recycle or choose not to recycle continues to be dealt with and that recycling centres and waste transfer stations continue to operate. These services will continue to be run by waste management company Renewi UK Services Ltd, under a two-year contract.

- Work had been progressing on the facility to determine its condition and capability, however due to the measures introduced by the UK Government to counter the Covid-19 pandemic, work on site has been affected. This work is also being carried out by Renewi UK Services Ltd and will allow the councils to ascertain what measures need to be in place for the facility to become fully operational. The councils are in negotiations to pay an "estimated fair value" (EFV) for the plant, taking into account all of the costs of rectifying ongoing issues at the plant and the costs of providing the services to meet the agreed contract standards. The councils are trying to complete this within as short a time frame as possible, but the councils are not wholly accountable for the actions needed, as third parties have a direct influence on how long the process may actually take.

- The financial range of the possible EFV for the plant is significant and constitutes a potential strategic risk to the Council. If an agreed EFV cannot be reached through negotiation, formal dispute resolution and litigation processes would have to be commenced by RRS, and an EFV would be settled through legal processes and ultimately the Courts. At the time of publication of this Council Report, an agreed EFV has not been reached. In the event of either a negotiated position, or a Court decision, the payment required from the Council may be for a material amount, which is an amount which is of relative significance or importance in the context of the Council's financial statements as a whole.

Climate Change

- Climate Change is an issue that carries a high risk of financial uncertainty over the long term and will require coordinated effort by all public bodies, especially the Government. In the longer term it is hoped that early costs may be offset by future savings in the same way as the Council's successful LED programme for replacement of streetlights has done.

Budget Savings

4.11.8 Budget savings identified must be achieved. Any reduction in the amount achieved will continue to be at the relevant department's risk and will require other savings to be made to offset them. Further savings need to be identified in detail over the medium term and in order to aid planning. This is particularly necessary given the increased savings gap.

Council Plan Priorities

4.11.9 Council Plan priorities have been considered within the context of budget restraint. This was evidenced in a budget prioritisation exercise held during a full day Corporate Management Team Budget Session in December 2021, when competing service pressures were ranked against a number of measures, including whether they met the Council objectives of Resilient, Healthy and Safe Communities; High Performing, Value for Money and Resident Focused Services; Effective Early Help for Individuals and Communities and A Prosperous and Green Derbyshire. The other measures were, 'how likely is it to happen?', 'is it statutory?', 'is it a priority in the Council Plan?', 'is it an invest to save/grow?' and 'can it be deferred into future years?'. The output of this exercise helped to inform the final decisions made in terms of which service pressures to support.

Summary

4.11.10 The degree of uncertainty over medium term funding can be related to the following issues in particular:

- The increasing likelihood of councils issuing ‘Section 114’ notices (see Section 4.11.18 below) allied to the requirements of the Financial Management Code for transparency in the sustainability of individual local authorities.
- The continuing increase in pressures.
- The need to maintain a significant and risk assessed level of reserves over the medium term.
- The increasing difficulty in making significant and sustainable budget reductions.

4.11.11 The Council has a well-established and robust corporate governance framework. This includes the statutory elements like the post of Monitoring Officer, S151 Officer and Head of Paid Service, in addition to the current political arrangements. An overview of this governance framework is provided within the Annual Governance Statement (AGS), which is included in the Statement of Accounts. This includes a detailed review of the effectiveness of the Council’s governance arrangements. Whilst it is not possible to provide absolute assurance, the review process as outlined in the AGS does conclude that the existing arrangements remain fit for purposes and help provide reasonable assurance of their effectiveness.

4.11.12 The Council’s Annual Governance Statement process has not identified any material issues that may significantly impact on the Council’s Financial Resilience, except for the impact of Covid-19 on financial sustainability, which has been considered. The Council is working with the Local Resilience Forum and a range of partners locally and regionally on a Covid-19 recovery programme.

4.11.13 As a principal local authority, the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement to set a balanced budget each year, combined with the legal requirement for the Council to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and Government control, there are other factors, such as the role undertaken by the external auditor, as well as the statutory requirement, in some cases, for compliance with best practice and guidance published by CIPFA and other relevant bodies. For example, the Council has measured itself against the principles set out in CIPFA’s Financial Management Code and is confident that it is achieving these in all substantive areas.

4.11.14 Against this backdrop it is considered unlikely that a local authority would be ‘allowed to fail’, with the likelihood being that when faced with such a scenario, that Government would intervene, supported by organisations such as the Local Government Association, to bring about the required improvements or maintain service delivery.

4.11.15 However, given the severity of the Covid-19 pandemic on the country’s finances, it would be complacent to rely on Government intervention. DLUHC has conceded that authorities could still be left with unmanageable pressures and may continue to be concerned about their future financial position, urging any authority that found itself in that position to contact the department with immediate effect.

4.11.16 The Council has deployable resources and assets at its disposal in the short to medium term. The greatest risk to its financial sustainability in the longer term is from not achieving substantial budget savings, demand pressures on looked after children, the effect of demographic growth on Adult Social Care costs and concern over inflation. The Covid-19 pandemic has delivered a significant economic shock. In October 2021 annual UK Consumer Price Inflation (CPI) reached 4.2%, largely due to surging demand and supply chain problems. However, labour market data shows that in the three months to September 2021 the unemployment rate fell to 4.3%. Growth in average regular pay was 4.9% over the period July to September 2021. The robust growth figures are partially due to measurement against a low base, following on from a decline in average pay in Spring 2020 associated with the furlough scheme. Furthermore, the Spending Review 2021 indicates that there will be support for local government over the next three years, with some level of certainty being given.

4.11.17 There remains a risk to its financial sustainability in the longer term from costs associated with Covid-19 and of not achieving substantial budget savings.

4.11.18 In Local Government, the Chief Finance Officer, also known as the Section 151 Officer (S151 Officer), has the power to issue a Section 114 notice (S114 notice) if there is a significant risk that the Council will not be in a position to deliver a balanced budget by the end of the current financial year. This is an emergency situation whereby a response is required by legislation. Councillors have 21 days from the issue of a S114 notice to discuss the implications at a Full Council meeting. The notice means that no new expenditure is permitted, with the exception of safeguarding vulnerable people and statutory services and continuing to meet existing contract obligations. Council officers must therefore carry out their duties in line with contractual obligations and to acceptable standards, whilst being aware of the financial situation. Any spending that is not essential or which can be postponed should not take place and essential spend is monitored. The only allowable expenditure permitted under an emergency protocol includes the following categories:

- Existing staff payroll and pension costs.
- Expenditure on goods and services which have already been received.
- Expenditure required to deliver the council’s provision of statutory services at a minimum possible level.
- Urgent expenditure required to safeguard vulnerable residents.
- Expenditure required through existing legal agreements and contracts.
- Expenditure funded through ring-fenced grants.
- Expenditure necessary to achieve value for money and/or mitigate additional in year costs.

4.11.19 Three councils have issued S114 notices in the last three years - Northamptonshire in 2018, Croydon in late 2020, and Slough in July 2021. In October 2021 DLUHC published its response to the Select Committee’s report on Financial Sustainability and the S114 Regime. The value of local government and the vital role the sector plays in delivering key public services is recognised, as well as the challenges the sector is currently facing. DLUHC states that it will work to provide a sustainable financial footing, enabling delivery of vital frontline services and supporting other government priorities. In taking stock to determine any future reforms it will consider the impact of the pandemic on local authority resources and service pressures. The report includes responses to thirteen recommendations on social care, funding, Covid-19, local authority commercial investment and audit and control. These matters, along with information on an assessment of the Council’s position, were reported to the Council’s Audit Committee in December 2021. Despite the current financial pressures there is no intention at this time for the Council’s S151 Officer to issue a S114 notice.

4.11.20 Additionally, a report of the assessment of the Council’s Director of Finance & ICT (now Executive Director, Corporate Services and Transformation), as S151 Officer, of the Council’s status as a ‘going concern’ for the purpose of producing its Statement of Accounts for 2020-21, was reported to the same meeting.

4.11.21 It is unclear how much further Government support will be provided to cover the costs resulting from the pandemic; these costs are expected to be well in excess of the support already provided. Although the immediate impact of losses on the Council Tax and Business Rates collection funds has been eased, by allowing these costs to be spread over three years instead of one, the Government’s has only committed to reimburse councils for some of these losses. It is also apparent that Government will only provide compensation for some of the Council’s lost income from fees and charges. Consideration will be required as to how the Council can react to replace these income streams if they fail to recover to pre-Covid-19 levels.

4.11.22 Despite these risks, the Council has sufficient reserves it can deploy to meet the anticipated funding shortfall, should it be required to do so. If it were to use its reserves for this purpose, however, this would significantly impact on the funding of the Council’s planned improvements, delay some savings plans and require additional general reserves to be set aside in order to ensure that the balance of general reserves remains at a prudent risk-assessed level. Due to the Council’s Treasury Management Strategy over the last decade being to use internal borrowing, rather than take on new long-term external borrowing, the Council has head-room, within the scope of its powers under the Prudential Framework, to take on additional external borrowing to preserve the liquidity of its cash flow, should it need to do so.

4.11.23 Experience and investigations into those councils experiencing financial failure demonstrates that periods of lower than allowed Council Tax rises can contribute significantly to exacerbate other financial issues, such as reducing Government support, increasing budget pressures, an overly-optimistic savings programme or lack of strength on the Balance Sheet.

4.11.24 It is clear that it is vital that budget savings are delivered according to realistic plans and that tough decisions are taken to balance the budget.

4.11.25 Having regard to the Council's arrangements and the factors as highlighted in this report, the Executive Director, Corporate Services and Transformation, as S151 Officer, concludes that Derbyshire County Council can set a balanced budget for 2022-23 and across the period of the FYFP and that it remains a going concern, although it will continue to require difficult decisions to be made and strong, robust financial management.

5 Consultation

5.1 The Council has, for a number of years, undertaken a variety of consultation exercises, using a range of methods, in the preparation of its annual revenue budget. However, recently as part of the significant budget savings required, the Council has enhanced the value of the consultation exercises by using alternative approaches.

5.2 A separate report highlighting consultation activity recently undertaken is also on the agenda for consideration at this meeting. The responses to that consultation exercise must be conscientiously taken into account when this decision is taken.

6 Alternative Options Considered

6.1 Do nothing – This would be contra to Appendix Seven of the Council's Constitution – Budget and Policy Framework Procedure Rules, which requires that Cabinet must propose a budget by early February to allow the Council, should it so wish, to raise objections and refer the budget proposals back to Cabinet for further consideration, allowing time to finalise precepts before the statutory deadline of 1 March.

6.2 Decide that there is a significant risk that the Council will not be in a position to deliver a balanced budget by the end of the current financial year, requiring the S151 Officer to issue a S114 notice – Having regard to the Council's arrangements and the factors as highlighted in this report, the Executive Director, Corporate Services and Transformation, as S151 Officer, has concluded that the Council can set a balanced budget for 2022-23 and across the period of the FYFP and that it remains a going concern, although it will continue to require difficult decisions to be made and strong, robust financial management.

6.3 Present alternative budget proposals to achieve a balanced budget - Other options, which would still allow a balanced budget to be set, are available as alternatives to the budget proposals presented. These are the options that have been considered but are not recommended for the following reasons:

- Increasing 2022-23 Council Tax at the maximum permitted 5%, exercising the Council's option of levying the remaining 2% ASC Precept from 2021-22, in addition to the increases permitted by the 2022-23 Referendum Principles.

  This option has been considered because:

  - In 2021-22 the Council has the lowest mean average Council Tax paid per household amongst the fourteen shire county councils who provide the same services.
  - A 5% increase would lock into the Council's base budget additional ongoing funding of around £7m each year, over and above the proposed 3% total increase.
  - It would further recognise and contribute to the Adult Social Care pressures the Council is experiencing, in conjunction with the significant increase in general budget pressures.

  This option is not recommended, in order to protect Derbyshire residents from an additional Council Tax increase, in a year when they will already be experiencing significant increases in National Insurance taxation and other household bills, such as for energy and food. By not taking this option it will save Derbyshire households over £28m over the medium term.

  The proposed Council Tax increase of 3% strikes a balance between the Council's need for additional funding to meet increasing Service Pressures and giving due consideration to the current inflationary pressures faced by Derbyshire residents.

- Providing Departments with full funding for initially identified ongoing services pressures.

  This option has been considered because:

  - Departments' Senior Management Teams have already invested significant effort in addressing forecast Service Pressures before commencement of the 2022-23 budget setting process and during it, in particular through a number of cost reduction initiatives which are underway in Children's Services. Although these are being used to mitigate overspends and reduce the need for budget growth across the period of the FYFP, there is still identified increasing demand for additional funding to provide vital Council services.

This option is not recommended, as the allocation of this additional funding would mean that Departments would have to find further 2022-23 savings equal to this increased funding because the amount of overall external funding does not change as a result of following this option. Departments would be allocated an additional target saving effectively split pro-rata based on departmental net budgets.

Significant budget savings in respect of demand management and service improvements have already been delivered and are planned to be delivered over the course of the FYFP, in particular from the Adult Social Care and Health Better Lives programme. A significant funding gap remains in the FYFP, where no savings proposals have been brought forward. Departments are already experiencing some difficulty in bringing forward further savings proposals for due consideration, and the Covid-19 pandemic is impacting on this and the delivery of earlier identified and approved Departmental savings. It is a requirement for Departments to deliver the savings previously identified for the next financial year and this will be a challenge without any further allocations.

Given this situation, it is considered to be better financial management practice for the total amount of Service Pressures awarded to reflect the extent of additional funding forecast to be available within the confines of sound medium term financial planning. In view of this, the Council's Corporate Management Team has invested significant cross-Departmental time and effort to review and reduce Service Pressures. Departments have worked together to assess and revise Service Pressures bids, thoroughly considering risk, service priorities and need.

At this stage it is also unknown to what, if any, extent additional Covid-19 funding will be provided by Government to meet those Departmental Service Pressures which are particularly being impacted by the pandemic. Any such additional specific funding received will be allocated to the Departments concerned and any such additional general funding will be reviewed in-year and allocated to Departments, on the basis of need. This will be reported on in the usual way, in the Budget Monitoring and Forecast Outturn 2022-23 reports, to Audit Committee, Cabinet and Council.

Furthermore, it is possible that forecast Locally Retained Business Rates income is higher than assumed. The final position will not be known until 31 January 2022. This could lead to additional one-off funding being received, which would lessen the impact on reserves of any Departmental overspends in 2022-23.

- Alternative allocation of 2022-23 budget savings - Departments would be allocated a target saving effectively split pro-rata based on departmental net budgets. This is the method of allocating budget savings used by the Council up to 2020-21. This option for allocating 2022-23 budget savings is not recommended because in view of the severe pressures being experienced by Children's Services, it is considered to be good financial management to continue the practice of affording significant protection for the Children's Services budget, as in 2021-22.

7 Implications

7.1 Appendix One sets out the relevant implications considered in the preparation of the report.

8 Background Papers

8.1 Autumn Budget and Spending Review 2021.

8.2 Provisional Local Government Finance Settlement 2022-23 – Department for Levelling Up, Housing and Communities.

8.3 Initial budget Equality Impact Assessment.

8.4 Papers held electronically by Financial Strategy Section, Financial Management & Strategy, Finance & ICT Division, County Hall.

9 Appendices

9.1 Appendix One – Implications.

9.2 Appendix Two – Revenue Budget 2022-23.

9.3 Appendix Three – Response to Provisional Local Government Finance Settlement 2022-23.

9.4 Appendix Four – Council Tax 2022-23.

9.5 Appendix Five – Service Pressures 2022-23.

9.6 Appendix Six – Budget Savings Proposals 2022-23 to 2026-27.

9.7 Appendix Seven – Five Year Financial Plan 2022-23 to 2026-27.

9.8 Appendix Eight – Equality Impact Analysis Revenue Budget 2022-23.

10 Recommendations

That Cabinet recommends to Council that it:

10.1 Notes the details of the Autumn Budget, Spending Review 2021 and Provisional Local Government Finance Settlement as outlined in sections 4.3 and 4.4.

10.2 Notes the Government's expectations about Council Tax levels for 2022-23 in section 4.5.

10.3 Approves the precepts as outlined in section 4.5 and Appendix Four.

10.4 Approves that billing authorities are informed of Council Tax levels arising from the budget proposals as outlined in section 4.5 and Appendix Four.

10.5 Approves the contingency to cover non-standard inflation as outlined in section 4.7. The contingency to be allocated by the Executive Director, Corporate Services and Transformation, as S151 Officer, once non-standard inflation has been agreed.

10.6 Approves the service pressure items identified in section 4.8 and Appendix Five.

10.7 Approves the level and allocation of budget savings as outlined in section 4.9 and Appendix Six.

10.8 Notes the comments of the Executive Director, Corporate Services and Transformation, as S151 Officer, about the robustness of the estimates and adequacy of the reserves as outlined in section 4.10.

10.9 Notes the details of the Council's consultation activity as outlined in section 5.

10.10 Approves the Council Tax requirement of £369.688m which is calculated as follows:

10.11

	£
Budget Before Pressures and Budget Reductions	**579,512,755**
Plus Service Pressures – on-going	27,214,156
Plus Adult Social Care Precept	3,555,844
Plus Service Pressures - one-off	17,207,000
Less Budget Reductions	-8,057,000
Increase in Debt Charges	7,000,000
Decrease in Risk Management Budget	-7,975,684
Net Budget Requirement	**618,457,071**
Less Top-Up	-94,891,733
Less Business Rates	-15,875,000
Less Revenue Support Grant	-14,231,306
Less New Homes Bonus	-1,868,167
Less General Grant	-90,396,308
Less PFI Grant	-10,503,833
Less Use of Earmarked Reserves	-21,003,051
Balance to be met from Council Tax	**369,687,673**

10.12 Approves the use of the Revenue Contributions to Capital Expenditure Earmarked Reserve to provide one-off support to the 2022-23 Revenue Budget.

10.13 Authorises the Executive Director, Corporate Services and Transformation, as S151 Officer, to allocate cash limits amongst Cabinet portfolios; Executive Directors will then report to Cabinet on the revised Service Plans for 2022-23.

11 Reasons for Recommendations

11.1 Appendix Seven of the Council's Constitution – Budget and Policy Framework Procedure Rules, requires that Cabinet must propose a budget by early February to allow the Council, should it so wish, to raise objections and refer the budget proposals back to Cabinet for further consideration, allowing time to finalise precepts before the statutory deadline of 1 March.

11.2 The Council Plan values commit to spending money wisely, making the best use of the resources that the Council has.

11.3 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations. The Covid-19 pandemic has increased the financial uncertainty for all local authorities. The Council is committed to ensuring that it sets a balanced budget over the medium-term, therefore ensuring good financial management and use of reserve balances to meet the costs of any unforeseeable events arising from the pandemic.

12. Is it necessary to waive the call in period?

12.1 No

Report Author:	**Contact details:**
Eleanor Scriven	eleanor.scriven@derbyshire.gov.uk

This report has been approved by the following officers:

On behalf of: Managing Director Executive Director, Corporate Services and Transformation (S151 Officer) Director of Legal Services and Monitoring Officer	

Implications

Financial

1.1 Considered in the body of the report.

Legal

2.1 The Council's Constitution contains Budget and Policy Framework Procedure Rules which must be followed when the Council sets its budget. Cabinet must propose a budget by early February to allow the Council, should it so wish, to raise objections and refer the budget proposals back to Cabinet for further consideration, allowing time to finalise the precepts before 1 March. The Revenue Budget Report was identified and published as a key decision with 28 days' notice.

2.2 When setting the budget, the Council must be mindful of the potential impact on service users. The consultation exercises which have been undertaken in the preparation of the 2022-23 budget are relevant in this respect. Members are invited to have regard to the legal implications contained in the Budget Consultation Results Report for 2022-23.

2.3 Section 149 of the Equality Act 2010 imposes an obligation on Members to have due regard to protecting and promoting the welfare and interests of persons who share a relevant protected characteristic (age; disability; gender re-assignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation).

2.4 A high-level equality analysis has been carried out and is included at Appendix Eight. Even though this is a high-level analysis and, as noted below, there will be detailed analyses undertaken for specific service reductions, it is still essential that Members read and consider the analysis to be provided alongside this report. It will be noted that the analysis identifies a number of potential areas of detriment and Members are asked to pay careful regard to this in considering the recommendations made in this report. Once the budget has been set and as spending decisions are made, service by service, and as policies are developed within the constraints of the budgetary framework, proposals will be further considered by Members and will be subject to an appropriate and proportionate assessment of any equality implications as well as consultation, including consultation on a range of options, where appropriate.

Human Resources

3.1 The actual scale and detailed composition of job losses involved will not become clear until the necessary consultations are concluded, and final decisions are made on individual savings proposals. It is, however, evident that given the level of budget savings identified the scale of workforce re-alignment will be significant. The Council will seek to mitigate the impact of the proposed budget reductions on the Council's workforce through the use of measures such as vacancy control, redeployment, voluntary release, etc. and the further development of an internal jobs market.

3.2 The Council has a statutory responsibility to consult with the relevant trade unions when potential redundancy situations arise. At future meetings Cabinet will be asked to approve such consultation, where necessary, as well as reviewing the application of the appropriate HR measures to mitigate the effect of the budget reductions.

Information Technology

4.1 None

Equalities Impact

5.1 An initial Equality Analysis has been carried out in relation to the Council's proposed Revenue Budget Report 2022-23. This outlines the overall likely impacts upon the different protected characteristic groups and is based on those areas which have been identified for savings. It also reflects upon the ongoing work to develop cumulative impact analysis and to consider the linkages between the Council's budget savings and those being made elsewhere in Government and by public sector partners.

5.2 Increasingly budget savings are resulting in reductions or changes to frontline services, which directly affect the people of Derbyshire. In particular, they are likely to pose a potential adverse impact for some older people, disabled people, children and younger people and families. In part this is because many of the Council's services are targeted at these groups and these services command the largest parts of the Council's budget. At the same time, other national and local changes are also likely to continue to affect these groups in particular. As indicated above, an initial budget Equality Analysis has been carried out and a copy is included at Appendix Eight. Members are asked to read this analysis carefully. As explained above, this assessment helps identify areas where there is a significant risk of adverse impact which would then be subject to a full equality impact assessment process prior to Cabinet decisions on individual services.

Corporate objectives and priorities for change

6.1 The Council Plan values commit to spending money wisely, making the best use of the resources that the Council has.

6.2 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations. The Covid-19 pandemic has increased the financial uncertainty for all local authorities. The Council is committed to ensuring that it sets a balanced budget over the medium-term, therefore ensuring good financial management and use of reserve balances to meet the costs of any unforeseeable events arising from the pandemic.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

REVENUE BUDGET 2022-23

SERVICE	Adjusted Base	Funding Changes	Base after Funding Changes	Pay and Price Inflation	Base Plus Inflation	Ongoing Pressures	Adult Social Care Precept	Budget Savings Target	Base Budget Ongoing	One off Pressures	Budget 2022-23
	£	£	£	£	£	£		£	£	£	£
Adult Social Care and Health	254,220,390	0	254,220,390	1,318	254,221,708	1,460,156	3,555,844	-6,811,000	252,426,708	0	252,426,708
Children's Services	126,889,398	0	126,889,398	3,259	126,892,657	11,520,000	0	-46,000	138,366,657	3,541,000	141,907,657
Place	74,748,150	0	74,748,150	13,231	74,761,381	2,472,000	0	-756,000	76,477,381	4,303,000	80,780,381
Corporate Services and Transformation	65,424,671	0	65,424,671	28,086	65,452,757	8,060,000	0	-444,000	73,068,757	5,036,000	78,104,757
Service Totals	**521,282,609**	**0**	**521,282,609**	**45,894**	**521,328,503**	**23,512,156**	**3,555,844**	**-8,057,000**	**540,339,503**	**12,880,000**	**553,219,503**
Plus Contingency	0	0	0	25,441,000	25,441,000	3,702,000	0	0	29,143,000	4,327,000	33,470,000
Plus External Debt Charges	28,783,568	0	28,783,568	0	28,783,568	7,000,000	0	0	35,783,568	0	35,783,568
Plus Risk Management Budget	10,288,684	0	10,288,684	-2,313,000	7,975,684	-7,975,684	0	0	0	0	0
Less Interest Receipts	-4,016,000	0	-4,016,000	0	-4,016,000	0	0	0	-4,016,000	0	-4,016,000
Net Budget Requirement	**556,338,861**	**0**	**556,338,861**	**23,173,894**	**579,512,755**	**26,238,472**	**3,555,844**	**-8,057,000**	**601,250,071**	**17,207,000**	**618,457,071**
FUNDED BY:											
Council Tax	348,821,816	20,865,857	369,687,673	0	369,687,673	0	0	0	369,687,673	0	369,687,673
Top Up	94,891,733	0	94,891,733	0	94,891,733	0	0	0	94,891,733	0	94,891,733
Business Rates	17,679,000	-1,804,000	15,875,000	0	15,875,000	0	0	0	15,875,000	0	15,875,000
Revenue Support Grant	13,813,482	417,824	14,231,306	0	14,231,306	0	0	0	14,231,306	0	14,231,306
New Homes Bonus	1,548,507	319,660	1,868,167	0	1,868,167	0	0	0	1,868,167	0	1,868,167
General Grant	69,080,490	21,315,818	90,396,308	0	90,396,308	0	0	0	90,396,308	0	90,396,308
PFI Grant	10,503,833	0	10,503,833	0	10,503,833	0	0	0	10,503,833	0	10,503,833
Use of Earmarked Reserve	0	0	0	0	0	0	0	0	0	21,003,051	21,003,051
	556,338,861	**41,115,159**	**597,454,020**	**0**	**597,454,020**	**0**	**0**	**0**	**597,454,020**	**21,003,051**	**618,457,071**

RESPONSE TO PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2022-23

DERBYSHIRE County Council

Peter Handford
Executive Director
Corporate Services and Transformation
County Hall
Matlock
Derbyshire DE4 3AH

Local Government Finance Settlement Team
Department for Levelling Up, Housing and Communities
2nd floor, Fry Building
2 Marsham Street
LONDON, SW1P 4DF

Ask for:	Eleanor Scriven
Our ref:	ES/SP
Date:	13 January 2022

Dear Sir/Madam

Provisional Local Government Finance Settlement 2022-23

The Council welcomes the opportunity to respond to the Provisional Local Government Finance Settlement 2022-23, details of which were published on the 16 December 2021. The Council's response is set out below.

Covid-19 Related Costs

Although no additional funding to support Covid-19 related costs has been provided, the Council welcomes the indication that this will be reviewed early in 2022. With the spread of the Omicron variant, Covid-19 pressures are again intensifying, and costs are rising, underlining the urgency for Government to extend outbreak funding for councils beyond March 2022.

The Council would also welcome confirmation that previously issued Covid-19 funding will not be clawed back, given the uncertainty around new variants and the potential for further restrictions. This would give some certainty and allow the Council to plan accordingly.

Fair Funding

The Council is pleased that Government continues to recognise that the mechanism for allocating mainstream funding to local authorities is in need of revision, to ensure that the costs of providing services, particularly in respect of social care, are accurately reflected in the distribution methodology. The proposed Local Government Finance Settlement for 2022-23 includes around £1.6bn of new funding to be allocated over each year of the Spending Review 2021 period, for social care and other services. This is the largest increase in core local government funding in over a decade.

Councils will have the option to raise more funding for adult social care, where needed, through additional Council Tax flexibilities. Although Government assumes that every local authority will raise their Council Tax by the maximum permitted without a referendum, this leaves councils facing the tough choices about whether to increase Council Tax bills to bring in desperately needed funding at a time when they are acutely aware of the significant burden that could place on some households.

However, even with this additional funding, there remains a substantial unresolved funding gap between the cost of service demand and the resources available. The Local Government Association (LGA) has said that local services will cost at least £8 billion more by 2024, which cannot be funded by Council Tax alone.

Social Care Costs

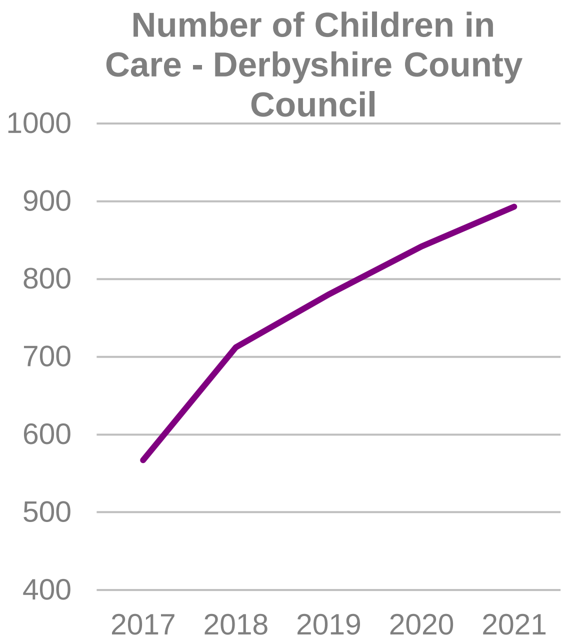
Adult Social Care

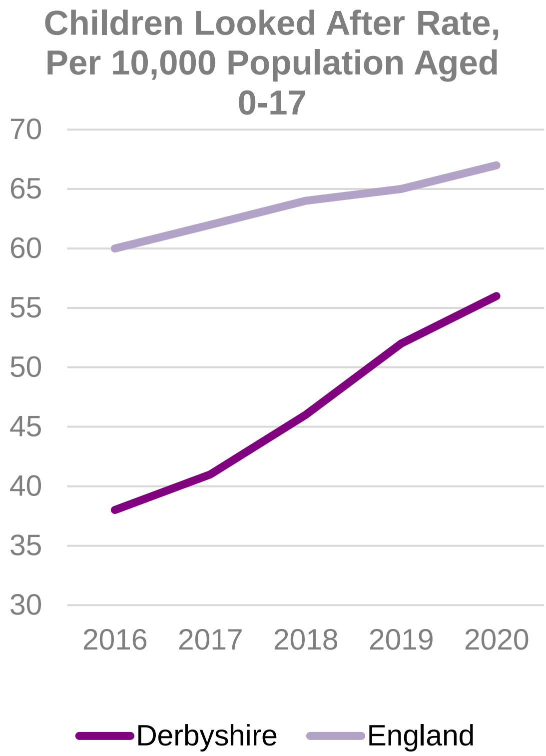
Demographic growth continues to affect adult social care costs. Growth predictions show that the Council is subject to approximate annual increases of £3m in relation to adult services, with a further £2m for children transitioning to adulthood. These additional costs of £5-6m each year are predicted to continue for at least the next five years.

Over the last few years, the National Living Wage has increased annually by between 2% and 7%. For 2022-23 the increase is 6.6%. These increases directly impact on the fees the Council pays to the independent sector. If this level of increase is to continue it could cost the Council up to an additional £15m each year for at least the next five years.

The introduction of the Social Care Levy in April 2022 will be too late for the pressures faced by local authorities now. An urgent cash injection of new funding to tackle the pressures faced by the care system is required. This includes staff pay, to help with recruitment and retention, which has been significantly impacted by the pandemic.

Children's Social Care





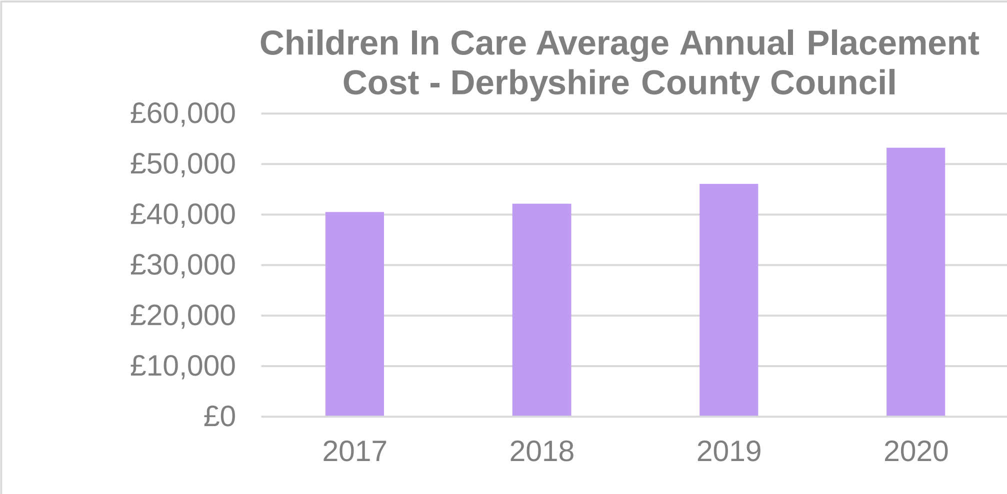
As an upper tier authority, the Council is responsible for providing children's social care services. Those services include child protection and safeguarding, care for looked after children and aftercare, support for vulnerable children and their families.

As at 30 November 2021 there were 921 children in the care of the Council, a 30% increase on the number four years ago.

The costs of caring for looked after children have also been rising.

Emerging findings from a study into 'The Future of Children's Social Care' services, published in November 2021 by The County Councils Network (CCN) and Newton Europe, found that the number of children in residential care across England has increased by 27% since 2015, largely due to councils struggling to source suitable alternatives, such as foster carers, and children staying in the care system for longer.

Residential care is the most expensive form of care and average costs per week have been rising significantly. The study found that average residential placement costs falling to local authorities in England have increased by 43% over the five-year period to April 2020.



These nationwide pressures are being reflected in Derbyshire.

These pressures are expected to continue to grow for the foreseeable future. The Council, along with many other local authorities in the country, continue to express concern regarding substantial increases in the cost of children's social care, urging Government to provide additional funding for the service.

<u>Funding</u>

The Comprehensive Spending Review 2015 announced that £1.5bn would be added to the ring-fenced Better Care Fund progressively from 2017-18. This was later increased by £2bn, at the Spring Budget 2017, allocated over a three-year period, reaching £1.8bn in 2019-20 nationally. In 2020-21 the Improved Better Care Fund additionally incorporated £240m of funding allocated as a Winter Pressures Grant in 2019-20, no longer ring-fenced for alleviating NHS winter pressures. For 2021-22, funding was maintained at 2020-21 cash terms levels (£2.1bn). For 2022-23, the 2021-22 allocation has been uplifted by £63m for the change in CPI between September 2020 and September 2021, with the existing distribution formula again unchanged. The £2.35bn Social Care Grant in 2022-23 consists of £636m new funding announced in the Spending Review 2021 and direct continuation of the 2021-22 £1.71bn Social Care Grant.

It is imperative that this level of funding for social care continues over the medium term to support the financial sustainability of social care services. Without this level of funding, services will be at breaking point. The Council has adopted innovative solutions to the delivery of adult social care services across the county which will realise significant savings over the medium-term. However, the advent of Covid-19 has resulted in delays to the programme. Even with the planned level of savings being achieved, there is still rising demand for services. A number of cost reduction initiatives are also underway in respect of children's social care services; however, these are being used to mitigate overspends and reduce the need for budget growth.

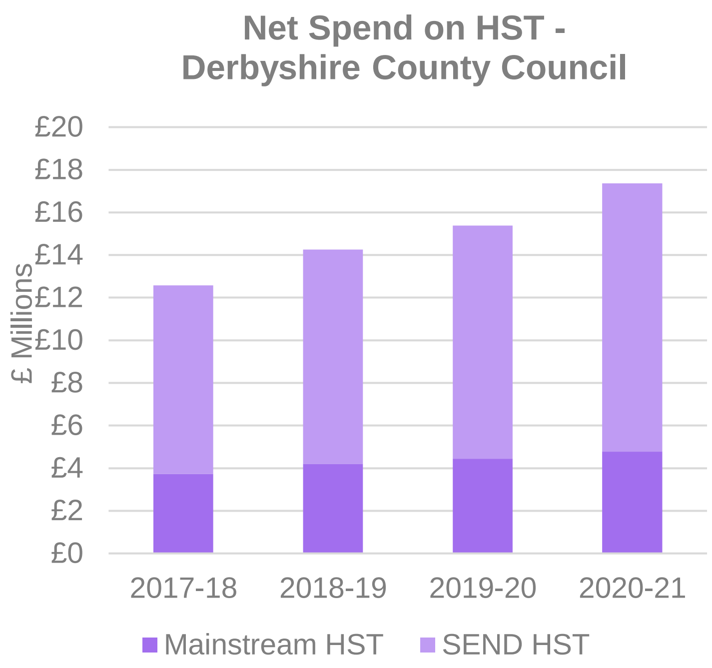
Local authorities have risen to the challenge of austerity since 2010, albeit supported in recent years by the Improved Better Care Fund and Social Care Grant, and the Council has stepped up to that challenge with its Enterprising Council approach. The Council continues to review the way it delivers its services, ensuring residents receive value for money in the services which are provided to them. To ensure an effective response to the recovery from Covid-19 requires significant investment in the local infrastructure to strengthen Derbyshire's local economy, coupled with continued and increased financial support to address rising demand for social care services.

The option of implementing the Adult Social Care Precept has provided local authorities with much needed additional Council Tax income to support the funding of associated services. The Council is committed to keeping low Council Tax increases and whilst the Council recognises that increases in Council Tax bills for many will be difficult, local authorities should continue to be afforded the option of implementing the Precept. However, variable amounts of income can be generated in different parts of the country, which should be addressed as part of the Government's Funding Review.

Schools and Learning

Whilst expenditure on school related activity would normally be expected to be met from within the allocated Dedicated Schools Grant (DSG), there are some school based pressures which could fall to the Council's General Reserve to fund. The Council's accumulated DSG deficit at 31 March 2022 is expected to be at least £5.5m and will need to be recovered from future DSG income. The main pressures for the Council, as with most local authorities, continues to be in respect of High Needs Block budgets. The December 2021 DSG announcement provided for an increase in High Needs funding of £11.638m (13.1%), however it is likely that further demand pressures may still result in spend exceeding income in 2022-23.

There are some statutory duties relating to education which are funded from the Council's revenue funding. These include home to school transport (HST). Transport cost increases and growing number of pupils eligible for Council-funded transport have led to significant increases in spend on HST, in particular HST provided for children with special educational needs and disabilities (SEND).



Net costs have risen by 38% in the last four years and this trend is expected to continue.

Public Health Grant

It is disappointing that there is no increase in the Public Health Grant, despite the pressures faced by the service since the outbreak of the Covid-19 pandemic. The Public Health Grant has been cut by 24% in real terms per capita since 2015-16. The lack of real terms increases in Public Health Grant funding, despite the incredibly challenging period seen in the last two years, is very disappointing. Extra specific funding helps to address some short-term pressures, but a clear plan is needed for the future which recognises the public health challenges faced.

It is also disappointing that the Public Health Grant allocations have not been published alongside the Provisional Settlement.

Pay

The Council would welcome Government support for local authorities in the 2022-23 Settlement, or if that is not possible, in future settlements, to address the serious issue of increasing pay award pressures in a period of rising inflation. Additional funding would assist the Council in its recruitment and retention of staff, which is becoming increasingly difficult at this key time for local authorities, when services are competing with rising demand and the impacts of the Covid-19 pandemic, as well as capacity issues across the sector.

Multi-Year Financial Settlement

The Council would welcome a multi-year financial settlement. A multi-year settlement provides local authorities with some certainty, supporting medium-term financial planning and financial sustainability. The Provisional Settlement provides provisional allocations for one year only. It is disappointing that the Provisional Settlement has failed to announce a multi-year settlement, as it constricts the flexibility of local authorities to balance budgets across the medium term. The local government sector has implored Government for a multi-year settlement. Meetings with Government representatives during Autumn 2021 indicated that next year would be the first year of a multi-year settlement. However, despite the signals, 2022-23 will be the fourth continuous single-year settlement.

Conclusion

Government should provide clarity on which local government funding reforms will happen and when. A renewed commitment and timeframe for the implementation of the Fair Funding Review is needed to ensure that historic resource equalisation flaws in the current funding methodology are addressed.

As well as looking at the formulae used to distribute funding, Government should also look at the data on which funding is based. The Council encourages Government to continue to work with local government to understand changing service demands and revenue-raising ability, to ensure overall local government funding is sufficient when any funding distribution changes are introduced. It should then revisit the priorities for reform of the local government finance system.

While funding reforms make it difficult for Government to set out a multi-year settlement for local government, this is the fourth single-year settlement in a row for councils, which continues to hamper financial planning and their financial sustainability. Only with adequate long-term resources, certainty and freedoms, can councils deliver world-class local services for our communities, tackle the climate emergency, and level up all parts of the country.

Question 1: Do you agree with the Government's proposed methodology for the distribution of Revenue Support Grant in 2022-23, including the rolling in of two New Burdens grants?

The Council agrees with the proposed methodology as this provides local authorities with the certainty required for 2022-23 in order to facilitate the setting of budgets within the prescribed timeframes.

However, the Council would request that the Government provides local government with the funding certainty required over the medium term at the earliest opportunity. Multi-year settlements are important in determining the long-term sustainability of the services provided by local authorities. Without a multi-year settlement, local authorities may have to make decisions which require reductions in spending and cessation of discretionary services. A multi-year settlement provides for meaningful decisions to be made to support financial sustainability.

Having a multi-year settlement is justified as recovery is now a vital phase in responding to the Covid-19 pandemic. Local authorities along with their partners will be the key drivers of local economic growth. Local authorities need to plan and shape their economic strategies, which is difficult when presented with a one-year settlement.

Question 2: Do you agree with the proposed package of council tax referendum principles for 2022-23?

The Council is pleased to see that the Government has again recognised the cost pressures associated with delivering adult social care services, by allowing local authorities with adult social care responsibilities to raise up to an additional 1% to support service pressures, in addition to the ability to add any unused parts of the additional 3% available in 2021-22, and by allocating £636 million of new funding for social care in 2022-23, to a total of £2.35 billion.

The Council welcomes the publication of the referendum principles alongside the Provisional Settlement. However, the Council has long argued that Council Tax increases should be at the discretion of local authorities, as they are best placed to understand and set their own levels of local taxation, whilst ensuring that the local taxpayer is not burdened with excessive increases. Therefore, the Council does not agree with the principles of Council Tax referendums.

Question 3: Do you agree with the Government’s proposals for the Social Care Grant in 2022-23?

The Council welcomes the Government’s decision to again provide additional funding for social care and to increase that funding. However, the Council would reiterate the point made above in that it fails to address the full cost pressures faced by local authorities and therefore it is imperative that the Fair Funding Review is given priority to address the cost pressures associated with the delivery of social care.

The Council supports the distribution of the Social Care Grant via the existing Adult Social Care Relative Needs Formula.

Question 4: Do you agree with the Government's proposals for iBCF in 2022-23?

The Council is pleased to see that the Improved Better Care Fund (iBCF) allocations will carry forward into 2022-23 and be uplifted by an inflationary amount equal to the Consumer Price Index (CPI) from September 2020 to September 2021. However, local authorities will be expecting confirmation of iBCF funding beyond 2022-23, as the decision to cease the funding will have significant consequences on local authority budgets which are already burdened by the rising demand for social care services.

Question 5: Do you agree with the Government's proposals for distributing the Market Sustainability and Fair Cost of Care Fund in 2022-23?

Local authorities have been allocated £162m for adult social care reform, through a 'Market Sustainability and Fair Cost of Care Fund'. The Council welcomes Government's proposal to distribute this funding using the existing Adult Social Care Relative Needs Formula. However, the Council shares the concerns of many social care authorities and the LGA in that it strongly believes that the £3.6bn of funding allocated over three years, to implement the fair cost of care reform, the care cost cap and extension of the means test threshold, is insufficient. The LGA estimates that the provider market funding gap alone is £1.5bn, rising to £1.8bn per annum by 2023-24.

Furthermore, engaging and consulting with providers will take time, at a time when services are competing with rising demand and the impacts of the Covid-19 pandemic, as well as capacity issues across the sector.

Question 6: Do you agree with the Government's proposals for a one-off 2022-23 Services Grant distributed using 2013-14 shares of the Settlement Funding Assessment?

The Council welcomes the new one-off, un-ringfenced £822m 2022-23 Services Grant to support the delivery of all local authorities' services in 2022-23. This will provide funding to all tiers of local government in recognition of the vital services, including social care, delivered at every level of local government, and include funding for local government costs for the Social Care Reform increase in employer National Insurance Contributions, announced in September 2021.

The Council agrees with Government's proposals for distributing the funding through the existing formula for assessed relative need as this provides local authorities with the certainty required for 2022-23 in order to facilitate the setting of budgets within the prescribed timeframes and also with Government's intention to work closely with authorities on how to best use this money for 2023-24 onwards.

Question 7: Do you agree with the Government's proposals for New Homes Bonus in 2022-23?

The New Homes Bonus Scheme (NHB) was intended to encourage local authorities to grant planning permission for the building of new houses and then for them to then share in the additional revenue generated. Although the Government's aim was for authorities to utilise the funding to invest in local infrastructure to support further housing growth, it has yet to be demonstrated whether the NHB has had the Government's planned incentive effect and has resulted in significant behavioural change. The reality is that local authorities have, in general, used the funding to support the overall council budget, to mitigate funding reductions since 2010.

The allocations tend to favour councils with lower tier responsibilities. It could be argued that the operation and funding of the bonus removes funding from those with high needs and distributes that funding to lower tier service providers, which arguably have fewer pressures on their budgets. At a time when funding constraints remain in local government, the Council would like to see the Government consider whether this funding could be more appropriately directed to address well publicised pressures in adults' and children's services, including SEND provision in schools.

Although the Government's intention was for a reform of the system to be implemented for 2022-23, this has not happened. There has been a new £333m payment for local authorities. However, the payment methodology is the same as in 2021-22. As announced in 2020-21, no legacy payments will be made on new allocations from 2020-21 onwards; meaning that the 2020-21-2022-23 bonuses are not included in the calculation of payments in 2022-23. The final outstanding legacy payment will be made on the allocation from earlier years, as previously announced.

The Council welcomes the Government's ultimate intention and commitment to reforming the NHB and looks forward to reviewing the delayed consultation document on the future of the NHB, including options for reform. Councils need clarity on the future of the NHB to be able to plan their budgets beyond next year and into the medium-term. The Council considers that the funding allocated for the NHB, the £900m top-sliced from RSG at the inception of the NHB, should be allocated on the basis of need.

Question 8: Do you agree with the Government's proposals for Rural Services Delivery Grant in 2022-23?

The Council welcomes the decision to provide funding of the additional costs of delivering services in rural areas, pending further consideration in the Fair Funding Review, in continued recognition that authorities in rural areas face costs not covered by the current funding arrangements.

However, the Council does not believe that the current distribution methodology treats all areas fairly. It is unfair to continue to exclude county councils where constituent districts receive this funding, as they face budgetary pressure resulting from their rurality, for instance in the service areas of social care and passenger transport, which are both upper tier responsibilities.

Question 9: Do you agree with the Government's proposal for the Lower Tier Services Grant, with a new minimum funding floor in 2022-23 so that no authority sees an annual reduction in Core Spending Power?

The Council does welcome the use for a further year of £111m originally re-allocated from the £900m NHB RSG top-slice to fund an un-ringfenced Lower Tier Services Grant for local authorities with lower tier services such as homelessness, planning, recycling and refuse collection, and leisure service in 2022-23. In 2021-22 the Government was clear that this funding was in response to the current exceptional circumstances due to the Covid-19 pandemic and was a one-off but the Council acknowledges that these exceptional circumstances are likely to remain into 2022-23. However, the Council considers that the £900m NHB top-sliced at the inception of the Scheme should be reallocated on the basis of ongoing need from 2023-24, following the consultation which was announced on its future.

Question 10: Do you have any comments on the impact of the proposals for the 2022-23 settlement outlined in this consultation document on persons who share a protected characteristic, and on the draft policy impact statement published alongside the consultation document? Please provide evidence to support your comments.

The Council has long argued that there is disparity across the country in terms of a local authority's ability to raise Council Tax. Whilst the additional flexibility afforded to local authorities in some recent years has been welcomed, in respect of increasing the Council Tax referendum threshold for general increases, permitting all authorities responsible for Adult Social Care the ability to levy up to an additional specified increase through the Adult Social Care (ASC) Precept, and for 2022-23, allowing those authorities the ability to add any unused parts of the 3% ASC Precept available in 2021-22 to the 2022-23 ASC Precept, variable amounts of income can be generated in different parts of the country. The Council would expect this inequality to be addressed as part of the Fair Funding Review. A renewed commitment and timeframe for implementation of the Fair Funding Review is needed to ensure that the historic resource equalisation flaws in the current funding methodology are addressed.

Yours faithfully

P Handford.

Peter Handford
Executive Director, Corporate Services and Transformation (S151 Officer)

COUNCIL TAX

Final 2021-22 Collection Fund Deficit, Precept Amounts and Net Budget Requirement

In the Council Revenue Budget Report 2021-22, the Council Tax collection fund deficit for 2021-22 was estimated at £2.306m, although this figure was not final. Billing authorities have until 31 January to confirm in writing their final collection fund estimates; the latest provisional figures were included. There have been difficulties for billing authorities forecasting during the Covid-19 pandemic, and billing authorities required time to consider 2021-22 announcements of the Local Income Tax Guarantee Scheme for 2020-21 and the Local Council Tax Support scheme. This meant that final collection fund estimates were being received later than is usual. A verbal update was provided at the Council Meeting with the final figures below:

	2021-22 £	**2022-23 £**	**2023-24 £**
Amber Valley	-143,363	-158,544	-158,544
Bolsover	-453,380	-232,448	-232,448
Chesterfield	-191,318	-162,556	-162,556
Derbyshire Dales	-397,997	-46,653	-46,653
Erewash	488,674	0	0
High Peak	-464,615	-160,626	-160,626
North East Derbyshire	6,208	-106,278	-106,278
South Derbyshire	880,948	-173,987	-173,987
	-274,843	**-1,041,092**	**-1,041,092**

	Amount Collected £	**Collection Fund Surplus/ (Deficit) £**	**Amount Actually Due £**
Amber Valley	54,829,666	-143,363	54,686,303
Bolsover	30,463,956	-453,380	30,010,576
Chesterfield	40,481,021	-191,318	40,289,703
Derbyshire Dales	41,459,141	-397,997	41,061,144
Erewash	46,625,779	488,674	47,114,453
High Peak	42,742,395	-464,615	42,277,780
North East Derbyshire	43,785,742	6,208	43,791,950
South Derbyshire	48,708,959	880,948	49,589,907
	349,096,659	**-274,843**	**348,821,816**

This finalisation of the Council Tax collection fund deficit changed the Council's Net Budget Requirement for 2021-22 as follows:

	Net Budget Requirement 2021-22 £
Revenue Budget Report 2021-22	**572,526,187**
Balance to be met from Council Tax	
Collection Fund Finalisation – Erewash (Reduction in surplus from £540,000 estimate to £488,674 final)	-51,326
Final	**572,474,861**

Taxbase

	Equivalent Band D Properties 2021-22	Equivalent Band D Properties 2022-23	Change %
Amber Valley	39,643.45	40,307.09	1.67%
Bolsover	22,026.33	22,443.26	1.89%
Chesterfield	29,268.96	29,858.12	2.01%
Derbyshire Dales	29,976.17	30,539.40	1.88%
Erewash	33,711.80	33,826.40	0.34%
High Peak	30,904.00	31,342.00	1.42%
North East Derbyshire	31,658.37	32,079.63	1.33%
South Derbyshire	35,218.00	36,702.00	4.21%
	252,407.08	**257,097.90**	**1.86%**

The taxbase positions above are provisional. Billing authorities have until 31 January 2022 to confirm in writing their final taxbase position.

Collection Fund

		2022-23		
	2021-22 £	2021-22 spread to 2022-23 £	2022-23 £	Total 2022-23 £
Amber Valley	-143,363	-158,544	927,653	769,109
Bolsover	-453,380	-232,448	356,855	124,407
Chesterfield	-191,318	-162,556	438,013	275,457
Derbyshire Dales	-397,997	-46,653	-56,431	-103,084
Erewash	488,674	0	-329,328	-329,328
High Peak	-464,615	-160,626	918,796	758,170
North East Derbyshire	6,208	-106,278	591,048	484,770
South Derbyshire	880,948	-173,987	1,631,159	1,457,172
	-274,843	**-1,041,092**	**4,477,765**	**3,436,673**

The total Council Tax collection fund surplus for 2022-23 is estimated at £3.437m, based on provisional information received to date from billing authorities, including £1.041m of deficit carried forward from 2021-22 budget setting. Billing authorities have until 31 January 2022 to confirm in writing their final collection fund estimates.

Council Tax Amounts

Band	2021-22 £	2022-23 £	General Increase £	ASC Increase £	Total Increase £	Number of Properties
A	922.05	949.71	18.44	9.22	27.66	136,250
B	1,075.72	1107.99	21.51	10.76	32.27	84,350
C	1,229.40	1266.28	24.59	12.29	36.88	62,360
D	1,383.07	1424.56	27.66	13.83	41.49	41,900
E	1,690.42	1741.13	33.81	16.90	50.71	26,080
F	1,997.77	2057.70	39.95	19.98	59.93	12,760
G	2,305.12	2374.27	46.10	23.05	69.15	7,130
H	2,766.14	2849.12	55.32	27.66	82.98	560
						371,390

Precept Amounts

	Amount Collected £	Collection Fund Surplus/ (Deficit) £	Amount Actually Due £
Amber Valley	57,419,808	769,109	58,188,917
Bolsover	31,971,737	124,407	32,096,144
Chesterfield	42,534,639	275,457	42,810,096
Derbyshire Dales	43,505,162	-103,084	43,402,078
Erewash	48,187,686	-329,328	47,858,358
High Peak	44,648,512	758,170	45,406,682
North East Derbyshire	45,699,310	484,770	46,184,080
South Derbyshire	52,284,146	1,457,172	53,741,318
	366,251,000	**3,436,673**	**369,687,673**

The Precept amounts above are provisional. Billing authorities have until 31 January 2022 to confirm in writing their final taxbase and collection fund estimates.

SERVICE PRESSURES

Adult Social Care and Health – Total - £5,016,000 ongoing

Demographic Growth - £5,016,000 ongoing
Increases in 65+ population, the number of disabled adults accessing services, cases of early onset of dementia, the complexity of need and the complexity of clients transitioning from Children's Services means that there continues to be a demographic growth pressure in respect of Adult Care.

Children's Services – Total - £11,520,000 ongoing, £3,702,000 ongoing contingency, £3,541,000 one-off, £2,946,000 one-off contingency

Children in Care Placements - £6,096,000 ongoing, £1,222,000 ongoing contingency, £92,000 one-off, £2,000,000 one-off contingency
The number of children in care has increased and the trends in demand experienced within children's social care in recent years are expected to continue in 2022-23. The increase in the number and complexity of children being taken into care nationally and locally has meant that more children coming into care have had to be placed with external providers. A lack of sufficiency in the market nationally is further driving up costs of provision. A recent assessment identified that spend on placements in Derbyshire could exceed 2021-22 budget by £11.460m next year and the potential for this level of increase has been seen across other local authorities nationally. The Achieving Great Futures (AGF) programme workstreams are expected to work towards alleviating these cost pressures by an estimated £2.050m during 2022-23 through mitigating demand and capacity management. £1.222m will be held in ongoing contingency budgets and £2.000m will be held in one-off contingency budgets until the cost is known.

Support to Vulnerable Children and Young People - £1,585,000 ongoing
Funding to provide preventative and alternative care plans for children in need, including those with complex disabilities, which enable children to remain living at home therefore avoiding care admission. With increased numbers of children in care there are additional supplementary costs and placement support requirements for children in care to prevent breakdown.

Leaving Care Services - £629,000 ongoing
This reflects the additional cost of service provision. The duties in relation to care leavers have been extended with support offered up to the age of 25 as required (previously 21) which has resulted in an increase in care leaver numbers. There are also more care leavers as the number of children in care moving through to care leaving age has increased. In addition, Derbyshire has seen unexpected sudden increases in unaccompanied asylum-seeking children (UASC) arriving in Derbyshire through the various asylum resettlement schemes. This is set to continue when the national transfer scheme become mandatory across the country. Derbyshire's allocation of UASC under the scheme could see a rise of 70 admissions to the Council's care over time to reach a total of 0.07% of population (107 UASC – currently there are 33). UASC are rarely younger children and therefore the impact on the care leaver cohort is an ever-increasing number with immediate effect on admission.

Education Psychology Demand - £210,000 ongoing
In line with national trends across England, there has been a significant increase in the numbers of Education, Health and Care Needs Assessments (EHCNAs) agreed each year. Additional capacity is required within the Education Psychology Service to ensure that statutory requirements for EP advice within EHCNAs can be carried out.

Special Needs Home to School Transport - £3,000,000 ongoing, £1,962,000 ongoing contingency
The number of children with SEN support is increasing year on year, with significant increases in expenditure on children placed in out of county independent provision and Derbyshire special schools. In addition, there are price increases in the transport sector due to rising costs of fuel, driver salaries and compliance requirements. A sum of £1,962,000 will be held in ongoing contingency budgets until the cost is known.

Mainstream Home to School Transport - £518,000 ongoing contingency
To cover the increased costs in the sector of fuel, driver salaries and compliance requirements. This amount will be held in ongoing contingency budgets until the cost is known.

Legal Costs - £1,100,000 one-off
The number and the complexity of children in care proceedings is increasing, compounded by delays in court processes for some children as a result of the pandemic and court delays. Children's Services' costs continue to increase, most notably in respect of solicitors' fees (incurred either where the Council is sharing/paying costs with another party, or where work cannot be delivered by the in-house legal services team), barristers' fees and the fees payable to the courts at each stage of children in care proceedings. A joint review by Children's Services and Legal Services has commenced to develop plans to mitigate rising costs in the future.

Temporary Alternative Children's Homes Accommodation During Refurbishment or Replacement - £946,000 one-off contingency
Revenue funding is needed to support essential capital works on some Council children's homes, with temporary closures to enable essential refurbishment at four children's homes and the rebuild of a short breaks home. The revenue funding will cover relocation and the costs of temporary accommodation for the children and staff. This amount will be held in one-off contingency budgets until the cost is known.

Social Workers - £400,000 one-off
To fully fund the frontline social work structure and the market supplement, without the need to hold a level of vacancies which would be counter-productive in meeting the statutory demands to help, protect and care for children in Derbyshire. The market supplement payment for social workers in frontline children's social work teams was introduced in July 2019 to support the Council's recruitment strategy. A review has commenced to consider a future resolution to the impact of pay on recruitment and retention of social workers.

Performance, Quality and Participation £291,000 one-off
Funding to support service pressures in complaints management and subject access requests (SARS).

Process Improvement - £193,000 one-off
To fund a dedicated team to review and improve processes within Children's Services. It is intended that efficiencies from improved processes will help contribute to reducing the department's overspend and will enable the team to be funded from the savings achieved.

Youth Action Grants - £125,000 one-off
To deliver the 2021 election manifesto commitment for a further Youth Action Grant Scheme to supported voluntary and community groups across Derbyshire.

Sports and Outdoor (SORE) - £980,000 one-off
Funding is to support the service during 2022-23 pending a review of the needs of the service moving forwards.

Elective Home Education - £360,000 one-off
Over the last year nationally and locally there has been a large increase in the number of Electively Home Educated (EHE) children. Funding to extend the EHE team to meet statutory functions to manage applications, determine whether there are any safeguarding risks and assess whether their education is suitable.

Corporate Services and Transformation – Total – £8,060,000 ongoing, £5,036,000 one-off

Legal Services – Child Protection – £730,000 ongoing
Children's Services are currently spending £1m on external solicitors and £1m on counsel due to an increase in child protection cases. The benefits of this proposal will ultimately lead to savings for Children's Services in the order of £300,000 each year. The proposal would permit the appointment of an additional thirteen staff to reduce spend on external legal services.

Legal Services – Education Legal Team – £174,000 ongoing
For additional support required for the Education Legal Team.

Organisation, Development and Policy - Business Change Team and Programme Management Team - £1,020,000 ongoing, £20,000 one-off
Funding to ensure the Council can more effectively deliver and implement One Council change and strategic transformation.

Organisation, Development and Policy - Channel Shift - £34,000 one-off
The Channel Shift Team is currently supported by temporary members of staff. In order to fully embed the system into the organisation, support the maximisation of benefit realisation, and make the most of the contracted purchase period of four years, it is anticipated that some dedicated staff resource will be required to deliver the programme past the initially anticipated point.

Organisation, Development and Policy - Domestic Abuse - £1,417,000 ongoing
The Domestic Abuse Act 2021 has introduced additional statutory duties in the provision of emergency accommodation for victims of domestic abuse and their families. To enable the development and delivery of a long-term comprehensive commissioning strategy, this pressure bid seeks to confirm the availability of funding on an ongoing basis and make the temporary post permanent. This bid puts the base budget in but will be offset by a general grant received in later years.

Organisation, Development and Policy - Community Safety- £254,000 ongoing
Funding requested is to support new activity required to meet statutory duties in respect of community safety, such as the imminent Serious Crime White Paper. Funding is for three posts and a project fund to support commissioned activity.

Organisation, Development and Policy - Vision Derbyshire annual contribution - £88,000 ongoing
Funding to support the Council's contribution to the Vision Derbyshire Programme resource.

Organisation, Development and Policy - Equalities - £92,000 ongoing
Funding to support the implementation of the Council's new Equality, Diversity and Inclusion Strategy.

Corporate Property – Disposal Programme - £399,000 one-off
To instruct external property agents and solicitors to dispose of property.

Corporate Property – Asset Optimisation Corporate Landlord Model - £276,000 one-off
To provide the resource for planning and implementing the Corporate Landlord model, which received Cabinet approval in January 2021.

Corporate Property – Modern Ways of Working (MWOW) - £182,000 one-off
Additional Corporate Property support to continue work post September 2021 to implement the MWOW programme.

Corporate Property – Restructure Funding - £397,000 ongoing
Increase in staffing is required to deliver the Corporate Property 2025 strategy. As part of the Corporate Property 2025 strategy a review of all corporate property assets is being carried out to ensure that they are fit for purpose and that a plan is in place for their management.

Corporate Property – Demolition Budget - £1,100,000 one-off
To replenish the Corporate Revenue Demolition Reserve to enable demolition work to continue at identified and agreed sites, following completion of asset and locality reviews, so that sites can either be redeveloped (for example, for new schools) or sold on the open market for an enhanced value.

Corporate Property – Asset Management - £121,000 ongoing
To fund additional posts in the Asset Management Team to support the new operating model proposed in the Cabinet report of 18 November 2021. These principal officers will act as the internal Intelligent Client on behalf of the Council, the Joint Venture Concertus Derbyshire Limited, and Corporate Property, ensuring that the service area client body requirements are being met and communicated effectively in the briefing process, and that any long term property management liabilities are considered in the development proposals.

Finance and ICT - Procurement Staff Restructure - £95,000 ongoing
Restructuring staff within procurement in response to audit requirements for improved contract and supply chain management across the Council. In addition, this bid will support the response to the new National Procurement Policy Statement (NPPS), and the significant changes expected in procurement regulations as outlined in the Procurement Green Paper.

Finance and ICT - Cloud Storage - £400,000 ongoing
To move the current ICT storage and compute infrastructure to the Cloud and commence a project to modernise and create new ICT workloads. The project will drive ICT transformation and provide the appropriate infrastructure capable of supporting the Council's digital agenda, and Modern Ways of Working programme.

Finance and ICT - Delivery Priorities - £200,000 ongoing
The ICT Strategy requires the ICT Budget to increase by £1m (£200,000 each year) over the five-year strategy period, to support the delivery of the priorities.

Finance and ICT - Software Asset Management Tool - £62,000 ongoing, £25,000 one-off
To purchase a Software Asset Management tool (SAM). A SAM tool enables Officers to accurately maintain compliance, determine numbers and monitor usage and can potentially save substantial amounts of money by ensuring the Council only licences and pays for the software it uses. SAM tools range in price, but typically cost in the region of £125,000 each year for an organisation of the Council’s size; this equates to approximately 2% to 3% of the total licence spend.

Finance and ICT – Centralised Procurement - £85,000 ongoing
Procurement is defined as a process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers. The process spans the whole procurement cycle from identification needs through to the end of a services contract or the end of the usual life of an asset. It involves an appraisal and the critical 'make or buy' decision which may result in the provision of services in-house. Currently the process covered by this bid is provided by commissioners in Children's Services. Funding is required for additional staff in the procurement team to fulfil these duties instead.

Finance and ICT – Revenue Financing Costs for Capital Bids - £2,925,000 ongoing
This reflects the financing costs associated with the additional borrowing that is required to support new starts in the capital programme.

Project Support – External Advisors - £3,000,000 one-off
Technical and professional support for waste matters.

Place – Total - £2,472,000 ongoing, £4,303,000 one-off

Climate Change - £463,000 ongoing
The Council needs to take action to reduce emissions to net zero from its own estate and operations by 2032 or sooner, and from across the county by 2050 (in line with Government targets) and published its Climate Change Manifesto in May 2019. The Council also needs to build resilience across its own services and across the county to adapt to a changing climate and deliver identified priorities.

Waterbodies Officer - £38,000 ongoing
A new post to manage waterbody assets (reservoirs and canals) on behalf of the Countryside Service was approved in 2019. The creation of the post is intrinsically linked to £1 million capital funding allocated to management of waterbody structures to ensure compliance with statutory responsibilities and legislation. No funding for the officer post was given in 2019 and the Countryside Service no longer has available resources to cover this salary. Until this post is recruited and fully funded the risks to the Council cannot start to be mitigated.

Million Trees Project - £113,000 ongoing
The Council has committed to plant up to one million trees in Derbyshire by 2030. The Million Trees Project (MTP) is a ten-year draft plan to realise delivery of this target through community involvement and activity, planning approvals and Council schemes on its own land and on the highway network. A project officer is also needed to coordinate and report on progress.

Ash Die Back - £270,000 ongoing
Ash Die Back will lead to the decline and death of the majority of ash trees in Britain. The Countryside Service is to lead a strategic corporate-level response with relevant departments, developing a corporate Ash Die Back Action Plan, initiating a programme of inspection to quantify the scale of the problem on the Council's estate including the surveying, felling and re-planting of trees on Council land.

Drainage - £1,313,000 ongoing, £1,313,000 one-off
Highways authorities are having to deal with the consequences of the increasing impact of climate change, and as a result are experiencing a greater frequency of severe weather events, particularly flooding, which cause major disruption and damage to properties and the highway network. Improvements, maintenance and investigation is needed to assess and enhance the Council's drainage infrastructure and assets. Resources are required to make the service more proactive.

Regeneration Service Development - £275,000 ongoing, £140,000 one-off
Additional resources are needed to add to the core establishment as the service continues to grow. The department is responsible for administering a number of specialist grants, and a 'Grants Team' and a 'Bidding Team' are needed to ensure effectiveness so the Council and its residents are benefitting from all grants available. It is proposed that staff costs for this part of the service will be recoverable, probably after a period of two years to allow time for the development processes to establish. Therefore, a one-off amount is needed in 2022-23, in addition to the ongoing amount referenced above, to further fund the service delivery initially.

Major Schemes - £2,850,000 one-off
There is a need to 'kick start' capital projects that can bring forward good growth for Derbyshire: providing housing, jobs and skills. Where these projects involve bids for external grant funding they will always require significant up-front investment before the grant is confirmed. This investment will cover costs such as economic and transport modelling, preliminary design and cost-estimating, planning consent, land assembly (in order to demonstrate deliverability for funders) and business case assembly.

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Appendix Six

BUDGET SAVINGS PROPOSALS 2022-23

Adult Social Care and Health – Total - £10,137,000
(2022-23 - £5,880,000, Approved Shortfall Brought Forward from 2021-22 £4,257,000)

Continuation from Previous Years Schemes:
Better Lives – Working Age Adults - £1,942,000
This is part of the Council’s four-year Better Lives programme that will build on best practice and innovate new ways of working to ensure that the Council’s services support and promote greater independence for adults living with a disability across the whole county.

Continuation from Previous Years Schemes:
Better Lives - Older People’s Pathway - £7,150,000
This is part of a four-year Better Lives transformation programme that will build on best practice and innovate new ways of working to ensure that the Council’s services support and promote greater independence for older people in Derbyshire. This will include ensuring consistency and equity of access to the Council’s short-term services and promote independence through the implementation of consistent strength-based and outcome-focussed assessments and reviews.

Continuation from Previous Years Schemes:
Reduce Agency Spend - £400,000
To realign the direct care workforce to deliver the Better Lives programme in order to reduce agency usage within homes for older people and extra care. It would also require corporately recommissioning the Council’s agency staffing contract to create more favourable terms for the local authority.

Continuation from Previous Years Schemes:
Preparation and Planning for Disabled Children - £190,000
This is part of the four-year Better Lives transformation programme and will focus on improving the interaction between Children’s and Adult Services to achieve improved outcomes and greater independence for young people transitioning into adulthood.

Review of Contracting and Commissioning Staffing - £100,000
Undertake a review of current arrangements to ensure key priorities are delivered based on best practice, value for money (VFM) and comparators with neighbouring authorities. The work to achieve this saving has been completed during 2021-22 and as a result the full year’s saving target will be met in 2022-23.

Review of Business Services - £155,000
Undertake a review of current arrangements to ensure key priorities are delivered based on best practice, VFM and comparators with neighbouring authorities. The work to achieve this saving has been completed during 2021-22 and as a result the full year's saving target will be met in 2022-23.

Review of Other Housing Related Support Schemes - £200,000
Being reviewed as part of the Practical Housing Support Project to ensure VFM and effectiveness to meet adult social care (ASC) priorities.

Children's Services – Total - £46,000

Continuation from Previous Year Schemes:
Continuation of already announced actions in respect of back office costs – £46,000
This saving will be achieved by reducing general business support and specialised back office functions, including staffing, in line with reductions in frontline services and better use of technology.

No other budget savings proposals in this, or later years, have been put forward by Children's Services because of growing budget pressures within the department. A number of cost reduction initiatives are underway; however, these are being used to mitigate overspends and reduce the need for budget growth.

Place – Total - £756,000

Waste – £100,000
The Council will work with partners, including district and borough councils, to reduce the cost of disposing of the county's waste.

Future Highways Model – £500,000
A major improvement plan for the highways service will result in more efficient ways of working, productivity improvements and generation of income from assets.

Libraries – £156,000
(Continuation from previous years under Commissioning, Communities and Policy, now Corporate Services and Transformation)
The multi-year programme to transfer some libraries to community management, and the review of staffing levels and opening hours, will continue.

Corporate Services and Transformation - Total - £444,000

Insurance Fund - £444,000
The Council will reduce the amount held in the insurance fund.

BUDGET SAVINGS PROPOSALS 2023-24

Adult Social Care and Health – Total - £9,289,000

Continuation from Previous Years Schemes:
Better Lives – Working Age Adults - £1,881,000
Better Lives - Older People’s Pathway - £4,103,000
Review of Housing Related Support - £400,000
Preparation and Planning for Disabled Children - £330,000

Review of Legacy Community Alarm Provision - £300,000
To be reviewed as part of the Assistive Technology programme. The current spend on Community Alarms provision is £600,000 a year.

Direct Care - £1,673,000
This programme will determine which services the Council needs to retain, create a broader effective reablement, recovery and progression offer and ensure value for money.

Better Lives – Short Term Services: Optimising the Service - £602,000
This is an extension of the four-year Better Lives transformation programme and will focus on ensuring further consistency and equity of access to the Council’s reablement short-term services, thereby supporting more older people and disabled people to achieve more independent outcomes.

Place – Total - £1,200,000

Continuation from Previous Years Schemes:
Waste – £580,000
Future Highways Model – £500,000

Elvaston Castle and Country Park – £120,000
The cost of running Elvaston Castle and Country Park will reduce by investing in projects identified in the Master Plan to help the estate to generate sufficient income to cover its costs.

Corporate Services and Transformation - Total - £625,000

SAP - £500,000
The Council will continue to refine and develop its use of the SAP system to achieve a range of savings across the Council. Particularly in relation to transactional processes, procurement and support costs.

Interest receipts – £125,000
The Council manages its cash balances by investing in a range of products to receive the optimum investment income. The Council will continue to work with its Treasury Management advisers to look at options to increase its interest receipts. Investing in longer-term pooled funds, for example, will help to generate higher returns. There has been a recent rise in the base rate of interest, with further rises anticipated in 2022, which will contribute to enhanced returns.

BUDGET SAVINGS PROPOSALS 2024-25

Adult Social Care and Health – Total - £1,435,000

Continuation from Previous Years Schemes:
Better Lives – Working Age Adults - £440,000
Better Lives - Older People's Pathway - £132,000
Preparation and Planning for Disabled Children - £260,000
Better Lives - Short Term Services: Optimising the Service - £603,000

Place – Total - £2,870,000

Continuation from Previous Years Schemes:
Elvaston Castle and Country Park – £120,000
Waste - £1,750,000
Future Highways Model – £1,000,000

Corporate Services and Transformation - Total - £1,652,000

Continuation from Previous Years Schemes:
Interest receipts – £125,000
SAP - £50,000

Property Services – £1,477,000
The Council will continue to reduce running costs by rationalising its land and property and releasing the resulting surplus assets. It will also generate fees from capital schemes.

BUDGET SAVINGS PROPOSALS 2025-26

Adult Social Care and Health – Total - £763,000

Continuation from Previous Years Schemes:
Preparation and Planning for Disabled Children - £160,000
Better Lives - Short Term Services: Optimising the Service - £603,000

Place – Total - £120,000

Continuation from Previous Years Schemes:
Elvaston Castle and Country Park – £120,000

Corporate Services and Transformation - Total - £1,000,000

Continuation from Previous Years Schemes:
SAP - £50,000
Property Services – £950,000

BUDGET SAVINGS PROPOSALS 2026-27

Adult Social Care and Health – Total - £100,000

Continuation from Previous Years Schemes:
Preparation and Planning for Disabled Children - £100,000

Place – Total - £120,000

Continuation from Previous Years Schemes:
Elvaston Castle and Country Park – £120,000

FIVE YEAR FINANCIAL PLAN for 2022-23 to 2026-27

	2022-23	2023-24	2024-25	2025-26	2026-27
	£m	£m	£m	£m	£m
FUNDING					
Business Rates and Government Grants					
Business Rates	15.875	18.069	21.264	21.462	21.662
Top-Up	94.892	98.688	101.648	103.681	105.755
Revenue Support Grant	14.231	14.231	14.231	14.231	14.231
Improved Better Care Fund	35.713	35.713	35.713	35.713	35.713
New Homes Bonus	1.868	1.868	1.868	1.868	1.868
General Grant	54.683	54.683	54.683	54.683	54.683
PFI Grant	10.504	10.504	10.504	10.504	10.504
Sub Total	**227.766**	**233.755**	**239.912**	**242.142**	**244.415**
Council Tax	369.688	382.181	395.566	409.424	423.770
Use of Other Balances BM/Gen Reserve	21.003	0.000	0.000	1.500	0.000
TOTAL FUNDING	**618.457**	**615.936**	**635.478**	**653.066**	**668.186**
EXPENDITURE:					
Base Budget	556.340	601.250	615.936	635.478	651.566
Price Inflation	0.046	0.046	0.046	0.046	0.046
Pay Award (including Living Wage)	9.102	6.651	6.934	7.856	8.414
Contingency for Price Increases	16.339	12.959	13.700	14.483	15.310
Debt Charges	0.000	0.000	0.000	0.000	0.000
Interest Receipts	0.000	-2.182	0.000	0.000	0.000
MRP adjustment	7.000	0.000	0.000	0.000	0.000
Ongoing Service Pressures (see below)	30.770	6.470	10.376	11.755	13.003
Budget Savings Identified	**-8.057**	**-11.114**	**-5.957**	**-1.883**	**-0.220**
Risk Management Budget	-10.290	1.856	-1.856	0.000	0.000
	601.250	**615.936**	**639.179**	**667.735**	**688.119**
One-off Expenditure:					
One-off Revenue Support	12.880	0.000	0.000	0.000	0.000
Contingency for One-off Revenue Bids	4.327	0.000	0.000	0.000	0.000
Elections	0.000	0.000	0.000	1.500	0.000
	17.207	**0.000**	**0.000**	**1.500**	**0.000**
Further Budget Savings Required	**0.000**	**0.000**	**-3.702**	**-16.169**	**-19.933**
TOTAL EXPENDITURE	**618.457**	**615.936**	**635.478**	**653.066**	**668.186**
Ongoing Base Budget	**601.250**	**615.936**	**635.478**	**651.566**	**668.186**

Public
Appendix Seven

Assumptions	2022-23	2023-24	2024-25	2025-26	2025-26
Price Inflation	5.10%	4.00%	3.00%	2.00%	2.00%
Pay Award	2.00%	2.00%	2.00%	2.00%	2.00%
Business Rate Growth	1.00%	1.00%	1.00%	1.00%	1.00%
BR Taxbase (£m)	19.375	19.569	19.764	19.962	20.162
BR Collection Fund Position (£m)	-3.500	-1.500	1.500	1.500	1.500
Top Up RPI	0.00%	4.00%	3.00%	2.00%	2.00%
Council Tax Increase	3.00%	2.00%	2.00%	2.00%	2.00%
CT Taxbase Change	1.86%	1.50%	1.50%	1.50%	1.50%
CT Taxbase	257,098	260,954	264,869	268,842	272,874
CT Collection Fund Position (£m)	3.437	3.000	3.000	3.000	3.000
Council Tax (£/Band D)	1,424.56	1,453.05	1,482.12	1,511.76	1,541.99
Ongoing Service Pressures					
Adult Care Demographic Growth	5.016	5.278	5.426	5.335	5.823
Children In Care Placements	6.096	0.000	4.755	6.220	6.977
Children In Care Placements Contingency	1.222	0.192	0.195	0.200	0.203
Support Vulnerable Children/Young People	1.585	0.000	0.000	0.000	0.000
Leaving Care Services	0.629	0.000	0.000	0.000	0.000
Education Psychology Demand	0.210	0.000	0.000	0.000	0.000
Special Needs Home to School Transport	3.000	0.000	0.000	0.000	0.000
Special Needs HST Contingency	1.962	0.000	0.000	0.000	0.000
Mainstream HST Contingency	0.518	0.000	0.000	0.000	0.000
Pension Fund	0.000	1.000	0.000	0.000	0.000
Child Protection	0.730	0.000	0.000	0.000	0.000
Education Legal Team	0.174	0.000	0.000	0.000	0.000
PMO/Business Change Team	1.020	0.000	0.000	0.000	0.000
Domestic Abuse	1.417	0.000	0.000	0.000	0.000
Community Safety	0.254	0.000	0.000	0.000	0.000
Vision Derbyshire Annual Contribution	0.088	0.000	0.000	0.000	0.000
Equalities	0.092	0.000	0.000	0.000	0.000
Restructure Funding	0.397	0.000	0.000	0.000	0.000
Asset Management	0.121	0.000	0.000	0.000	0.000
Debt Charges Capital Programme	2.925	0.000	0.000	0.000	0.000
ICT Delivery Priorities	0.200	0.000	0.000	0.000	0.000
Procurement Staff Restructure	0.095	0.000	0.000	0.000	0.000
Software Asset Management Tool	0.062	0.000	0.000	0.000	0.000
Centralised Procurement	0.085	0.000	0.000	0.000	0.000
Cloud Storage	0.400	0.000	0.000	0.000	0.000
Climate Change	0.463	0.000	0.000	0.000	0.000
Waterbodies Officer	0.038	0.000	0.000	0.000	0.000
Million Trees Project	0.113	0.000	0.000	0.000	0.000
Ash Die Back	0.270	0.000	0.000	0.000	0.000
Drainage	1.313	0.000	0.000	0.000	0.000
Regeneration Service Development	0.275	0.000	0.000	0.000	0.000
	30.770	**6.470**	**10.376**	**11.755**	**13.003**

One-Off Pressures					
Pension Fund Contingency	1.381	0.000	0.000	0.000	0.000
Children in Care Placements	0.092	0.000	0.000	0.000	0.000
Children In Care Placements Contingency	2.000	0.000	0.000	0.000	0.000
Temporary Children's Homes Contingency	0.946	0.000	0.000	0.000	0.000
Social Workers	0.400	0.000	0.000	0.000	0.000
Performance, Quality and Participation	0.291	0.000	0.000	0.000	0.000
Youth Action Grants	0.125	0.000	0.000	0.000	0.000
Elective Home Education	0.360	0.000	0.000	0.000	0.000
Sports and Outdoor (SORE)	0.980	0.000	0.000	0.000	0.000
Process Improvement	0.193	0.000	0.000	0.000	0.000
Children's Services Legal Costs	1.100	0.000	0.000	0.000	0.000
PMO/Business Change Team	0.020	0.000	0.000	0.000	0.000
Channel Shift	0.034	0.000	0.000	0.000	0.000
Property Disposal Programme	0.399	0.000	0.000	0.000	0.000
Asset Optimisation/Corporate Landlord	0.276	0.000	0.000	0.000	0.000
Modern Ways of Working	0.182	0.000	0.000	0.000	0.000
Demolition Budget	1.100	0.000	0.000	0.000	0.000
Software Asset Management Tool	0.025	0.000	0.000	0.000	0.000
Project Support - External Advisors	3.000	0.000	0.000	0.000	0.000
Major Schemes	2.850	0.000	0.000	0.000	0.000
Drainage	1.313	0.000	0.000	0.000	0.000
Regeneration Service Development	0.140	0.000	0.000	0.000	0.000
	17.207	**0.000**	**0.000**	**0.000**	**0.000**

Derbyshire County Council

Equality Impact Analysis Record Form

Derbyshire County Council Revenue Budget 2022-23

Department	ALL
Service Area	ALL
Title of policy/ practice/ service of function	**REVENUE BUDGET FOR 2022-23**
Chair of Analysis Team	Paul Stone, Assistant Director of Finance (Financial Management)

Stage 1. Prioritising what is being analysed

a. Why has the policy, practice, service, or function been chosen?
b. What if any proposals have been made to alter the policy, service or function?

To ensure that when the Council's annual revenue budget is set each year that an assessment is being made of the likely impacts on local people, including those with a protected characteristic under the Equality Act 2010. As the budget sets the overall spending and income raising levels for the Council, it also determines to some degree the areas of service where budget reductions will be targeted, and as such needs to be included within the Council's processes for meeting the public sector equality duty. The analysis of the main budget will be supported by individual service specific Equality Impact Analyses, to ensure that all possible likely impacts are identified, and where possible steps taken to mitigate them. In the event that adverse impact identified is very serious and cannot be mitigated then members would have to consider whether to proceed with the proposed budget reductions.

c. What is the purpose of the policy, practice, service or function?

Each year the Council must agree a revenue budget for the next financial year, which reflects the Council's Five Year Financial Plan and which seeks to ensure a balanced budget, taking into account funding from external sources, including Government, and locally raised sources of income. Specifically, the budget sets the high-level controls over where the Council will spend money on delivering local services, and thus helps determine the services that will become available to the people of Derbyshire in the following financial year. Since 2008 the Council's budget has been reduced by Central Government. This means that each year there are fewer resources to fund local services, and the Council must find efficiencies which may result in changes or reductions in service provision to remain with its budget envelope. The budget will also set whether or not locally raised income is increased each year, such as through rises in Council Tax and other major charges, impacting on local people, whether or not they use different Council services. It does not exercise control over the levels of Business Rates which are raised, although the Council receives a proportion of these. The budget reduction proposals within the Five-Year Plan for 2022-23 are significant and reliant on the Council's ability to achieve this level of savings whilst responding to and recovering from the Covid-19 pandemic. All proposals need to be considered in context with the size and nature of the service, and ideally, with reference to earlier or future proposals.

Stage 2. The team carrying out the analysis

Name	***Area of expertise/ role***
(Paul Stone (Chair)	Assistant Director of Finance (Financial Management)
Mary Fairman	Assistant Director, Legal Services
John Cowings	Senior Policy Officer, Equalities
Dave Massingham	Director of Property, CST
Angela Beighton	Assistant Director CS
Isobel Fleming	Service Director Comms and Transformation CS
Sarah Eaton	Assistant Director Strategy and Policy CST
Linda Elba-Porter	Service Director ASCH
Dave Massey	Performance and Engagement Officer Place
Mandy Cann	Senior Communications Officer CST

Stage 3. The scope of the analysis – what it covers

This analysis will examine:

1. The proposed Revenue Budget for Derbyshire County Council for 2022-23
2. Whether the setting of the budget is likely to affect particular groups of service user, residents and staff, and whether these are likely to have protected characteristics and experience other inequality, in line with the requirements of the Equality Act 2010.
3. The issues and feedback provided by the public from consultation carried out in relation to a proposed budget or budget priorities.
4. It will seek to highlight any concerns over the possible impacts for groups of people and communities in Derbyshire, where these are likely to be negative, adverse or could be deemed to be unfair or discriminatory.

Budget Proposals

The Council's Five-Year Financial Plan (FYFP) has identified that the Council will need to make efficiencies of approximately £8 million in 2022-23, with expenditure at £618.457m for the financial year, which includes £46.596 of additional budget proposals. Over the period of the FYFP, efficiencies of approximately £67m are required in order to balance the budget. This considers departmental services pressures over the medium term including pay awards, changes to statutory requirements and demographic growth.

The Budget proposals below request additional expenditure for 2022-23 in the following areas:

Adult Social Care & Health

- Demographic Growth - £5.016m

Total for Adult Social Care & Health = £5.016m

Children's Services

- Children in Care Placements - £9.410m
- Support to Vulnerable Children and Young Adults - £1.585m
- Leaving Care Services - £0.629m
- Education Psychology Demand - £0.210m
- Special Needs Home to School Transport - £4.962m
- Mainstream Home to School Transport - £0.518m
- Legal Costs - £1.100m
- Temporary Alternative Childrens Homes Accommodation during Refurbishment - £0.946m
- Social Workers - £0.400m

- Performance Quality and Participation - £0.291m
- Youth Action Grant - £0.125m
- Process Improvement - £0.193m
- Sports and Outdoor - £0.980m
- Elective Home Education - £0.360m

Total for Children's Services = £21.709m

Corporate Services and Transformation (CST)

- Legal Services Child protection – £0.730m
- Legal Services Educational Legal Team - £0.174m
- Organisation Development and Policy Business Change Team - £1.040m
- Organisation Development and Policy Channel Shift - £0.034m
- Organisation Development and Policy Domestic Abuse - £1.417m
- Organisational Development and Policy Community Safety – £0.254m
- Organisation Development and Policy Vision Derbyshire - £0.088m
- Organisational Development and policy Equalities - £0.092m
- Corporate Property Disposal Programme - £0.399m
- Corporate Property Asset Optimisation Corporate Landlord Model - £0.276m
- Corporate Property Modern Ways of Working - £0.182m
- Corporate Property Restructure Funding - £0.397m
- Corporate Property Demolition Budget - £1.100m
- Corporate Property Asset Management - £0.121m
- Finance and ICT Procurement Staff restructure - £0.095m
- Finance and ICT Cloud Storage - £0.400m
- Finance and ICT Delivery Priorities - £0.200m
- Finance and ICT Software Asset Management Tool - £0.087m
- Finance and Centralised procurement - £0.085m
- Finance and ICT Revenue Finance Costs for Capital Bids - £2.925m
- Project Support External Advisors - £3.000m

Total for CST = £13.096m

Place

- Climate Change - £0.463m
- Waterbodies officer - £0.038m
- Million Trees project - £0.113m
- Ash Die Back - £0.270m
- Drainage - £2.626m
- Regeneration Service development - £0.415m
- Major schemes - £2.850m

Total for Place = £6.775m`

Totals for DCC in 2022-23 = £46.596m

The Council has set out its key priorities for Equality, Diversity & Inclusion and its strategic approach focusses on key pillars of activity which will support the achievement of ambitions to drive forward its Strategic approach to Equality, Diversity & Inclusion.

There are a number of budget proposals that will directly contribute to supporting some of the Councils priorities set out in its Equality, Diversity and Inclusion strategy as detailed below:

A Diverse & Confident Workforce:
A number of the budget proposal above will create jobs at a range of different levels throughout the authority, therefore, by creating additional employment opportunities with the County and surrounding areas this should help to improve the diversity of our workforce which will be representative of the community that it services. In addition to the creation of a number of jobs, the following proposals will also support this priority:

- Corporate Property Modern Ways of Working - £0.182m. One aspect of the Modern Ways of Working policy is agile working which can help to improve workplace equality and create inclusive cultures by flexible working. It can help parents to return to work, reduce the gender pay gap, help people with fluctuating health conditions stay in work and help carers to balance their work and caring responsibilities.
- Finance and ICT Cloud Storage - £0.400m driving transformation and providing the infrastructure needed to support Modern Ways of Working which supports this priority as detailed above.

Employment Skills and Business Support
Increasing the number and range of employment and skills opportunities to support businesses and improve qualifications across diverse communities to enable a thriving economy that all communities can access. The budget proposals support this priority in the following ways:

- Place - Waterways Officer - £0.038m A new job would be created within the Council.
- Place – Regeneration Service Development - £0.415m and Major Schemes £21.850m creating jobs to ensure the Council and its residents are benefitting from all available grants, also kick-starting capital schemes that can bring forward growth for Derbyshire, providing housing, jobs, and skills.
- Corporate Services and Transformation – Child protection £0.730m, Education Legal Team - £0.174m, Channel Shift - £0.034m, Business Change Team - £1.040m, Domestic Abuse - £1.417m, Community Safety - £0.254m, Restructure Funding - £0.397m, Procurement Restructure - £0.095m and Centralised procurement - £0.085m, these bids will involve jobs being created within the Council which in turn increases the employments opportunities within the County.
- Childrens Services Leaving Care services - £0.629m extension of support offered to care leavers which includes support on training and education, health and financial management which can help to increase employment opportunities.

Engaged Communities able to Influence decisions
Engaging with different and diverse communities to increase the age and range of people from different backgrounds participating in public life resulting in a thriving local economy all communities can access. The following budget proposals help to support this priority as follows:

- Childrens Services Participation - £0.291m to support the service to respond to an increase in statutory complaints and maintain progress in reducing the backlog of outstanding subject access requests.
- Childrens Services Youth Action Grants - £0.125m to support the Manifesto Commitment to deliver Youth Action Grants to voluntary and community groups across Derbyshire.

Healthy and Supported People
Addressing and reduce inequalities in health and the provision of social care and other support to ensure people in Derbyshire are healthy and feel they have the support they need. The budget proposals will help to support this priority in the following ways:

- Adult Social Care & Health - £5.016m to support the increase in the 65+ population, the number of disabled adults accessing services, the increases in cases of early onset of dementia and complexity of needs of cases transitioning from Childrens Services.
- Place - Climate Change - £0.463m, Million Trees project - £0.113m, Ash die back - £0.270m. Air pollution has a significant impact on people who suffer from lung health issues and long-term breathing conditions. There is evidence that people living in deprived areas are twice as likely to die from lung disease than people who live in more affluent areas, with factors like smoking and lower health among the worse off. In addition, the Covid-19 Pandemic has pushed lung health to its limits and has highlighted the devastating impact that repository conditions can have on people's lives, making the vulnerable even more vulnerable. The budget proposals above are all aimed at improving air quality which could help to improve the health of people living with breathing conditions.
- Childrens Services Children in Care Placements - £9.410m to ensure sufficient funding is in place to meet the increase in demand for children needing to go into social care and to ensure the diverse complexity of needs is addressed and met.
- Childrens Services Support to Vulnerable Children and Young People - £1.585m aimed at preventative and alternative care plans for children in need, including those with complex disabilities, enabling children to remain living at home and avoiding care admissions.
- Childrens Services Leaving Care services - £0.629m extension of support offered to care leavers which includes support on training and education, health, and financial management, ensuring they have the support and skills they need to take them forward into their adulthood.
- Childrens Services Education Psychology Demand - £0.210m – ensuring there is sufficient funding for the application of psychology support to children, young people, families, and schools to promote the emotional and social wellbeing of young people.

- Childrens Services Special Needs Home to School Transport - £4.962m to meet the increase costs and demand of children with special educational needs ensuring they have transportation to school. Mainstream Home to School Transport - £0.518m ensuring all children have funding to travel to school if they live outside the statutory walking distance or are from low-income families.
- Childrens Services Legal Costs - £1.100m to meet the increase in cost, demand and complexity of children care proceedings supporting the safety and care of children and young adults.
- Childrens services Sports and Outdoor Education - £0.980m to continue the sports and outdoor education service in 2022-23.
- Childrens Services Elective Home Education - £0.360 to ensure children who are educated at home are safeguarded and their education is suitable.

Safe and Inclusive Places for Everyone
Working with partners and communities to respond to discrimination-based hate and abuse ensuring communities are inclusive places where everyone contribution is recognised and celebrated will be achieved by ensuring people feel their communities are safe and inclusive for everyone. The following bids will help to support this priority:

- Corporate Services and Transformation Domestic Abuse - £1.417m to provide emergency accommodation to victims of domestic abuse and their families and development of a long-term commissioning strategy to support victims and tackle the issue.
- Corporate Services and Transformation Community Safety - £0.254m to expand the community safety activity enabling the Council to meet new statutory duties introduced from the Serious Crime Whitepaper.
- The proposed budget for OD and Policy will also ensure that there are sufficient resources to further develop and help deliver the ambitions within the Strategy, including further work to develop engagement with diverse communities, improvements to practice, governance and a greater level of expertise is available to support departments.

Stage 4. Data and consultation feedback

a. Sources of data and consultation used

Source	***Reason for using***
Council Budget Report – February 2022	Annual budget which sets spending and income raising levels for the future financial year
Derbyshire County Council Five Year Financial Plan	Strategic document setting the priorities for the Council in relation to its budget and resources

Source	***Reason for using***
Derbyshire County Council Budget Consultation for 2022-23 (conducted in November/ December 2021)	Responses received from the public, residents, service users and staff in relation to the budget priorities and the level of income to be raised through Council Tax for the year being analysed.
Derbyshire performance indicator set	Provide context information in relation to levels and quality of services
Workforce data	Provide context information in relation to staffing levels and pay
Previous Revenue Budget reports and completed EIAs reported to Cabinet	Provide cumulative related information – including whether previous savings made in service area/ department
Equality & Human Rights Commission Guidance – various	Clarifies duties and provides good practice advice in relation to PSED and making decisions
Derbyshire Observatory	Demographic, economic and other data

Stage 5. Analysing the impact or effects

a. What does the data tell you?

Protected Characteristic	***Findings***
Age	The nature of our functions and areas of responsibility as a County Council mean we provide a number of services to older people, younger people and families. Those services which are intended to provide care and support are provided primarily by two departments– Adult Social Care and Health, and Childrens Services. These departments have the largest total budgets. The other Departments also provide some services which the public use but which, if altered, can specifically lead to implications for people of different ages, such as public transport, libraries and consumer protection. The proposals for 2022-23 include important proposed changes that will impact upon people on grounds of their age. <u>Older people</u> The budget proposed for 2022-23 includes a number of possible savings that could further affect older people, carers and families, including: • Better Lives – Working age adults £1.942m • Better Lives - Older Adult’s pathway £7.150m • Reduce Agency Spend - £0.400m

	• Review of contract and commissioning staff - £0.100m • Review of Business Services - £0.155m • Review of Housing Related Support Schemes - £0.200m • Libraries - £0.156m For older people the most obvious proposals which could result in an adverse impact could come from the Older Adult's pathway and the re-organisation of Library services. An EIA was undertaken in relation to the pathway redesign which was completed in July 2019. In relation to the proposed changes to direct care home provision, it is recognised that these proposals potentially affect older and disabled people in particular. These proposed changes have been examined in a full EIA. The remaining services which are listed could also result in reduced service, access the service or support for older people being curtailed, and reduce the quality of life for older people in Derbyshire. <u>Children and families</u> The budget for 2022-23 will include a number of significant savings proposals which could affect children, young people, carers and families including: • Preparation and planning for disabled children - £0.190m • Future Highways Model - £0.500m • Waste - £0.100m • Libraries - £0.156m • Review of Housing Relates Support Schemes - £0.200m The impact of these proposals could affect a range of different families, depending upon the age, disability status and needs of the children, and whether the Council is involved in caring for or safeguarding children. A number of these services have already made significant savings and been re-organised, so there could also be an important cumulative adverse impact on some families. The planned changes to the Libraries service will also impact on families and children, potentially reducing opportunities to use the libraries and to access materials for children of different ages.

	Potential for impact on older workers within the Council A number of proposals may include restructuring of staffing teams, although details are not available at this level of the budget. The Council has an older workforce, with an average age of almost 50 years of age. Wherever possible the authority will try to offer workers who might be at risk the opportunity to retire or leave on a voluntary basis. This is subject to age and status restrictions, affordability, through the impact on the budget and pension fund, and the need to retain skills in some areas. This policy has helped to avoid forcibly making workers redundant. Over recent years the number of employees retiring or taking advantage of the voluntary schemes has helped avoid enforced redundancies.
Disability	The functions and responsibilities of the County Council means we provide important services and support to disabled people, carers and the families of disabled people. Some specialist services are targeted at people with sensory impairments, people experiencing poor mental health, people with a learning disability, and people with dementia. Cuts to these services or changes in the way support is provided can have a significant impact on the lives of these customers, their ability to participate in society, their well-being and life chances. Any changes proposed for non-statutory entitlement to bus travel concessions/ support for travel would be likely to impact adversely on disabled people, since the statutory entitlement rules are largely set by national Government. The budget proposals for 2022-23 include a number of savings proposals which could affect disabled people, adults and children, carers and the families of disabled people, including: • Working age Adults - £1.942m • Older Adult's pathway - £7.150m • Reducing agency Spend - £0.400m • Preparation and Planning for Disabled Children - £0.190m Disabled workers The number of employees who have declared a disability makes up around 3% of the Council's total workforce. This has remained relatively unchanged over the last 10 years.

	Levels of disability vary across departments but are higher in Adult Social Care and Health. Proposals in this department could therefore impact on a disproportionate number of disabled workers. Changes such as relocation, changes to duties and responsibilities, or to terms and conditions, including pay, can also affect disabled employees in a negative way. This can include the disruption which can result from staffing and other changes.
Gender (Sex)	Many of our direct customers are women. They are more likely to feature as carers, as residents of care homes/ user of older person services, user of libraries, benefit from community safety services and protection type services, and as amongst parents needing support. Women make up almost 80% of the total workforce and a similar majority of the many part-time workers we employ. Proposals within this budget include a number to restructure service teams, where women, by nature of the proportion they represent, are likely to be affected to a greater degree. Amongst the proposals, the following are likely to impact on women to a greater extent: • Working age Adults - £1.942m • Older Adult's pathway - £7.150m • Review of Contracting & Commissioning Staffing - £0.100m • Reduce agency spend - £0.400m • Review of Housing Related Support schemes - £0.200m • Children's Services – Back-office costs - £0.046m • Libraries – £0.156m Women as mothers/ parents could be adversely affected by proposals such Older women could be affected by the Adult Social Care and Health proposals, having levels of care reduced and other services which enable older people to remain in their own homes. <u>Female and male workers</u> With women making up almost 80% of employees, and a similar proportion of part-time workers, proposals which would alter staffing structures, numbers, working hours or duties could adversely affect men and women differently. Whilst staffing reductions might be in proportion to the size of the male or female workforce in the Council, the fact that the authority employs many more women, will mean that women are likely to be affected in greater numbers, and to a greater degree in the case of part-time and lower paid employees.e.g., Libraries.

Gender re-assignment	The incidence of gender re-assignment is rarely monitored but we do know that the number of people to whom this applies is increasing in the UK. This makes it difficult to gain accurate figures for the numbers of residents and people who use our services, who have or are undergoing gender re-assignment. We do know that a small number of services work with people who have this protected characteristic as a target group, such as community safety, to tackle issues such as hate crime, or public health services in relation to well-being or sexual health. As an employer we are becoming increasingly experienced in supporting people who transition. This means that amongst our residents and people who use our services, people with this protected characteristic will be represented and could be additionally affected in some cases. A number of proposals within the budget could potentially have low adverse impact on this group of people including: • Libraries - £0.156m • Reducing Agency Spend - £0.400m
Marriage and civil partnership	The public sector duties in relation to marriage and civil partnership seek to ensure that anyone in a civil partnership does not experience less favourable treatment than those who have entered into a marriage.
Pregnancy and maternity	There is much research which has revealed that women who become pregnant can experience discrimination, especially in relation to employment, but also because of attitudes towards issues such as breastfeeding. A range of public health commonly work with expectant mothers and new parent households. Changes to these services could have a significant impact on pregnant or expectant mothers/ households where these individuals or families require support or engage with local services. Recent legislative changes have extended the rights of parents to share parental leave. The Council has developed a clear policy for supporting employees who take shared parental leave. Of the proposals within the budget for 2022-23 it is considered that the following could result in an adverse impact on expectant and new mothers or families taking shared parental leave: • Review of Contracting & Commissioning Staff - £0.100m

	• Libraries - £0.156m • Reducing Agency spend - £0.400m
Race	When compared to the nearby cities of Derby, Nottingham, Sheffield, and Manchester/ Stockport, which are within easy reach of Derbyshire, the county has a lower than average population of people from a BME background. Derbyshire's BME population is spread across a broad range of different racial and ethnic groups, including people from the EU and Eastern Europe, from Black, Chinese and Asian communities. Only one area within Derbyshire has a BME population which represents more than 10% of the total population, the Stenson Fields area on the edge of Derby City but within the administrative area of South Derbyshire. Chesterfield, Long Eaton and Shirebrook are also known to have identifiable communities of BME people. Over the last decade the Council has invested in developing consultation with BME based community and voluntary organisations, establishing the BME Community Forum. This Forum has worked closely in the past with Adult Social Care to improve understanding of the needs of BME customers, and ensure services are culturally sensitive to their needs. This work has also meant that funding has been made available to help develop the capacity of BME community and voluntary sector organisations. A number of the proposals within the budget plans for 2022-23 could impact adversely upon BME households, but to a similar degree to non-BME households, and are dependent upon the extent to which those households use or engage currently with services. This includes: • Working Age Adults - £1.942m • Older Adult's pathway - £7.150m • Review of housing Related Support Schemes - £0.200m • Reduce agency spend £0.400m • Review of Contracting & Commissioning Staff - £0.100m • Preparation and Planning for Disabled Children - £0.190m • Libraries - £0.156m <u>BME employees</u> Around 3% of the Council's workforce is from a BME community. This rate has only increased very slowly and by a small amount over the last decade. This rate is higher in Adult Social Care and Health, but lower in other departments, reflecting the occupational segregation of our BME workers. Re-structuring proposals in Adult Social Care could affect BME representation, if job cuts were to be made in relation to jobs carried out by BME employees.

Religion and belief including non-belief	Religion and belief, including non-belief, can often mean that people will have different cultural or dietary needs, which as service users, will need to be met or taken regard of. Faith often features as an issue in relation to schooling, school transport, or the services which are provided to people we support or care for, and services which work in communities tackling abuse or exclusion. A small number of the proposals could have an adverse impact upon some people from a religious minority background, including: • Working Age Adults - £1.942m • Older Adult's pathway - £7.150m • Review of housing Related Support Schemes - £0.200m • Reduce agency spend £0.400m • Review of Contracting & Commissioning Staff - £0.100m • Preparation and Planning for Disabled Children - £0.190m • Libraries - £0.156m <u>Employees who follow a faith or religion</u> There are a very small number of people from the Muslim, Sikh, Hindu, Jewish and Buddhist communities within the Council's workforce. Most workers have indicated that they are either Christian or have no religion. When considering the likely impact on employees of staffing restructures and other proposals, the issue of religion and belief is unlikely to feature highly, and there is unlikely to be a measurable adverse impact.
Sexual orientation	Although monitoring data is not always available in every walk of life, and there is still evidence that people may not provide this information in every situation, estimates suggest that LGBTQ people to make up between 2 and 5% of the population, and accordingly of people who use our services, and people who rely upon our support based services. This is likely to mean that they will feature amongst all groups of customers but may not self-identify specifically as LGBTQ. Over recent years we have improved the extent to which our services have become aware of the needs that LGBQ people in relation to a number of services or functions of the Council

	It is likely therefore that proposed savings across most areas of service will also impact on LGBQ people as they would on heterosexual people, and that as a consequence, where the protected characteristic of sexual orientation might require a different or adapted services, that these are also affected by cuts or changes, in some cases in an adverse impact for people who are LGBQ. Issues which are commonly raised include personal safety, support for young people making future life and identity choices, the provision of same sex marriage ceremonies and civil partnership ceremonies, public health including sexual health, mental health support, employment, policy development and how the Council communicates with its LGBTQ communities and residents. A small number of the proposals are believed to have implications for people who are lesbian, gay, bisexual or who identify differently than heterosexual including: • Libraries - £0.156m <u>LGBTQ employees</u> Lesbian gay, bisexual and other non-heterosexual workers LGBQ workers make up around 2% of the workforce, and are represented across the authority, with slightly higher proportions working in Adult Social Care and Health, and lower than average proportions in Economy Transport and Environment. The LGBTQ Employee Network has historically provided useful feedback to the Council over how new or changing policies and service might impact upon or be used/ accessed by LGBQ and T people. There is no current evidence to suggest that as employees they have been disproportionately adversely affected by changes to the workforce arising out of budget savings.

Non-statutory

Socio-economic and social mobility	Derbyshire has a high variation between households who are affluent and those which experience deprivation or socio-economic disadvantage. Many services provided by the Council are designed to meet people with fewer resources, people who may experience poorer health, or have lower life chances. Accordingly, for many of our customers, deprivation or disadvantage will be a key determining factor which accounts for access and consumption.

	Most of the proposals in the budget will exercise a potential adverse impact on those who have fewest resources, or who are least able to cope when services are reduced or removed. The following proposals are expected to exercise a significant possible adverse impact of people with fewer resources, or living in deprived communities, including: • Proposed savings in relation libraries Social mobility is determined though a number of factors, many of which are beyond the control, but not necessarily the influence, of the County Council. The state of the national and local economy exercises significant influence over whether individuals or households are able to improve their standard of living, and achieve a better life for themselves, accessing choice and control which was previously denied or out of reach, or by gaining skills and resources to change things. In Derbyshire those with least social mobility can be found in our deprived communities and neighbourhoods, and amongst a number of protected characteristic groups, especially disabled people, and women. The proposed savings in the budget for 2022-23 could further limit some aspects of social mobility. This will include savings in relation changes to older and disabled people’s care and other services. That said, the Council continues to invest its energies in attracting and supporting local, businesses and jobs, which if successful provides a key lever for people to access social mobility opportunities, and generating additional opportunities. Importantly, new jobs need to get to local people from deprived communities and groups, or part of the potential benefit is lost, and social mobility cannot be improved. The Council employs people from across Derbyshire, including many workers who live in poorer and deprived communities. Additionally, many such workers will work in the same or a nearby community to that they live in. Reductions in jobs in such localities, albeit small in number, can result in a negative impact in those same communities and reduce opportunities for social mobility.

Rural	The Council provides a number of services which may be delivered differently or may be more costly to deliver in its rural areas. The county's market towns often have "branch" type offices of local services, where teams of staff are based and work in the community and surrounding rural areas. Additionally, some services, such as the financial support for public transport, may be concentrated into supporting services which specifically serve rural areas, to ensure these areas have services and are accessible. Proposals which could lead to a reduction or the removal of services in the county's rural areas can have a large negative impact upon the sustainability and resilience of rural communities, and cause significant difficulties for poorer or less mobile residents. • Working Age Adults - £1.942m • Older Adult's pathway - £7.150m • Review of housing Related Support Schemes - £0.200m • Reduce agency spend £0.400m • Review of Contracting & Commissioning Staff - £0.100m • Preparation and Planning for Disabled Children - £0.190m • Libraries - £0.156m • Future Highways Model - £0.500m The Council employs people from across Derbyshire, including many people who live in its rural areas. The extent to which job losses amongst workers will impact on rural communities is un-researched.
Other groups of people and businesses	<u>Businesses in Derbyshire</u> A number of the proposals could affect businesses which provide services to the Council. For example, where the Council is proposing to make savings in relation to purchased goods and services, where the maintenance of buildings and assets will be affected, and in relation to opportunities to tender or bid for contracts and commissioned services, changes to frontline and back office services can lead to external businesses and other providers being adversely affected. This could also be the case where the Council proposes to move out of buildings in town centres and communities, leaving them blighted as the range of local services declines.

	This could have a negative impact on the local economy during a difficult economic outlook as the Council looks to recover from the Covid-19 pandemic supporting regeneration across the region and the continued decline of the high street. The Council has supported businesses during the pandemic ensuring prompt payment of goods and services and implementing a hardship fund. How expenditure takes place in relation to regional and local economic development support is also of relevance. Including the priorities and eligibility criteria fixed for businesses seeking to access help and support. The Council's relative success in attracting investment into Markham Vale does not necessarily benefit businesses in other areas of Derbyshire. <u>Public and private partners</u> A number of the proposals could lead to changes in procurement and commissioning arrangements, or affect the Council's capacity to work with public and other partners, including: • Working Age Adults - £1.942m • Older Adult's pathway - £7.150m • Review of housing Related Support Schemes - £0.200m • Reduce agency spend £0.400m • Review of Contracting & Commissioning Staff - £0.100m • Preparation and Planning for Disabled Children - £0.190m • Libraries - £0.156m • Future Highways Model - £0.500m In a number of the proposals (which have become more detailed and are now being consulted upon) assumptions have been included which expect service reductions or re-organisation to be aided or mitigated by services from the community and voluntary sector. There are few signs in these reports which establishes that the sector can do all of this, nor are there indications that funding will be increase to this sector to enable them to develop the capacity or resources to do so.

b. What does customer feedback, complaints or discussions with stakeholder groups tell you about the impact of the policy, practice, service or function on the protected characteristic groups?

The consultation completed asked the public a small number of questions and used the Council Plan priorities as the basis for priority area expenditure. As some distinct communities are not easily visible or represented within these priorities, this makes analysis of the consultation responses more difficult to interpret in relation to the nine protected characteristic groups.

The consultation only resulted in one comment that was related to Equality, the comments suggested that additional Focus Groups should be targeted at different groups including age, gender and race to understand what is and isn't working for specific groups of people.

Protected Group	***Findings***
Age	When the public was asked which priorities it supported, a number of those selected support looking after older people (this being fifth of priorities requested) and providing support for vulnerable children and families (ninth). This perhaps also reflects the work of our two largest spending departments Adult Social Care and Health and Children's Services. The average age of respondents was 56 years, with the youngest being 16 and the oldest 90. A total of 33 residents also took part in five online focus groups where the average age was 63 years. There were some comments received regarding road maintenance and potholes. Whilst we cannot distinguish which age group made these comments we do know that Men aged 34-54 drive the most miles in the UK at almost 19,000 annual miles, therefore we can assume that it is likely this age group are more interested in the maintenance of roads.
Disability	The recent public consultation asked those taking part to indicate if they have a disability, so it is possible to review feedback in relation to people who have a disability and those who indicated they did not. Of those who took part 17% of respondents indicated they had a disability, slightly lower than as a percentage of the adult population with a disability or long-term illness (the definition used within the Census).

	No specific questions were asked in relation to mental health so it difficult to tell from the consultation whether the public would see investing in mental health services as a distinct priority. It could be expected that the strong support for expenditure which supports and encourages healthy lifestyles will impact positively on some areas of disability, including mental health. However, there were some general comments about the importance of health and wellbeing.
Gender (Sex)	Of those who responded, there was relatively even split of 49% male and 51% female. This is similar to the previous year but a change from previous years where the respondents have tended to be from female residents. Comments from the consultation tended to be gender neutral it was not possible to distinguish from which gender they came from.
Gender reassignment	People who have or are undergoing gender re-assignment will feature amongst the population of Derbyshire who had opportunities to participate, and may well feature amongst those who have responded. It is not possible to identify specific impacts on the basis of gender re-assignment from the consultation which has been carried out.
Marriage and civil partnership	Those participating were not asked to indicate if they had this protected characteristic. This is not believed to have been a factor which would significantly determine impact and as such opinion within the budget consultation. However, amongst the support for specific priorities, there was support for investing in services which support families and children, and keeping children safeguarded.
Pregnancy and maternity	Those participating were not asked to indicate if they had this protected characteristic. There was support amongst those who took part for services for families and children, and for work which supports healthy lifestyles, both of which are likely to be specifically relevant to expectant parents and newly born children.
Race	Those participating were not asked to indicate if they had this protected characteristic. From the responses received it is not possible to identify specific views from our BME communities in relation to the budget consultation.

	However, there was a focus group with the Black Minority Ethnic Forum, which highlighted an interest in a more improved public transport network for social, work and daily tasks. This was reflected more widely in this focus group than in the others that were carried out.
Religion and belief including non-belief	Those participating were not asked to indicate if they had this protected characteristic. From the responses received it is not possible to identify specific views from our religious minority communities in relation to the budget consultation.
Sexual orientation	Those participating were not asked to indicate if they had this protected characteristic. From the responses received it is not possible to identify specific views from people who are LGBTQ in relation to the budget consultation. From previous consultations with organisations representing LGBTQ people it is still believed that investment in community safety and public health services can feature as a priority with LGBTQ people, although they are just as likely to be supportive of expenditure on looking after older people, support for younger people and issues such as jobs and the economy, the environment, road and transport and tourism and the visitor economy as non LGBTQ people.

Non-statutory

Socio-economic	Those participating were not asked to indicate if they had this protected characteristic. A total of 21% of respondents supported help for older adults and 17% in economic regeneration. Those who support expenditure on looking after older and vulnerable people may also be highly represented amongst respondents from disadvantaged communities, since these services can be more important to poorer older people. It should also be recognised that many people with disabilities, including those with learning disabilities are likely to have lower incomes and more likely to experience economic disadvantage. The support for economic regeneration is perhaps a reflection of the current economic situation faced by the UK as a result of the Covid-19 pandemic. Unemployment in Derbyshire has decreased over the past 2 months, it is however still higher than in previous years, with the claimant count (as of November 2021) being 3.1% compared to 4.6% as of November 2020 and 2.2% in November 2019.

Rural	From the consultation responses it is possible to identify the proportion of respondents who supported investment in improving access to rural services, those who supported investment into the environment and those supporting road maintenance and repairs expenditure (although this does mean all supporters were rurally based). Some 41% supported investment in roads, 28% in the environment, and 19% in countryside services, much of which benefits the Peak District and Derbyshire's more rural areas.

c. Are there any other groups of people who may experience an adverse impact because of the proposals to change a policy or service who are not listed above?

The Council spends a significant amount of its budget buying, procuring and commissioning services from local businesses, charities, partners and other organisations based in Derbyshire and elsewhere. Proposals which seek to alter whether a service is purchased in this way, perhaps by bringing a service in-house, or by placing a service out within a tendering process, can result in negative or positive impacts for these organisations. Where the amount we have to spend with other companies or organisations is reduced, this can lead to unintended consequences for them, reducing income, affecting their futures and leading to reductions in the number of people they employ. Increasingly services identifying a role for the community and voluntary sector within their proposals that involve these organisations and volunteers directly delivering some services. To be able to do this successfully, services need to be clear about whether this capacity already exists or whether they will need to help- develop this, and on the time and levels of resources that would be required. Within the responses received to spending priorities it is clear that motorists have featured amongst those who took part. One of the highest levels of support was for expenditure on roads maintenance/ repair. This level of support has been repeated each time consultation has taken place in relation to the budget or Council priorities. This type of expenditure is universally important. Support for social care services has also featured highly over repeated consultations in recent years.

d. Gaps in data

What are your main gaps in information and understanding of the impact of your policy and services? Please indicate whether you have identified ways of filling these gaps.

Gaps in data	Action to deal with this
Data in relation to the protected characteristics of race and ethnicity, religion and belief including non-belief, marriage and civil partnership, pregnancy and maternity, sexual orientation and gender re-assignment in relation to customer and consultation data.	Review how data can be improved before next year's budget analysis, including by designing in further ways to engage with communities and groups, and to consult across a wider range of protected characteristics over budget proposals.
Consultation feedback disaggregated by protected characteristics of race and ethnicity, religion and belief, sexual orientation, and gender re-assignment status.	The 2021 Census that took places asked monitoring questions for the first time, once the results are available in 2022, we will have a much more detailed picture of communities which will provide improved data in relation to the protected characteristics. In addition, the new Equality, Diversity and Inclusion Strategy will include work to update and improve our knowledge and understanding of our diverse communities.

Stage 6. Ways of mitigating unlawful prohibited conduct or unwanted adverse impact, or to promote improved equality of opportunity or good relations

It is important that departments engage genuinely in consultation with residents, people who use our services, partners and staff, in case they have ideas or suggestions which could help reduce or avoid adverse impacts for the people of Derbyshire or specific groups of service users.

This could be alternative ways of delivering the proposed service, seeking out other sources of funding, or the improved management of performance so that more can be gained for less, avoiding wastage or overcharging.

The process is intended not to be fixed, and the authority is required to consider ideas which might mitigate against adverse outcomes. In some cases it may be possible to identify other resources, but this may also mean that other services will need to be cut or reduced instead.

In terms of mitigating against adverse impacts arising out of these budget proposals, it is expected that each proposal will be covered by a detailed equality impact analysis and that these should, having identified in more detail, the nature of any impact, will identify and outline the proposed measures that will be taken to mitigate against unwanted and adverse impacts.

Stage 7. Do stakeholders agree with your findings and proposed response?

Consultation carried out with the public and other stakeholders did not at this stage cover specific proposals.

As proposals are worked up and made subject to consultation, more detailed and direct or targeted consultations will take place to ensure more detailed information is obtained to inform each EIA and report to Cabinet/ Council.

Stage 8. Main conclusions

The budget proposals for 2022-23 will impact directly on frontline services. The savings identified are likely to have the most direct adverse impact on older, younger and disabled people, reducing levels of service and support, especially for those with lower and medium levels of need. The proposals will also see further movement towards a position of providing statutory services and support, in which services respond or intervene to avoid safeguarding and other risks.

The areas identified within the Five-Year Plan for savings in 2022-23 will mean a likely adverse impact for:

- Older people using care and support services, which is likely to include those with higher levels of need, and people living with dementia
- Women as service users and employees
- Disabled people requiring support and care
- The general public who use libraries (which will include people from all protected characteristic groups)
- People who may be vulnerable or subjected to abuse or harassment due to age, disability, gender, sexual orientation, gender identity, race or religion and belief.
- Groups using health and advice services commissioned by the Public Health Team (often vulnerable groups of people or people living in poorer communities)
- Potentially poorer and vulnerable people living in rural communities, including where local public and other transport may be affected.

As many of the savings are likely to be achieved by reducing staffing costs or numbers, through restructuring and service redesign, employees, especially female and older employees are expected again to be impacted, potentially in a negative way.

The nature of the list of proposed savings also limits the potential for making choices or to prioritise services, based on needs. The information available does not suggest that an exercise will take place to determine priorities or give much room for Members to reject proposals, without a need to find further savings elsewhere.

The detailed proposals will need to be subject to a more localised and focused equality impact analysis, to ensure that the detailed proposals are properly assessed, and opportunities for mitigation identified. The new Equalities, Diversity and Inclusion strategy will further develop our knowledge of our communities and seek to improve and address gaps in engagement. Together these and other potential actions could enable the Council to obtain a much more detailed picture of needs and priorities in the future, including by encouraging greater participation.

Stage 9. Objectives setting/ implementation

Objective	*Planned action*	*Who*	*When*	*How will this be monitored?*
Ensuring fair decision-making, including when deciding upon detailed proposals to meet budget requirements	All detailed proposals requiring formal decision to be accompanied by a detailed equality impact analysis	All departments	As proposals made and considered	Monitoring exercise in April 2022
Ensure that affected groups and communities will have a full opportunity to consider and be consulted upon detailed proposals to aid budget implementation	All detailed proposals requiring formal decision to be accompanied by a detailed and appropriate consultation, including by consulting with groups identified as likely to experience impact.	All departments	As proposals made and prior to formal decision-making process	Monitoring exercise in April 2022
Ensure that proposals affecting employees are made available for consultation	In addition to formal consultation under policies in relation to redeployment or redundancy, proposals affecting employees are subject to consultation with affected staff and the Trade Unions	All departments	Before being finalised	Through Trade Union and management meetings
Improve participation in budget consultation	Prior to the 2023-24 budget review and revise, as necessary, the methods for consulting over the proposed budget, including by asking differently/ focusing on actual budget choices rather than Council Plan priorities	Led by Finance with department support	2022	Analysis of who takes part Redesign of consultation and more use of focus groups and community groups
Continually Improve the focus of consultation to gain better information.	Alter the approach and design of consultation on the budget to focus on likely areas where there will be proposed savings	Led by Policy and Research and Legal Services	2022	Redesign of consultation content

Improve post implementation monitoring of impact	Departments to carry out post implementation monitoring and use to feed into future decisions Development of post implementation customer surveys/ consultation.	Improvement and Scrutiny Policy and Research/ Departments	2022	I & S review of how agreed proposals implemented and monitored.
Continue to identify opportunities to improve customer and service user data to aid future analysis.	Continue to develop customer segmentation, service user, and customer satisfaction and performance data. Review equality monitoring in light of changes to national monitoring introduced in the 2021 Census, to better enable comparison between demographic and customer data to take place.	Departments Policy & Research Human Resources	2022	Evidence of improved data and understanding of impact and ability to complete cumulative impact analysis/ monitoring.

Stage 10. Monitoring and review/ mainstreaming into business plans

Please indicate whether any of your objectives have been added to service or business plans and your arrangements for monitoring and reviewing progress/ future impact?

Departments will need to consider a range of actions which enable them to monitor the actual impacts which come out of implementing proposals and to use this learning to shape future decision making. This information will also need to be shared across the organisation so that the Council can continue to develop cumulative analysis of impacts on people with a protected characteristic.

Stage 11. Agreeing and publishing the completed analysis

Completed analysis approved by on

Where and when published?

With report recommending adoption of budget.

<u>Decision-making processes</u>

Where linked to decision on proposals to change, reduce or withdraw service/ financial decisions/ large-scale staffing restructures

Attached to report (title):

Date of report: 17 January 2022

Author of report: Assistant Director of Finance (Deputy s.151 Officer)

Audience for report e.g. Cabinet/ date: 24 January 2022

Web location of report:

Outcome from report being considered

Details of follow-up action or monitoring of actions/ decision undertaken

Updated by:

Date:

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Agenda Item

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

24 January 2022

Report of the Executive Director, Corporate Services and Transformation

Capital Programme Approvals, Treasury Management and Capital Strategies for 2022-23
(Corporate Services and Budget)

1 Divisions Affected

1.1 County-wide.

2 Key Decision

2.1 This is not a Key Decision.

3 Purpose of the Report

3.1 To obtain approval for proposals for submission to Council relating to the capital starts programme for 2022-23 and the Treasury Management, Investment and Capital Strategies.

3.2 This report should be read alongside the following reports to this meeting: the Reserves Position and Reserves Policy Report, the Budget Consultation Results Report for 2022-23 and the Revenue Budget Report 2022-23.

4 Information and Analysis

4.1 In line with previous years, the proposed new Capital Starts Programme for 2022-23 has been evaluated and it is recommended to proceed with new borrowing of £31.835m (excluding invest to save schemes). The detailed proposals are set out in Appendix Two of this report.

4.2 The Treasury Management Strategy Report for 2022-23 (Appendix Three) sets out the Council's management of its cash flow, borrowing and investments and the management of its associated risks.

4.3 The Investment Strategy Report for 2022-23 (Appendix Four) deals with the management of the Council's balances and reserves, managing the balance between risk and return.

4.4 The Capital Strategy for 2022-23 (Appendix Five) provides a high-level overview of how capital expenditure and capital financing contribute to the provision of local public services.

5 Consultation

5.1 No consultation is required.

6 Alternative Options Considered

6.1 N/A – the Council is required to have an approved new Capital Starts Programme, and to adopt a Treasury Management Strategy, an Investment Strategy and a Capital Strategy each year. Not producing a Capital Programme Approvals, Treasury Management and Capital Strategies report would be contra to the Council's Financial Regulations and other legislation and statutory guidance.

6 Implications

7.1 Appendix One sets out the relevant implications considered in the preparation of the report.

7 Background Papers

8.1 Papers held electronically by Financial Management & Strategy, Finance & ICT Division, County Hall.

8 Appendices

8.1 Appendix One – Implications.

8.2 Appendix Two – New Capital Starts Programme for 2022-23.

8.3 Appendix Three – Treasury Management Strategy Report for 2022-23.

8.4 Appendix Four – Investment Strategy Report for 2022-23.

8.5 Appendix Five – Capital Strategy for 2022-23.

9 Recommendations

That Cabinet recommends to Council that it:

10.1 Approves the new Capital Starts Programme for 2022-23 set out in Appendix Two.

10.2 Adopts the Treasury Management Strategy for 2022-23 set out in Appendix Three.

10.3 Adopts the Investment Strategy for 2022-23 set out in Appendix Four.

10.4 Adopts the Capital Strategy for 2022-23 set out in Appendix Five.

11 Reasons for Recommendations

11.1 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations.

11.2 Government places controls on the financing capacity of the Council. This means that capital expenditure should form part of a programme, should be carefully prioritised in order to comply with the Council Plan, maximise the benefit of scarce resources and comply with *CIPFA's Prudential Code for Capital Finance in Local Authorities (2017)*. The Council's Financial Regulations require that Cabinet will make recommendations on the capital estimates and on any associated financing requirements to Council. The programme will then be approved by Council in February each year.

11.3 Treasury Risk Management at the Council is conducted within the framework of CIPFA's "*Treasury Management in the Public Services: Code of Practice 2017 Edition"* (the CIPFA Code) which requires the Council to approve a Treasury Management Strategy before the start of each financial year. This report documents the proposed Treasury Management Strategy and requests that Cabinet recommends to Council that it adopts it. This will fulfil the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code and also will assist with the requirements in the Council's Financial Regulations, which require that the borrowing and investments of the Council should be arranged in such a manner so as to comply with the CIPFA Code of Practice on Treasury Management.

3

11.4 Statutory guidance issued by Government in January 2018 requires that the Council adopts an Investment Strategy, focusing on service investments, where the Council uses its money to support local public services by lending to or buying shares in other organisations, and on commercial investments, where the Council uses its money specifically to earn investment income and this is the main purpose of the investment. This report documents the proposed Investment Strategy and requests that Cabinet recommends to Council that it adopts the Investment Strategy.

11.5 The Council's Financial Regulations require that a Capital Strategy is prepared and reported to Cabinet. This report documents the proposed Capital Strategy and requests that Cabinet recommends to Council that it adopts the Capital Strategy.

11.6 The Council Plan values commit to spending money wisely, making the best use of the resources that the Council has.

12. Is it necessary to waive the call in period?

12.1 No

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This report has been approved by the following officers:

On behalf of: Managing Director Executive Director, Corporate Services and Transformation (S151 Officer) Director of Legal Services and Monitoring Officer	

Appendix One

Implications

Financial

1.1 As outlined in the body of the report.

Legal

2.1 None.

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

6.1 The Council Plan values commit to spending money wisely, making the best use of the resources that the Council has.

6.2 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

Capital Programme 2022-23

1.1 The proposed new starts programme for 2022-23, along with funding streams, as shown in Table 1, has been evaluated and it is recommended to proceed with new borrowing of £31.835m (excluding invest to save schemes). More details on each individual scheme are set out below.

1.2 Schemes within the capital programme are usually funded from a combination of Government grants, capital receipts, borrowing, use of reserves and contributions from revenue budgets.

1.3 However, due to the Council wishing to preserve its revenue funds to enable it to provide flexibility in managing its budget reductions, the Council changed its approach a couple of years ago by using both capital receipts and borrowing to replace revenue contributions. In light of this, previous revenue contributions of approximately £15.000m reserved for the Adult Care Strategy will now be replaced with borrowing.

1.4 Capital receipts are used to support the overall programme and have normally been in the region of £2.000m-£3.000m per year. However, as the Council is reviewing its approach to property and asset management through rationalisation and Modern Ways of Working, in alignment with both the Council Plan and the Council Service Plans, this will provide the potential to increase capital receipts and assist with future funding of the programme. In cases where a new project is directly dependent on the disposal of an existing asset, for example, the replacement of a school, or where it is a statutory regulation that sales proceeds must be used to improve sports or educational facilities then the receipt from the disposal of the 'old' asset can be earmarked to fund the replacement. It is however, expected that future programmes will be able to use more available capital receipts to release both the burden on borrowing and revenue reserves.

1.5 The Capital Programme therefore remains affected by the downward pressure on the Council's finances, with the main limiting factor on the Council's ability to undertake capital expenditure being whether there is the revenue resource available to support in full the implications of capital expenditure, both borrowing costs and running costs, after allowing for any support provided by Central Government, which is now mainly through capital grants. However, it is recognised that due to the increasing pressures being placed on school places, infrastructure and the backlog of Capital works on Council buildings, borrowing has been increased to ensure that the Council meets its statutory obligations and in turn assists in delivering the Council Plan.

1.6 The Council will receive estimated Government grants of almost £53.000m to address key issues in highways and maintenance, develop integrated transport schemes, and address the most immediate building condition issues in schools. Funding is requested to cover funding gaps, to assist in the building of new schools in response to major housing developments and also in the phased replacement of schools that have ageing buildings and are high on the buildings at risk register. There are also bids to alter Children's Homes to deliver facilities to support children to enable them to have good opportunities in life, along with adaptations for vulnerable people within Derbyshire.

1.7 Funding has also been made available, as in previous years, to provide financial assistance for disabled people requiring major adaptations to their accommodation.

1.8 To address some of the backlog on other Council properties and reduce the burden on revenue funding of Capital works, a Corporate bid has again been submitted as part of a long-term strategy to targeting the Councils backlog.

1.9 The Elvaston Masterplan, which was previously approved by Cabinet, is being undertaken in phases to secure the future of the estate for forthcoming generations and to also alleviate the considerable financial maintenance impact on the revenue budget in the long term by unlocking its commercial potential and enabling it to be a financially sustainable enterprise.

1.10 As in previous years and in line with the Council's ICT Strategy, a full capital replacement programme is being developed, to ensure that all capital related ICT hardware and software will be replaced over a five-year cycle. This envisaged borrowing of £2.000m per year, £10m overall, however, due to the significant infrastructure upgrades required, partly due to end of life equipment, £7.200m has already been committed, meaning that this year's bid of £1.750m will be less than the £2.000m envisaged, to enable the overall plan to remain within the allocated five year plan of £10.000m.

Table 1 Capital Programme Bids 2022-23

Funding Streams	Grant	Borrowing	Invest to Save	Total
	£m	£m	£m	£m
Children's Services				
Basic Need	0.500			0.500
Children's Homes Alterations		1.000		1.000
Devolved Formula Capital	1.274			1.274
Gamesley Rationalisation		0.750		0.750
Norbriggs Primary School Expansion		1.800		1.800
Schools Access Initiative		0.800		0.800
School Condition	10.635			10.635
SEND – High Needs Capital Allocation	2.490			2.490
Swanwick Primary School – Additional Facilities		0.460		0.460
Phased Replacement of The William Allitt School		7.000		7.000
Adult Social Care & Health				
Disabled Facilities Grant Adaptations	7.800	4.000		11.800
Corporate Services and Transformation				
Fire Mitigation		1.200		1.200
Kitchen Ventilation Schemes		1.400		1.400
Planned Maintenance Programme		4.400		4.400
ICT Hardware & Infrastructure Replacement Programme		1.750		1.750
Place				
Elvaston Masterplan		5.000		5.000
Fleet Vehicles			6.020	6.020
Low Emission Vehicle Infrastructure – Council Depots		0.300		0.300
Low Emission Vehicle Infrastructure – Public Facing		1.650		1.650
Local Transport Plan	27.371			27.371
Derelict Land Reclamation and Regeneration	2.676	0.250		2.926
Skips for Household Waste Recycling Centres			1.200	1.200
Transport Mobility Hubs	0.095	0.075		0.170
TOTAL	**52.841**	**31.835**	**7.220**	**91.896**

2 Summary of Individual Schemes

2.1 Childrens Services

Basic Need £0.500m
The Department for Education (DfE) grant allocation for Basic Need schemes is to provide additional school places in areas of population growth. Based on analysis of pupil projections, feasibility studies have been undertaken. Funding will be allocated from a priority list of potential projects once a grant figure is known.

Children's Homes – Alterations £1.000m
Four of the Council's children's homes are currently under refurbishment but as part of the planning and design work, it has been established that there are alterations needed to ensure that the homes provide the modern, fit for purpose facilities to tie in with the service provided by the Council. The alteration of three of the four homes would ensure that the current demands could be met and provide high quality support for the children in care.

Devolved Formula Capital £1.274m
DfE Grant funding for individual schools to cover the cost of upgrading and maintaining accommodation in line with school asset management plans controlled by individual schools. This capital grant gives all schools money to invest in their buildings, grounds and ICT equipment in order to improve educational standards.

Gamesley Rationalisation £0.750m
Gamesley is an area of high deprivation. The services run in the town are therefore vital to the wellbeing of the community. The current three buildings in use are under-utilised and costly to run and therefore a rationalisation project is under way to identify ways of offering the services in a more cost-effective way. Whilst the decision on the best option is yet to be taken, all options will result in the need for remodelling of the remaining buildings and there is a desire to proceed with the capital work as soon as possible to ensure continued support for the community.

Norbriggs Primary School Expansion £1.800m
Norbriggs Primary School is the normal area school for a large housing development of 650 houses due to be built at Mastin Moor. The school will need to expand to provide the places for pupils from this development and it is anticipated that the funding will be provided by the housing developer, through Chesterfield Borough Council, in the form of Community Infrastructure Levy. There is, however, no security of that funding, nor any timescale, therefore the County will be required to proceed with the project to expand the school to meet its statutory duty and pay the funding back when, and if, the funding is secured.

The school is judged as 'Good' by Ofsted and this expansion will enable the school to continue to provide high quality education to the growing population in this Chesterfield Borough Council area and enhance the life chances of those pupils.

Schools Access Initiative £0.800m
Improving access into Derbyshire schools for children with disabilities by providing reasonable adjustments to school buildings and ensuring compliance with The Equality Act. These works also ensure vulnerable children can access mainstream education.

School Condition Allowance £10.635m
DfE Grant funding to cover the cost of upgrading and maintaining the condition of school accommodation to suit the needs of education in Derbyshire. Projects funded on school buildings where the condition is poor include re-roofing, replacement windows & doors, re-heating and re-wiring. A priority list of potential projects will be finalised once the actual grant figure is known.

School Condition Allowance allows for only the most serious condition related issues to be addressed given that the Council has a backlog of school condition expenditure.

SEND (Special Educational Needs) – High Needs Capital Allocation £2.490m
The allocation from the DfE is for the creation of High Needs places or the improvement of existing provision (for pupils with SEND or requiring alternative provision) at special schools, maintained schools and alternative provision. Funding will be allocated in line with the priorities determined in the SEND Review. The provision of places for pupils with High Needs is a statutory duty for the Council.

Swanwick Primary School – Additional Facilities £0.460m
Swanwick Primary is a popular school with a 'Good' Ofsted rating. The strategy for the school had been to re-build it on a nearby housing development site, as part of the provision of additional places to meet the needs of the new housing, but unfortunately that proved to be impossible, due to the developer's terms for committing Council funding. The school had frozen its plans for development due to that strategy. The school lacks group space for intervention with small groups of students and this small project would address that, as well as improving the library provision. Whilst not overcoming the disappointment of not having a new modern school, it would ensure that they have the facilities that it needs to continue to deliver high quality education to its community and provide places for the children that move on to the new development site.

Phased Replacement of The William Allitt School £7.000m
The William Allitt School in Swadlincote is housed in a building that is close to the end of its economic life and requires replacement. The poor condition of the main building is impacting on the popularity of the school and its journey to achieving at least a 'Good' Ofsted judgement. The full replacement of the school would cost over £20.000m, therefore the proposal is to start a phased programme of replacement, which would provide modern teaching spaces that would meet current standards both in education and building performance.

2.2 Adult Social Care and Health

Disabled Facilities Grant £11.800m
Disabled people requiring major adaptations to their accommodation are able to apply for a Disabled Facilities Grant (DFG) administered by District Councils. The DFG is mandatory if the applicant is unable to access essential facilities within their home. The County Council has a duty to identifying suitable works based upon an assessment of individual needs: however, the decision to approve the grant lies with the relevant District Council.

The DFG process is prescribed by legislation and regulations and requires that applicants are subject to a Test of Resources (means test). The Test of Resources only looks at an applicant’s income and does not take account of their outgoings or personal circumstances. There are three possible outcomes for applicants: a grant to cover the cost of the work (up to a maximum of £30,000), a grant to cover part of the work with the requirement that the applicant meets the remaining costs, or the grant application is deemed ineligible as the applicant is assessed to be able to meet all the costs of the work.

The decision on DFG funding is the responsibility of the relevant District Council. However, the County Council, as part of its legal duties under the Chronically Sick and Disabled Peoples Act (1970) s2(1)(e), is required to consider providing financial assistance where 1) the applicant requests assistance towards his/her assessed contribution due to financial hardship and/or 2) that the costs of the work assessed as being necessary are above the current £30,000 DFG limit and the applicant appears to be unable to meet the additional costs.

2.3 Corporate Services and Transformation

Fire Mitigation £1.200m
To fund the continuation of a planned programme of fire risk mitigation works in Council premises, including schools, where the Council has a duty of care to its employees to ensure they have safe environments to work in.

Under The Regulatory Reform (Fire Safety) Order 2005 the Council is required to undertake fire risk assessments on its building portfolio. These consist of operational assessments by establishment managers and technical assessments by property professionals in Corporate Property. Technical assessments consider the building components, the means of escape, the suitability of compartmentation, warning systems and equipment, etc.

Assessments are carried out against an established programme, agreed with the Derbyshire Fire & Rescue Service, to identify and improve the building form/fabric to a suitable standard. The Council's ongoing survey programme has identified the need for further funding to address these works.

Kitchen Ventilation Schemes £1.400m
The Kitchen ventilation replacement Programme has been ongoing for a number of years and is to fund investment in the kitchen ventilation systems, to ensure statutory compliance in meeting The Gas Safety (installation & use) Regulations 1998 and reduce corporate risk for the Council. The funding is to improve the condition and infrastructure to both gas and electric kitchen ventilation systems situated at various locations throughout the County, across a range of non-school and school buildings. Funding pressures and limited availability of parts and equipment, coupled with deteriorating and aged systems, have contributed to increased defects and risk of system failure leading to potential kitchen closure and unsuitable/unsafe working conditions.

A range of interventions will be required including, but not limited to replacement ventilation/extract systems, replacement pipework distribution systems, replacement ducting and improved safety measures and controls.

Planned Maintenance Programme £4.400m
The Council's quinquennial building condition surveys have highlighted significant building improvements that require redress, to ensure the continued use of buildings as well as safety to building occupants and members of the public. This new approach, in the last year for the Planned Maintenance Programme to be funded from borrowing rather than revenue, has been introduced to reduce the burden placed upon the Corporate Maintenance Budget, which covers reactive maintenance and repairs, and had previously funded the Planned Maintenance Programme up to 2020-2021.

The limited funding available from the Corporate maintenance budget for the Planned Maintenance Programme was only able to fund the highest priority work. Meanwhile, the reactive day to day maintenance was limited to emergency only repairs as the budget was insufficient to meet demand. The introduction of the Corporate Buildings Capital Investment Programme in 2021-2022 increased the funding capacity to address the condition and suitability of Council buildings, and increased the availability of revenue funding to respond to repairs and maintenance, allowing the restriction of emergency repairs only to be lifted. The Planned Maintenance Programme is designed to target essential capital improvements to address building suitability and condition in line with the Asset Management Framework.

The Council has a legal duty to ensure the safety of staff occupying corporate buildings, together with members of the public visiting such buildings. Funding pressures over recent years have contributed to the decrease of building standards, resulting in an increase in building defects and issues.

ICT Hardware and Infrastructure Replacement Programme £1.750m
As part of the ICT Strategy that was previously agreed by Cabinet it was proposed that major ICT infrastructure projects in ICT Services are funded through capital borrowing for the five year period of the Strategy, at a cost of £2.000m per annum, or £10.000m over five years. £7.200m has been received for years one to three. This bid of £1.750m is for year four and reflects:

(1) The slowing down of the desktop hardware replacement programme due to a global shortage of microchips affecting the supply chain, as a result of Covid-19 and Brexit, and the additional logistical difficulties of configuring and distributing hardware with most employees working from home.
(2) The change in networking and connectivity requirements for buildings as a result of the Modern Ways of Working programme.
(3) The 'end of life' of a number of infrastructure components, meaning software and security updates are no longer available.

2.4 Place

Elvaston Masterplan £5.000m
Cabinet approved the Elvaston Castle Masterplan Delivery Programme in September 2020, which agreed in principle to the approval of the implementation of a delivery programme for the Elvaston Castle Masterplan and to secure funding in accordance with the Funding Strategy outlined in the report. A revenue bid was submitted for 2021-22 to enable the project to progress to the successful determination of planning permission. The planning application was expected to be submitted in December 2021, with planning determination by April 2022.

This capital bid will enable work to commence on the first phase of delivery, once planning permission is granted. This initial phase of delivery is to unlock the estate's commercial potential and therefore 'phase 1' includes the new access drive, car park, services/utilities, the new build cafe and regeneration of the stable yards and other core buildings, which will provide catering, retail and visitor facilities. All of these elements are fundamental to Elvaston's commercial success.

At the time that the Masterplan was approved by Cabinet, it was considered that the £5.000m for the access drive and car park would be subject to a LEP funding bid, with the £3.100m for services and site infrastructure acting as match funding. It is now known that the potential funding stream from LEP is no longer available, but the initial investment continues to be crucial to the project and without securing an alternative source for the funding, the project will stall. Further funding required for the new build cafe and the regeneration of the core buildings and courtyards will directly generate commercial income from visitors on site and the funding strategy for this element is that, subject to the Council's borrowing criteria, this funding could be secured on an invest to save basis.

Fleet Vehicles £6.020m
The vehicle replacement programme is designed to ensure that all vehicles are replaced in a timely manner based on age, mechanical condition and directives on climate change for emissions produced by them. Additionally the programming and scheduling of vehicles for planned maintenance is vital to ensuring roadworthiness standards are maintained, however with ageing vehicles and through operational use, the wear and tear on critical components renders them less economical to maintain and reliability can suffer, which in turn can affect service provision for departments. Investment will assist in the continued increased operation of low or ultra-low emission vehicles within the Council fleet to reduce carbon dioxide (CO_2), particulate and nitrous oxide (NOX) emissions to improve air quality for residents, and ensuring vehicles can be operated in clean air zones with the added knowledge and confidence that all fleet vehicles remain economically viable, reliable and safe.

Fleet vehicles are predominantly specialised in design and with the current pandemic and semi-conductor shortage, vehicle delivery dates may take up to twelve months from the point of the order being placed. The Council requires the replacement of gritting vehicles, non-clean air zone (CAZ) compliant vehicles and additional vehicles required by highways and adult care in 2022-23 and 2023-24 and therefore in order to ensure supply of vehicles within this timeframe it is vital that funding is secured to enable the placement of orders as early as possible in 2022.

Low Emission Vehicle Infrastructure – Council Depots £0.300m
The capital investment in low emission vehicle infrastructure to support the on-going roll out of the electrification of the Council's fleet, including its e-pool vehicles, is essential if the Council is to achieve its in-house ambition of being net carbon zero by 2032. By not investing in this infrastructure it will be difficult for the Council to encourage employees to use electric cars for grey fleet purposes. This will have both a carbon emissions effect and a financial impact. It will also demonstrate the Council is leading by example and hopefully encourage the general public to follow that example and enhance the Council's 'green' reputation.

Low Emission Vehicle Infrastructure – Public Facing £1.650m
The capital investment in low emission vehicle infrastructure to help meet the exponential growth in demand for electric vehicles, predicted over the next five to ten years, will be essential if the Council is to achieve its countywide ambition of being net carbon zero by 2050. By not investing in this infrastructure it will be difficult for the Council to encourage members of the general public to purchase electric vehicles. This will have a detrimental effect on carbon emissions and local/regional air quality and impact significantly on delivering the Council's green agenda. Conversely, by investing in this infrastructure it will demonstrate the Council is leading by example and help attract both the private sector and other public sectors, including Government, to invest proportionately in the county, increasing further the prospect of meeting the Council Plan commitment of 1000 public facing Electric Vehicle Charging points by 2025.

Local Transport Plan £27.371m
The Local Transport plan capital programme supports a number of Council Plan priorities and is fundamental to retaining highways assets in good condition, towards which the majority of the available capital funding is dedicated. The programme also supports road safety schemes and traffic management engineering schemes, and others to provide infrastructure, encouraging the use of public transport, walking and cycling.

Derelict Land and Regeneration Capital Programme £2.926m
Funding for the land reclamation programme is predominantly provided through capital grants secured from a variety of external funding organisations, with the Council providing some pump-prime investment. The funding may be used to match other funding from outside bodies and will continue to do so with further bids, working together with the Countryside team. It also assists with early scheme development on proposed works. The funding is also required to enable the Council to meet statutory obligations on land in its ownership, particularly around physical and environmental work on mines, tips and quarries to deal with hazards and contamination. The work on Chesterfield Canal also supports many hours of volunteer time through partnership working and the Memorandum of Understanding which, together with significant capital investment from the Chesterfield Canal Trust, all contributes to the ongoing restoration programme.

Funding for Markham Vale is predominantly provided through capital grants secured from a variety of external sources and capital receipts from land sales with the Council providing some investment.

Skips for Household Waste Recycling Centre £1.200m
The Council is currently re-procuring a contract for the management of its eight Household Waste Recycling Centres (HWRCs) across the county that utilise approximately 200 industrial 45 cubic metre skips. The contract is for a seven- or ten-year period and traditionally the contractors have purchased the skips (approximate cost of £1.200m) and written them off over the lifetime of the contract. However, these skips have a lifespan of between 15 - 20 years and the contractors have enjoyed the financial benefit of this on the expiry of the contract. In the new contract, commencing in October 2022, it is proposed that the Council procures the skips directly and has the financial advantage of retaining them for the next contract to maximise the value from them. The contract commencing in October 2022 will require the contractor to maintain the skips to a high standard to ensure that they are in a good condition to be transferred to the next contract.

Transport Mobility Hubs £0.170m
The development of low carbon transport mobility hubs located strategically across the county, to integrate all forms of transport as an alternative to private cars, will become increasingly necessary to help the Council achieve its ambition of being net carbon zero by 2050. These hubs will provide for alternative and innovative transport solutions, such as electric vehicle charging points, storage for e-bikes, cycle repair shops, car clubs, hire of e-bikes and electric car hire. Transport Hubs that meet the needs of both local communities, and those visiting the area, will provide choice that will mean less reliance on the private car resulting in reduced congestion on the county's road network, improved air quality and enhanced physical and mental well-being for both residents and visitors.

2.5 Other Recommendations

In addition to the Capital Bids detailed above the Council recommends approval of an additional £10m, to facilitate work on waste management options. This is expected to be financed by £7m of Borrowing and a one-off contribution from Revenue of £3m, which will include technical and professional external support to ensure the optimal outcome of the Waste Treatment Facility and provision of associated services.

Treasury Management Strategy Report 2022-23

1 Introduction

1.1 Treasury Management is the management of the Council's cash flows, borrowing and investments and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks, including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk is therefore central to the Council's prudent financial management.

1.2 Treasury Risk Management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's "*Treasury Management in the Public Services: Code of Practice 2017 Edition"* (the CIPFA Code) which requires the Council to approve a Treasury Management Strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

1.3 Investments held for service purposes or for commercial profit are considered in the Investment Strategy (Appendix Four).

2 External Context

Economic background

2.1 The ongoing impact on the UK of the Covid-19 pandemic, together with higher inflation, higher interest rates, and the country's trade position post-Brexit, will be major influences on the Council's Treasury Management Strategy for 2022-23.

2.2 The Bank of England (BoE) increased its Bank Rate to 0.25% in December 2021 whilst maintaining its Quantitative Easing programme at £895 billion. The Monetary Policy Committee (MPC) voted 8-1 in favour of raising rates, and unanimously to maintain the asset purchase programme.

2.3 Within the announcement the MPC noted that the pace of the global recovery was broadly in line with its November Monetary Policy Report. Prior to the emergence of the Omicron coronavirus variant, the BoE also considered the UK economy to be evolving in line with expectations, however given the increased uncertainty and risk to activity the new variant presents, the BoE revised down its estimates for fourth quarter Gross Domestic Product (GDP) growth to 0.6% from 1.0%. Inflation was projected to be higher than previously forecast, with UK Consumer Price Inflation (CPI) likely to remain above 5% throughout the winter and peak at 6% in April 2022. The labour market was generally performing better than previously forecast and the BoE now expects the unemployment rate to fall to 4%, compared to 4.5% forecast previously, but notes that Omicron could weaken the demand for labour.

2.4 UK CPI for November 2021 was 5.1% year on year, up from 4.2% in the previous month. Core inflation, which excludes the more volatile components, rose to 4.0% year on year, from 3.4%. The most recent labour market data for the three months to October 2021 showed the unemployment rate fell to 4.2% whilst the employment rate rose to 75.5%.

2.5 In October 2021, the headline 3-month average annual growth rate for wages was 4.3% for regular pay. In real terms, after adjusting for inflation, regular pay was up 1.0%. The change in pay growth has been affected by a change in composition of employee jobs, with a fall in the number and proportion of lower paid jobs.

2.6 GDP grew by 1.3% in the third calendar quarter of 2021 according to the initial estimate, compared to a gain of 5.5% quarter on quarter in the previous quarter, with the annual rate slowing to 6.6% from 23.6%. During the quarter, activity measures were boosted by sectors that reopened following pandemic restrictions, suggesting that wider spending was flat. Looking ahead, whilst monthly GDP readings suggest there had been some increase in momentum in the latter part of the third quarter of 2021, fourth quarter growth is expected to be less strong.

2.7 GDP growth in the Eurozone increased by 2.2% in the third quarter of 2021, following a gain of 2.1% in the second quarter and a decline of -0.3% in the first. Headline inflation has been strong, with CPI registering 4.9% year-on-year in November, the fifth successive month of inflation. Core CPI inflation was 2.6% year on year in November 2021, the fourth month of successive increases. At these levels, inflation is above the European Central Bank's target of 'below, but close to 2%', putting some pressure on its long-term stance of holding its main interest rate of 0%.

2.8 The US economy expanded at an annualised rate of 2.1% in the third quarter of 2021, slowing sharply from gains of 6.7% and 6.3% in the previous two quarters. In its December 2021 interest rate announcement, the Federal Reserve continue to maintain the Fed Funds rate at between 0% and 0.25% but outlined its plan to reduce its asset purchase programme earlier than previously stated and signalled that it is in favour of tightening interest rates at a faster pace in 2022, with three 0.25% movements now expected.

Credit outlook

2.9 Since the start of 2021, relatively benign credit conditions have led to credit default swap (CDS) prices for the larger UK banks to remain low. CDS prices had steadily edged down throughout the year, up until mid-November 2021, when the emergence of Omicron caused them to rise modestly. However, the generally improved economic outlook during 2021 has helped banks' profitability and reduced the level of impairments many had made as provisions for bad loans. However, the relatively recent removal of Covid-related business support measures by Government means that the full impact on banks' balance sheets may not be known for some time.

2.10 The improved economic picture during 2021 led the credit rating agencies to reflect this in their assessments of the outlook for UK Sovereign as well as several financial institutions, revising them from negative to stable, and even making a handful of rating upgrades.

2.11 Looking ahead, whilst there is still the chance of bank losses from bad loans as Government and central bank support is removed, the institutions on the Council's counterparty list are well-capitalised and general credit conditions across the sector are expected to remain benign. Duration limits for counterparties on the Council's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast

2.12 The Council's Treasury Management Adviser, Arlingclose, is forecasting that BoE Bank Rate will continue to rise in the first calendar quarter of 2022 to subdue inflationary pressures and the perceived desire by the BoE to move away from emergency levels of interest rates.

2.13 Investors continue to price in multiple rises in BoE Bank Rate over the next forecast horizon, and the Council's Treasury Management Adviser believes that although interest rates will rise again, the increases will not be to the extent predicted by financial markets. In the near-term, the risks around the Council's Treasury Management Adviser's central case are to the upside, whilst over the medium-term the risks become more balanced.

2.14 Yields are expected to remain broadly at current levels over the medium-term, with the 5-, 10- and 20-year gilt yields expected to average around 0.65%, 0.90%, and 1.15% respectively. The risks around short and medium-term yields are initially to the upside but shifts lower later, whilst for long-term yields the risk is to the upside. However, as ever there will almost certainly be short-term volatility due to economic and political uncertainty and events.

2.15 A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A to this Treasury Management Strategy Report 2022-23.

2.16 For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 0.50%, and that new long-term loans will be borrowed at an average rate of 2.21%. based upon an average term of 17 years.

3 Local Context

3.1 On 31 December 2021, the Council held £421.399m of borrowing and £372.377m of investments. This is set out in further detail at Appendix B to this Treasury Management Strategy Report 2022-23. Forecast changes in these sums are shown in the balance sheet analysis in Table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.21 Actual £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
General Fund CFR	525.679	606.299	699.469	776.239	839.399
Less: Other debt liabilities*	-64.548	-59.981	-62.986	-58.032	-52.872
Loans CFR	**461.131**	**546.318**	**636.483**	**718.207**	**786.527**
Less: External borrowing**	-360.899	-379.899	-356.579	-259.174	-256.429
Internal borrowing	**100.232**	**166.419**	**279.904**	**459.033**	**530.098**
Less: Usable reserves***	-395.100	-308.709	-253.466	-222.484	-207.784
Less: Working capital	-43.418	-43.418	-43.418	-43.418	-43.418
New borrowing (or Treasury investments)	**-338.286**	**-185.708**	**-16.980**	**193.131**	**278.896**

* Finance lease and PFI liabilities that form part of the Council's total debt. The new accounting standard IFRS 16 Leases is due to be adopted in 2022-23. The liabilities relating to leases which were previously treated as operating leases will be recognised on the Council's balance sheet. An estimate has been made of the impact of this change and included in the balance sheet summary and forecast. This change increases the General Fund CFR and other debt liabilities by an equal amount; therefore Loans CFR is unaffected.

** Shows only loans to which the Council is committed and excludes optional refinancing.

*** Excluding earmarked reserve arising from adjustment of modified loans balances on adoption of IFRS 9. This was a non-cash adjustment, therefore did not affect resources available to invest/reduce borrowing.

3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). Usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

3.3 The Council has an increasing CFR as a result of its Capital Programme.

3.4 Investments are forecast to fall to £185.708m by 31 March 2022 as the Council continues to use internal borrowing to fund capital expenditure. The Council is forecast to require additional borrowing by 31 March 2024, however, in reality, slippage of approximately 25% to 35% of the capital programme is to be expected based on past experience.

3.5 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2022-23.

Liability benchmark

3.6 To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 2: Liability benchmark

	31.3.21 Actual £m	**31.3.22 Estimate £m**	**31.3.23 Forecast £m**	**31.3.24 Forecast £m**	**31.3.25 Forecast £m**
Loans CFR	461.131	546.318	636.483	718.207	786.527
Less: Balance sheet resources	-438.518	-352.127	-296.884	-265.902	-251.202
Net loans requirement	**22.613**	**194.191**	**339.599**	**452.305**	**535.325**
Plus: Minimum investments*	10.000	10.000	10.000	10.000	10.000
Liability benchmark	**32.613**	**204.191**	**349.599**	**462.305**	**545.325**

* This is the liquidity allowance under MIFID II, which is a legislative framework instituted by the European Union to regulate financial markets and improve protections for investors, aiming to standardise practices across the EU and restore confidence in the industry.

3.7 Following on from the medium-term forecasts in Table 1 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £193.131m in 2023-24 and £278.896m in 2024-25 and minimum revenue provision on new capital expenditure based on a 40 year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year. In reality, there is likely to be some slippage of the capital programme.

4 Borrowing Strategy

4.1 The Council currently holds £421.399m of loans, an increase of £60.500m on the previous year, as part of its long-term strategy for funding previous years' capital programmes and short-term operational cash-flow management. The balance sheet forecast in Table 1 shows that the Council expects to reduce its borrowing in 2022-23. The Council may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £769m (General Fund CFR £699.469m x 110%).

4.2 The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Strategy

4.3 Given the continued uncertainty of future local government funding, the Council's borrowing strategy continues to address the key issue of affordability, without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

4.5 By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs, by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2022-23 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

4.6 The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board (PWLB) but will consider long term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding, in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to HM Treasury's PWLB lending facility.

4.7 Alternatively, the Council may arrange forward starting loans during 2022-23, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

4.8 In addition, the Council may borrow further short-term loans to cover unplanned cash flow shortages.

Sources of borrowing

4.9 The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Loans Works Board).
- Any institution approved for investments (see below).
- Any other bank or building society authorised to operate in the UK.
- Any other UK public sector body.
- UK public and private sector pension funds (except Derbyshire Pension Fund).
- Capital market bond investors.
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.
- D2N2 Local Economic Partnership.

Other sources of debt finance

4.10 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing.
- Hire purchase.
- Private Finance Initiative.
- Sale and leaseback.

Municipal Bonds Agency

4.11 UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet.

LOBOs

4.12 The Council holds £5.000m of LOBO (Lender’s Option Borrower’s Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £5.000m of these LOBOs have options during 2022-23, and although the Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Total borrowing via LOBO loans will be limited to £5.000m.

Short-term and variable rate loans

4.13 These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

Debt rescheduling

4.14 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

5 Treasury Investment Strategy

5.1 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past twelve months, the Council's treasury investment balance has ranged between £345.166m and £462.841m. This level of investment is expected to fall in subsequent years as short-term external borrowing is repaid and additional internal borrowing is utilised to fund capital expenditure.

Objectives

5.2 The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates

5.3 The Covid-19 pandemic has increased the risk that the BoE will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates would be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy

5.4 Given the increasing risk and very low returns from short-term unsecured bank investments, the Council has diversified into higher yielding asset classes, with £70m currently invested in strategic pooled investments. This diversification has generated over £10m in income and will represent a continuation of this strategy first adopted in 2015-16.

5.5 The majority of the Council's surplus cash is currently invested in Local Authority loans, short-term unsecured bank deposits and money market funds.

Business models

5.6 Under the IFRS 9 standard, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties

5.7 The Council may invest its surplus funds with any of the counterparty types in Table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Approved investment counterparties and limits (County Fund)

Sector	Time Limit	Counterparty Limit	Sector Limit
UK Government	50 years	Unlimited	n/a
Local Authorities & Other Gov't Bodies	25 years	£30m	Unlimited
Secured investments *	25 years	£30m	Unlimited
Banks (unsecured) *	13 months	£30m	Unlimited
Building societies (unsecured) *	13 months	£30m	£50m
Registered providers (Unsecured) *	5 years	£10m	£50m
Money market funds *	n/a	£30m	Unlimited
Strategic pooled funds	n/a	£30m	£100m
Real estate investment trusts	n/a	£10m	£50m
Other investments *	Individual Cabinet Approval		

5.8 **County Fund**: It is requested that the limit for the Council's main operational bank (currently Lloyds) of £60m is maintained (£30m overnight only and £30m up to 13 months in duration).

5.9 **D2N2**: It is requested that the overnight limit of £10m (currently Lloyds) is maintained.

5.10 ***Minimum Credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

5.11 **Government:** Loans to, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

5.12 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

5.13 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

5.14 **Registered providers (unsecured):** Loans to, and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England). As providers of public services, they retain the likelihood of receiving Government support if needed.

5.15 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access.

5.16 **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

5.17 **Real Estate Investment Trusts (REITs):** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile, especially as the share price reflects changing demand for the shares, as well as changes in the value of the underlying properties.

5.18 **Other:** This category covers non-treasury investments. Loans to unrated companies will only be made following appropriate due diligence which may include an external credit assessment. Cabinet will consider approval on an individual case by case basis.

5.19 **Operational bank accounts:** The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25bn. These are not classed as investments, but are still subject to the risk of a bank bail-in. BoE has stated that in the event of failure, banks with assets greater than £25bn are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk assessment and credit ratings

5.20 Credit ratings are obtained and monitored by the Council's Treasury Management Adviser, who will notify changes in ratings as they occur. Where an entity has its credit-rating downgraded so that it fails to meet the minimum approved investment criteria then:

- No new investments will be made.

- Any existing investments that can be recalled or sold at no cost will be.
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

5.21 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “negative watch”) so that it may fall below the minimum approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments

5.22 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council’s Treasury Management Adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

5.23 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government or with other Local Authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits (County Fund)

5.24 The Council’s Total Useable Reserves available to cover investment losses are forecast to be £308.709m at 31 March 2022. In order to minimise risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government or Lloyds Bank (operational bank accounts)) will be £30m and capitalised interest. A group of banks under the same ownership will be treated as a single organisation for limit purposes.

5.25 Credit risk exposures arising from non-treasury investments, financial derivatives and balances in operational bank accounts greater than £30m count against the relevant investment limits.

5.26 Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£30m per manager
Negotiable instruments held in a broker's nominee account	£100m per broker
Foreign countries	£30m per country

Liquidity management

5.27 The Council uses purpose-built cash flow forecasting software and Excel spreadsheets to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

5.28 In times of uncertainty, the Council will spread its liquid cash over a number of providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

6 Treasury Management Indicators

6.1 The Council measures and manages its exposures to Treasury Management risks using the following indicators.

Security

6.2 The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Table 5:

Credit risk indicator	Target
Portfolio average credit rating	A

Liquidity

6.3 The Council has adopted measures to monitor its liquidity risk and can use either Liquidity risk indicator Option 1 or Option 2 below, as appropriate.

- **Liquidity Option 1 –** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling one-month period, without additional borrowing.

  Table 6:

Liquidity risk indicator	Target
County Fund: Total cash available within 1 month	£10m

- **Liquidity Option 2 –** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount it can borrow each quarter without giving prior notice.

  Table 7:

Liquidity risk indicator	Target
County Fund: Total sum borrowed in past 3 months without prior notice	£30m

Interest rate exposures

6.4 This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Table 8:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	£1.435m
Upper limit on one-year revenue impact of a 1% fall in interest rates	-£1.435m

6.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

Maturity structure of borrowing

6.6 This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Table 9:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	60%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	20%	0%
5 years and within 10 years	20%	0%
10 years and within 20 years	40%	10%
20 years and within 30 years	40%	10%
30 years and above	40%	10%

6.7 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than a year

6.8 The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Table 10:

Price risk indicator	31/03/23	31/03/24	31/03/25
Limit on principal invested beyond year end (including strategic pooled funds & non-treasury investments)	£150m	£125m	£100m

7 Related Matters

7.1 The CIPFA Code requires the Council to include the following in its Treasury Management Strategy.

Financial Derivatives

7.2 Local authorities have previously made use of financial derivatives embedded into loans and investments, both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

7.3 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall Treasury Risk Management Strategy.

7.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

7.5 In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Markets in Financial Instruments Directive

7.6 The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's Treasury Management activities, the Council's S151 Officer believes this to be the most appropriate status.

Financial Implications

7.7 The budget for investment income in 2022-23 is £4.016m, based on an average investment portfolio of £240m traditional investments at an interest rate of 0.50%, and £70m of strategic pooled funds with dividends averaging 4.00%. The budget for long term external borrowing debt interest in 2022-23 is £12.525m, based on an average long-term debt portfolio of £273m, at an average interest rate of 4.50%, together with short-term debt of £0.240m. If actual levels of investments and borrowing, or actual interest rates, differ from forecasts, performance against budget will be correspondingly different.

Other Options Considered

7.8 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Council's S151 Officer, having consulted the Cabinet Member for Corporate Services and Budget, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Table 11:

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Treasury Management Advisors' Economic & Interest Rate Forecast - December 2021

Underlying assumptions

- The global recovery from the Covid-19 pandemic has entered a more challenging phase. The resurgence in demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. The advent of the Omicron variant of coronavirus is affecting activity and is also a reminder of the potential downside risks.
- Despite relatively buoyant activity survey data, official Gross Domestic Product (GDP) data indicates that growth was weakening into the fourth quarter of 2021. Other data, however, suggested continued momentum, particularly for November 2021. Retail sales volumes rose 1.4%, Purchase Managers' Index (PMI) increased, and the labour market continued to strengthen. The end of furlough did not appear to have had a significant impact on unemployment. Wage growth is elevated.
- The Consumer Price Index (CPI) inflation rate rose to 5.1% for November 2021 and will rise higher in the near term. Whilst the transitory factors affecting inflation are expected to unwind over time, policymakers' concern is of persistent medium-term price pressure.
- These factors prompted the Monetary Policy Committee (MPC) to raise the Bank of England (BoE) Bank Rate to 0.25% at the December 2021 meeting. Short-term interest rate expectations remain elevated.
- The outlook, however, appears weaker. Household spending faces pressures from a combination of higher prices and tax rises. In the immediate term, the Omicron variant has already affected growth – fourth quarter 2021 and first quarter 2022 activity could be weak at best.
- Longer-term Government bond yields remain relatively low, despite the more hawkish signals from the BoE and the United States' Federal Reserve. Investors are concerned that significant policy tightening in the near term will slow growth and prompt the need for looser policy later. Geo-political and coronavirus risks are also driving safe haven buying. The result is a much flatter yield curve, as short-term yields rise even as long-term yields fall.
- The rise in BoE Bank Rate despite the Omicron variant signals that the MPC will act to bring inflation down whatever the environment. It has also made clear its intentions to tighten policy further. While the economic outlook will be challenging, the signals from policymakers suggest their preference is to tighten policy unless data indicates a more severe slowdown.

Forecast

- The MPC will want to build on the strong message it delivered by tightening policy despite Omicron uncertainty.
- The Treasury Management Advisors for the Council, Arlingclose, therefore expect BoE Bank Rate to rise to 0.50% in the first quarter of 2022, but then remain there. Risks to the forecast are initially weighted to the upside, then becoming more balanced over time. The Arlingclose central forecast remains below the market forward curve.
- Gilt yields will remain broadly flat from current levels. Yields have fallen sharply at the longer end of the yield curve, but expectations of a rise in BoE Bank Rate have maintained short term gilt yields at higher levels.
- Easing expectations for BoE Bank Rate over time could prompt the yield curve to steepen, as investors build in higher inflation expectations.
- The risks around the gilt yield forecasts vary. The risk for short-term and medium-term yields is initially on the upside but shifts lower later. The risk for long-term yields is weighted to the upside.

Table 12:

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
3-month money market ra													
Upside risk	0.05	0.05	0.25	0.35	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.55	0.55	0.60	0.60	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.65
Downside risk	0.00	-0.25	-0.25	-0.30	-0.30	-0.30	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35
5yr gilt yield													
Upside risk	0.00	0.35	0.45	0.55	0.55	0.55	0.55	0.55	0.55	0.50	0.50	0.45	0.45
Arlingclose Central Case	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.65	0.70	0.75	0.75
Downside risk	-0.10	-0.20	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40
10yr gilt yield													
Upside risk	0.10	0.25	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	0.80	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.90	0.90	0.95	0.95
Downside risk	-0.10	-0.25	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.40	-0.40	-0.40	-0.40
20yr gilt yield													
Upside risk	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	1.00	1.05	1.10	1.10	1.10	1.10	1.15	1.15	1.15	1.20	1.20	1.20	1.20
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45
50yr gilt yield													
Upside risk	0.25	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.70	0.75	0.80	0.85	0.90	0.95	1.00	1.05	1.05	1.10	1.10	1.15	1.15
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix B – Existing Investment and Debt Portfolio Position

Table 13:

	31 Dec 2021 Actual Portfolio £m	**31 Dec 2021 Average Rate %**
External Borrowing:		
Public Works Loan Board	257.899	4.50
Local authorities (including D2N2)	148.500	0.14
LOBO loans from banks	5.000	4.50
Other loans	10.000	4.69
Total External Borrowing	**421.399**	**2.78**
Other long-term liabilities		
Private Finance Initiative (PFI)	59.753	
Finance Leases	4.639	
Transferred Debt	0.156	
Total Other Long -Term Liabilities	**64.548**	
Total Gross External Debt	**485.947**	
Treasury Investments:		
Local Authorities	176.000	0.50
Banks (unsecured)	102.050	0.25
Registered Providers (unsecured)	10.000	1.58
Money Market Funds	0.000	0.00
Total Deposits:	**288.050**	**0.45**
Bonds	5.092	2.12
Equities UK	8.331	5.00
Equities Global	6.239	2.95
Multi Asset Funds	25.400	3.33
Property	26.341	3.46
Total Strategic Pooled Funds	**71.403**	**3.45**
Total Treasury Investments	**359.453**	**1.10**
Net Debt	**126.494**	

Investment Strategy Report 2022-23

Introduction

1.1 The Council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**);
- to support local public services by lending to or buying shares in other organisations (**service investments**); and
- to earn investment income (known as **commercial investments** where this is the main purpose).

1.2 This Investment Strategy meets the requirements of statutory guidance issued by Government in January 2018 and focuses on the second and third of these categories.

Treasury Management Investments

2.1 The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, leads to a cash surplus, which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The balance of Treasury Management investments is expected to fluctuate between £257m and £379m during the 2022-23 financial year.

2.2 **Contribution:** The contribution that these investments make to the objectives of the Council is to support effective Treasury Management activities.

2.3 **Further details:** Full details of the Council's policies and its plan for 2022-23 for Treasury Management investments are covered in the Treasury Management Strategy included at Appendix Three.

Service Investments: Loans

3.1 **Contribution:** The Council lends money to its local regeneration partners to stimulate local economic growth. The Council also lends money to its local Community Trusts to support local public services.

- £11.390m + capitalised interest and fees - Buxton Crescent Hotel Ltd – to regenerate the historic Buxton Crescent by redeveloping a derelict Grade I listed building at Buxton Crescent into a boutique hotel and spa. This will boost the economy and tourism in Buxton and the High Peak area. Contribution of £0.343m estimated for 2022-23.

- £0.500m - Community Trusts – to Chesterfield Football Club Community Trust for sporting and community provision in the greater Chesterfield area. Contribution of £0.020m estimated for 2022-23.

3.2 **Security:** Each loan requires individual Cabinet approval. The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes

	31 March 2021 actual			**2022-23**
Category of borrower	**Balance owed £m**	**Loss allowance £m**	**Net figure in accounts £m**	**Approved Limit £m**
Local Regeneration Partners	12.325	-1.232	11.093	13.000
Local Community Trusts	0.500	-0.050	0.450	0.500
TOTAL	**12.825**	**-1.282**	**11.543**	**13.500**

3.3 Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts are shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

3.4 **Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding service loans by:

- Buxton Crescent Hotel Ltd – the hotel sector has faced a difficult year, with either a full lockdown or partial restrictions from 31 October 2020 until 19 July 2021 in Derbyshire.
- The Council agreed to the directors' request to re-negotiate the terms of the loan including an amended split fixed/variable interest rate, an extension to the term of the loan and an extension to the repayment holiday.

- The Council's borrowing is secured by a legal charge over the property. The directors provide quarterly management information. The risk of loss based upon the Council's Treasury Management Adviser's (Arlingclose) non-rated corporate estimate of 10.0%, is £1.246m on the current loan amount outstanding of £12.461m. The Council's borrowing is secured by a legal charge over the property.

- Chesterfield Football Club Community Trust – The Council's borrowing is fully secured on the stadium. The risk of loss based upon an Arlingclose non-rated corporate estimate of 10.0%, is £0.050m on the current loan amount outstanding of £0.500m.
- Chesterfield Football Club has suffered from Covid-19 restrictions, resulting in no, or reduced, income from restrictions on fans attending home matches for a period. The Council's borrowing is fully secured on the stadium.

Capacity, Skills and Culture

4.1 **Elected members and statutory officers**: Elected members receive periodic training from the Council's S151 Officer on Treasury Management (including non-treasury investments).

4.2 The Council's S151 Officer holds semi-annual meetings with the Council's Treasury Management advisors to discuss Treasury Management Strategy options.

4.3 **Commercial deals:** The Council's S151 Officer is aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate.

4.4 **Corporate governance:** The Council's corporate governance arrangements are fully detailed in the Treasury Management Manual.

4.5 **Investment Indicators:** The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

4.6 **Total risk exposure:** The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third-party loans.

Table 2: Total investment exposure

Total investment exposure	**31.03.2021 Actual £m**	**31.03.2022 Forecast £m**	**31.03.2023 Forecast £m**
Treasury management investments	338.286	310.395	255.336
Service investments: Loans	12.825	13.044	13.388
TOTAL INVESTMENTS	**351.111**	**323.439**	**268.724**
Commitments to lend	0.214	0.357	0.367
TOTAL EXPOSURE	**351.325**	**323.796**	**269.091**

4.7 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council’s investments are funded by usable reserves and income received in advance of expenditure.

Table 3: Investments funded by borrowing

Investments funded by borrowing	**31.03.2021 Actual £m**	**31.03.2022 Forecast £m**	**31.03.2023 Forecast £m**
TOTAL FUNDED BY BORROWING	**0.000**	**0.000**	**0.000**

4.8 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 4: Investment rate of return (net of all costs)

Investments net rate of return	**2020-21 Actual %**	**2021-22 Forecast %**	**2022-23 Forecast %**
Treasury management investments (excluding *)	0.94	0.55	0.55
*Strategic Pooled Funds	4.13	3.59	4.00
Service Investments: Loans	4.85	2.71	2.71
ALL INVESTMENTS	**1.64**	**1.31**	**1.87**

Table 5: Other investment indicators

Indicator	2020-21 Actual	2021-22 Forecast	2022-23 Forecast
Debt to net service expenditure ratio	1:1.49	1:1.50	1:1.55
Service Loans income to net service expenditure ratio	1:851	1:1451	1:1535

Appendix Five

Capital Strategy 2022-23

1 Introduction

1.1 The Capital Strategy outlines the principles and framework that shape the Council's investment proposals, aiming to deliver an affordable programme of capital investment which is consistent with the Council's financial strategy and contributes to the priorities set out in the Council Plan.

1.2 The Capital Strategy sets the Council's approach to capital investment identifying the issues and options affecting capital spending and sets out how available resources to fund the capital programme will be managed.

1.3 Local authorities continue to operate in a financially challenging environment with continued reductions in levels of government funding, the effects of Covid-19 and the impact of Brexit, which remains uncertain. Covid-19 will continue to have a financial impact on the Council for the medium term, therefore the Council will need to consider the operation of its services in the future and how capital resources are identified, deployed and managed.

1.4 The Prudential Code for Capital Finance in Local Authorities sets out a framework that was updated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2021. The framework supports local strategic planning, local asset management planning and option appraisal.

1.5 The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

1.6 The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are made with sufficient regard to the long-term financing implications and potential risks to the authority.

1.7 The Prudential Code sets out that in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, the capital strategy should set out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

1.8 In addition to the approved capital investment programme the Capital Strategy also considers the Council's ambitions over the medium to long term, the implementation of this strategy will ensure that:

- Capital Investment has a direct relationship to the Council Plan and supports its corporate objectives.
- Members and senior officers have a common understanding of the long-term context in which investment decisions are made and the financial risks which the council is exposed to.
- There is a framework for the review and management of existing and future assets (The Asset Management Plan).
- There is an investment programme that is expressed over the medium term.
- There is a framework that prioritises the use of capital resources.

1.9 This Capital Strategy sets out a framework for the self-management of capital finance and examines the following areas:

- Capital expenditure and investment plans.
- Prudential Indicators.
- External debt.
- Treasury Management.

2 Objectives of the Strategy

2.1 The capital budgets should support the key priorities laid out in the Council's Council Plan. Each capital proposal is required to clearly demonstrate the project links to the Council's priorities, which are:

1. Resilient, healthy and safe communities.
2. High performing, value for money and resident focuses services.
3. Effective early help for individuals and communities.
4. A prosperous and green Derbyshire.

3 Key Projects

3.1 Within the Council Plan are a number of key projects which are, or will have an impact on the Council's Capital Programme:

- Delivered the Information and Communications Technology Strategy 2018-23 to streamline service delivery and embed modern working practices.
- Increased fibre enabled broadband coverage across Derbyshire for homes and business.
- Invested in well maintained roads and highways infrastructure.
- Investment to install 88,000 LED lights across the County in order to reduce 16,900 kwh of electricity saving £1.7m.
- Supported the development of a network of electric vehicle charging points across the county.

- Developed, agreed and begun to implement the Older People's Housing, Accommodation and Support Strategy.
- Ensure all Council run adult care homes have Quality of Care graded as good or outstanding.

3.2 In addition to this, the Council's Asset Management Framework identifies additional activities which are property specific including:

- Develop a model for the community management of Council property assets under the Thriving Communities agenda.
- One Public Estate projects.
- Delivery of major regeneration projects including Elvaston Castle.
- Delivery of the schools capital programme.
- Smarter working projects.

4 Approach to Capital Investment

4.1 The Council's Capital Strategy defines and outlines the Council's approach to capital investment and is fundamental to the Council's financial planning processes. It aims to ensure that:

- An affordable and sustainable capital programme is delivered.
- Use of resources and value for money is maximised.
- A clear framework for making capital expenditure decisions is provided.
- A corporate approach to generating capital resources is established.
- Access to sufficient long-term assets to provide services are acquired and retained.
- Invest to save initiatives to make efficiencies within the Council's revenue budget are encouraged.
- An appraisal and prioritisation process for new schemes is robust.
- Capital expenditure contributes to the achievement of the Council's Strategic Plan.

5 Commercial Activity and Investment Property

5.1 The CIPFA Code defines investment property as property held solely to earn rentals or for capital appreciation or both. Returns from property ownership can be both income-driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth). The combination of these is a consideration in assessing the attractiveness of a property for acquisition.

5.2 The Council does not currently borrow to fund these types of activities.

6 Loans

6.1 The Council has discretion to make loans for a number of reasons, primarily for economic development. These loans are treated as capital expenditure.

6.2 In making loans the Council is exposing itself to the risk that the borrower defaults on repayments. The Council, in making these loans, must therefore ensure they are prudent and has fully considered the risk implications, with regard to both the individual loan and that the cumulative exposure of the Council is proportionate and prudent.

6.3 The Council will ensure that a full due diligence exercise is undertaken and adequate security is in place. The business case will balance the benefits and risks. All loans are agreed by Cabinet. All loans are subject to close, regular monitoring.

6.4 For further details, refer to the Investment Strategy above.

7 Governance Arrangements

Capital Programme Approvals

7.1 The Council's constitution and financial regulations govern the capital programme as set out below:

- All capital expenditure must be carried out in accordance with the Financial Regulations and the Council's Constitution.
- The expenditure must comply with the statutory definition of capital purposes as defined within this document and wider financial standards.
- The Capital Programme approved by Full Council as part of the Council's annual budget report sets the capital funding availability for the Council.
- Prioritisation of funding and the schemes receiving entry into the Capital Programme.
- Each scheme must be under the control of a responsible person/ project manager.
- Any agreements (such as section 106) which contractually commit to procure capital schemes will need to follow the same approval process as other capital expenditure before it can be formally be incorporated into the Capital Programme.

Capital Programme Bodies

7.2 The main internal bodies that are responsible for the governance and management of the Capital Programme are the Full Council, Cabinet, Cabinet Member and the Capital Strategy Group.

- **Full Council:**
  Approves the Capital Programme as part of the Annual Budget Report within the strategic boundaries set by the Council.

- **Cabinet/Cabinet Member:**
  Approves additional schemes into the Capital Programme and cost variations to various schemes

  Cabinet also receives the capital monitoring reports.

- **Capital Strategy Group:**
  This is a cross-service group of Officers with a finance, service and property management background.

  It is responsible for ensuring that the Council has a clear and cohesive strategy for managing its physical assets and to oversee the development and delivery of the Council's Capital Programme in support of that strategy.

8 Funding Streams

8.1 The Council's Capital Programme is funded from a mix of sources including:-

- **Prudential Borrowing**
  The introduction of the Prudential Code in 2004 allowed the Council to undertake unsupported borrowing itself. This borrowing is subject to the requirements of the Prudential Code for Capital Expenditure for Local Authorities. The Council must ensure that unsupported borrowing is affordable, prudent and cost effective. This has provided the Council with the flexibility to raise capital funding as demand and business need have dictated. This type of borrowing has revenue implications for the Council in the form of financing costs.

- **External Grants**
  The largest form of capital funding comes through as external grant allocations from Central Government departments, such as the Department for Transport and Department for Education.

- **Section 106 and External Contributions**
  Elements of the Capital Programme are funded by contributions from private sector developers and partners. Growth in Derbyshire has resulted in Section 106 contributions from developers accounting for significant elements of funding of the Capital Programme in recent years.

- **Revenue Funding**
  The Council can use revenue resources to fund capital projects on a direct basis and this funding avenue has been used in the past. However, the impact of austerity on the Council's revenue budget has reduced options in this area and therefore the preference is for Invest to Save options to be adopted where feasible.

- **Capital Receipts**
  The Council is able to generate capital receipts through the sale of surplus assets such as land and buildings. The Council seeks to maximise the level of these resources which will be available to support the Council's plans.

8.2 The size of the Capital Programme will be influenced by funding sources and financing costs. The main limiting factor on the Council's ability to undertake capital investment is whether the revenue resource is available to support in full the implications of capital expenditure, both borrowing costs and running costs, after allowing for any support provided by central government, now mainly through capital grants.

9 Key strategies impacting on the Council's Capital Strategy

9.1 There are three key strategies in place that will significantly influence the Council's Capital Programme over the medium term.

(a) Property Asset Management Framework

9.2 The strategic aim of the Property Asset Management Framework is to ensure that the Council has appropriate, cost effective buildings from which to deliver services.

9.3 The aim of the strategy is to give clarity to the way we manage our assets, including:

- The organisational arrangements for asset management including polices and protocols.
- The corporate processes for decision making in relation to our assets – Corporate Governance.
- The performance measures and monitoring.
- How we manage and maintain our data on land and buildings.

Property Policies and Protocols

9.4 There are a number of policies and protocols that need to be in place to deliver strategic asset management effectively:

- Property Acquisition Protocol.
- Property Disposal Protocol.

- Community Asset Transfer Protocol.
- Lettings Protocol.
- Process for departments to follow when they have a property need.
- Process for departments to follow when they wish to vacate a property.
- Decommissioning Process.
- Property Review Process.

(b) ICT Strategy

9.5 The Council recognises that ICT is a key enabler of service delivery. The strategy outlines how ICT will deliver new technologies to support the ambitions and outcomes of the Council Plan and Derbyshire's approach to becoming an Enterprising Council.

9.6 In order to achieve this, a five-year replacement capital programme will be developed, and initial requirements over this period are likely to be around £10m:

Summary of Strategy Deliverables

- Changing Service Models
- ICT Governance Structure
- Modern Ways of Working
- Digital by Default
- Workforce ICT Competencies
- Corporate and Business systems
- ICT Infrastructure Delivery
- Responsible Data management

(c) Highways Infrastructure Asset Management Strategy

9.7 Highway infrastructure is the largest and most visible asset the Council is responsible for. With a gross replacement cost of £11.0bn, it is fundamental to the delivery of the Council Plan. It includes over 5,000km of road network, as well as supporting public transport through cycle routes, public rights of ways, canals, bus stations and shelters, on-street parking, school buses and vehicle fleet. It reflects the character and quality of the local areas that it serves and makes an important contribution to the wider Council priorities, including regeneration, social inclusion, education, employment, recreation and health. In order to deliver these aims and strengthen local communities, it is crucial that it is maintained to enable safe, reliable and sustainable journeys.

9.8 There are a variety of factors that need to be taken into consideration when determining the Council's expectations for the highway service:

- Meeting national policy, guidance and codes of practice.
- Delivering Council goals – including maintenance policy and Local Transport Plan.
- Supporting Council Vision.
- Complying with legal duties, including Highways Act 1980, Traffic Management Act 2004 and The Equalities Act 2010.
- Enabling effective whole Government accounts and local financial reporting.
- Managing Stakeholder expectations – the Council readily engages with stakeholders through Elected Members, the National Transport and Public Satisfaction Survey, the DCC website, officer workshops and Midland Service Improvement Group (MSIG).
- Understanding future demands of the highway infrastructure assets.
- Making the best of financially constrained budgets.
- Delivering efficiency and value for money.
- Delivering long term improvements to the condition of the network.
- Providing a safe and reliable network.

9.9 The major groups of assets covered by the Strategy are:

- Carriageways
- Footways and Cycleways
- Structures (Bridges/retaining walls)
- Drainage
- Street Lighting
- Electronic Traffic Management
- Street Furniture (Traffic Signs/Vehicle Restraint Systems etc)

9.10 The major source of capital funding for the network is from the Local Transport Plan grant from central government which is approximately £22m per annum.

10 2022-23 Prudential Indicators for Capital Finance

10.1 This section of the Capital Strategy sets out the prudential indicators and outlines how expenditure will be financed by borrowing in an affordable, prudent and sustainable way.

Information and Advice

10.2 The Local Government Act 2003 enables local authorities to determine their programmes for capital investment and associated borrowing requirements, provided they have regard to the Prudential Code for Capital Finance in Local Authorities developed by CIPFA and also take advice from the Section 151 Officer.

10.3 The Executive Summary of the Code states that “The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice.”

10.4 The Code sets out a number of prudential indicators designed to support and record local decision making and it is the duty of the Chief Financial Officer (the Council’s Section 151 Officer) to ensure that this information is available to Members when they take decisions on the Council’s capital expenditure plans and annual budget. Key issues to be considered are:

- Affordability (e.g. implications for Council Tax).
- Prudence and sustainability (e.g. implications for external borrowing and whole life costing).
- Value for money.
- Stewardship of assets (Service objectives (e.g. alignment with the Council’s Strategic Plan).
- Practicality (e.g. whether the capital plans are achievable).

Affordability

10.5 The fundamental objective in the consideration of the affordability of the Council’s capital plans is to ensure that the level of investment in capital assets proposed means that the total capital investment of the Council remains within sustainable limits.

10.6 In considering the affordability of its capital plans, the Council is required to consider all of the resources currently available to it and estimated for the future, together with the totality of its capital plans, income and expenditure forecasts.

10.7 The costs of financing capital expenditure are:

- Interest payable to external lenders less interest earned on investments.
- Amounts set aside for repayments of amounts borrowed (including repayments of amounts relating to PFI schemes and other finance lease liabilities).

Table 1 – Actual and Estimates of financing costs to net revenue stream

10.8 This indicator identifies the trend in the cost of capital against the net revenue stream, based on the Capital Programme.

	2020-21 Actual £m	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m
Financing costs of CFR	44.760	47.100	55.576	65.098	69.670
Net Revenue stream inc DSG	974.037	931.081	933.280	947.128	966.735
Percentage	**4.60%**	**5.06%**	**5.95%**	**6.87%**	**7.21%**
Net Revenue stream excluding DSG	612.373	556.391	558.59	572.438	592.045
Percentage	**7.31%**	**8.47%**	**9.95%**	**11.37%**	**11.77%**

Prudence and Sustainability

10.9 The Prudential Code requires that the Council shall ensure that all of its capital expenditure, investments and borrowing decisions are prudent and sustainable.

10.10 In doing so it will take into account its arrangements for the repayment of debt and consideration of risk and the impact on the Council's overall fiscal sustainability.

10.11 The Council is required to make reasonable estimates of the total capital expenditure that it plans to incur in the forthcoming financial year and at least the following two financial years.

10.12 As part of the Prudential Code arrangements the Council needs to calculate the Capital Financing Requirement (CFR). This figure is simply historic outstanding capital expenditure which has not yet been permanently financed through either capital or revenue resource. It is a measure of the Council's indebtedness and the underlying need to borrow. Any capital expenditure which has not immediately been paid for through revenue or capital expenditure will increase the CFR.

10.13 The Code also states that "In order to ensure that over the medium-term net debt will only be for a capital purpose, the local authority should ensure that net debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years." This is a key indicator of prudence.

Table 2 – Estimates of Capital Expenditure and Capital Financing Requirement

10.14 As such there is a requirement to ensure that net debt (the sum of borrowing and other long-term liabilities, net of investments) in 2022-23 does not, except in the short-term, exceed £699.469m (i.e. the estimated CFR for 2022-23).

	2020-21 Actual £m	**2021-22 Estimate £m**	**2022-23 Estimate £m**	**2023-24 Estimate £m**	**2024-25 Estimate £m**
Capital Expenditure	**91.062**	**163.380**	**231.400**	**127.390**	**105.670**
Funding Sources:					
Borrowing	14.359	92.430	123.610	104.550	92.410
Capital receipts	2.591	9.260	10.040	0.500	1.100
Capital grants	74.112	61.690	102.460	22.330	12.160
Revenue	0.000	0.000	3.000	0.000	0.000
Total CFR at year end	**525.679**	**606.299**	**699.469**	**776.239**	**839.399**
Net movement in CFR	0.510	80.620	93.170	76.770	63.160
Minimum Revenue Provision	13.849	11.810	22.730	27.790	29.250
PFI & Leases in CFR	64.393	59.832	62.845	57.899	52.747
PFI & Leases in MRP	4.326	4.560	4.787	5.046	5.251

External Debt

10.15 The Local Government Act 2003 requires the Council to set two borrowing limits for next year and the following two years with respect to external borrowing.

10.16 Operational Boundary – must be set for both borrowing and long-term liabilities.

10.17 This measure encompasses all borrowing and is used in-year as a tool for monitoring the Council's prudent borrowing requirements. The operational boundary is calculated by taking account of existing borrowing and long-term liabilities, planned new borrowing, net change in long term liabilities and any amounts set aside for repayment of debt.

10.18 Authorised Limit for external debt is a key prudential indicator, it is a control on the maximum level of borrowing; it represents a legal limit beyond which external debt cannot exceed, this limit needs to be set or revised by full Council. It reflects the level of external debt which whilst not desired, is affordable in the short-term but is not sustainable in the longer term

10.19 The Operational Boundary for external debt for the next three years is built up from the existing level of external borrowing, which was £360.899m, and the level of relevant liabilities (including finance lease liabilities), which was £64.548m, on the Balance Sheet at 31 March 2021.

10.20 The Authorised Limit for 2022-23 is to be £769m and the Operational Boundary is to be £734m.

Table 3 – Authorised Limit for External Debt

	2020-21 Actual £m	**2021-22 Estimate £m**	**2022-23 Estimate £m**	**2023-24 Estimate £m**
Authorised limit for external debt	**847**	**707**	**769**	**854**
Operational boundary for external debt	**816**	**675**	**734**	**815**
Borrowing	361	380	357	259
Other debt liabilities	65	60	63	58
Total	**426**	**440**	**420**	**317**

11 Knowledge and Skills

11.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as its Treasury Management Adviser. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

24 JANUARY 2022

Joint Report of the Executive Director for Children's Services and Executive Director of Corporate Services and Transformation

Schools Block Funding Settlement 2022-23 (Education)

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 Yes, this is a key decision that will determine the budgets of schools and academies for all divisions and communities within Derbyshire.

3. Purpose

3.1 Cabinet is asked to consider and approve the basis for calculating mainstream school and academy budgets for 2022-23.

4. Information and Analysis

4.1 Background

On 16th December 2021, the DfE published local authorities' Dedicated Schools Grant (DSG) allocations for 2022-23, the figures for Derbyshire are in Table 1 below.

Table 1 – DSG Block Allocations 2022-23

Block	2022-23	2021-22	Change	Increase
	£m	£m	£m	%
Schools	522.947	504.853	+18.094	+3.58
Schools - Pupil Growth	2.509	2.495	+0.014	+0.94
High Needs	100.295	88.657	+11.638	+13.13
Early Years	41.648	41.790	-0.142	-0.34%
Central School Services	4.591	4.903	-0.312	-6.36%
Total DSG	**671.990**	**642.698**	**+29.292**	**+4.56%**

It should be noted that, following the Chancellor of the Exchequer's Autumn Statement, the settlement also included a Supplementary Grant worth around £15.661m to "provide support for the costs of the Health and Social Care Levy and wider costs." This funding is significant in its scale as it equates to around 3% of the Schools Block and will be available to maintained nursery, primary and secondary schools and academies. The grant is, however, outside of the DSG and the National Funding Formula (NFF), the Education and Skills Funding Agency (ESFA) will instead calculate institution-level pre 16 allocations in Spring 2022 based on the following:

- £97 per KS1/2 pupil;
- £137 per KS3 pupil/£155 per KS4 pupil;
- £3,680 lump sum per school;
- £85/£124 per eligible primary/secondary pupil on the Ever 6 count

The amounts calculated will be paid by the ESFA to academies directly and to local authorities for onward distribution to maintained schools, authorities will not be allowed to vary the amounts calculated by the ESFA for maintained schools. The ESFA intend that the grant will be subsumed into the DSG and mainstream NFF for 2023-24.

The remainder of this report considers the Schools Block of the DSG which funds mainstream maintained and academy schools' formula budgets, the other blocks will be the subject of further reports to Cabinet in the next few weeks.

4.2 Schools Block Settlement 2022-23

The 2022-23 allocation for Derbyshire is set out in Table 2 below.

Table 2- 2022-23 Schools Block allocation

	Primary		Secondary		
	2021-22	2022-23	2021-22	2022-23	
Funding (PUF/SUF) per pupil	£4,605.36	£4,772.87	£5,636.76	£5,822.05	
£ increase in PUF/SUF		+£167.51		£185.29	
% increase in PUF/SUF		**+3.64%**		**+3.29%**	
October 2019 & 2020 NOR	58,791	58,294	39,813	40,449	
S. Block ex premises (£m)	**270.754**	**278.230**	**224.414**	**235,496**	
Premises - PFI	0.000	0.000	2.471	2.503	
Premises - Split site	0.098	0.100	0.135	0.137	
Premises – Rates	3.720	3.582	3.069	2.758	2022-23
Premises - Exceptional site	0.104	0.056	0.088	0.085	Total
Total ex Pupil Growth Fund	**274.676**	**281.968**	**230.177**	**240.979**	**522.947**
Pupil Growth Fund	0.681	0.576	1.814	1.933	2.509
Total Schools Block	**275.357**	**282.544**	**231.991**	**242.912**	**525.456**

The primary and secondary allocations have been derived from the mainstream NFF. Details of the NFF multipliers used in these calculations are provided in Appendix 2. Most of the national multipliers have increased by between 2.5% and 3% compared with 2021-22, the main exception being the sparsity multipliers

– which provide additional resources to schools serving remote communities - which have increased by 22.22% (primary) and 14.29% (secondary) respectively.

4.3 Funding Transfer 2022-23

As with most other LAs, in recent years Derbyshire's overall DSG resources have been under severe pressure due to the impact of increased demands for support for children with SEND. In order to help LAs address their DSG pressures, the DfE allow authorities, with the permission of their Schools Forum, to transfer up to 0.5% of their Schools Block to their High Needs Block.

On 6th September 2021 Derbyshire published a consultation document to all schools and academies seeking support for such a transfer for 2022-23. The results were reported to the School Forum's October 2021 meeting and the Forum agreed to approve the Authority's request. In agreeing to the transfer, the Forum acknowledged that, as a consequence, the local increases in Key Stage 1-4 basic per-pupil and sparsity multipliers would rise by less than the increases nationally. Locally, the Key Stage multipliers would increase by around £19.13 (KS1/2) and £26.98/£30.40 (KS3 &4) less than the national increases. Similarly, the sparsity multipliers would rise by £3,333 locally rather than the £10,000 national increase.

The Authority's consultation also proposed that an application be made to the Secretary of State for permission to reduce the Minimum Per Pupil Level (MPPL) thresholds in 2022-23. The MPPL is designed to ensure that every mainstream school's formula budget, excluding allocations for split sites, rates and Minimum Funding Guarantee (MFG) protection, when expressed as a rate per pupil, is no less than £4,265 (primary) or £5,525 (secondary). The Authority's application to reduce its MPPL thresholds for 2022-23, which was supported locally by the majority of respondents to the consultation and the Schools Forum, was designed to ensure schools funded via this indicator contributed to the 0.5% transfer. If approval were not given, further reductions in the per pupil multipliers would be required to compensate.

4.4 Schools Block Resources and allocations 2022-23

The resources available to fund mainstream school and academy budgets, net of the 0.5% transfer, are set out in Table 3 below.

Table 3 – Resources to support mainstream formula budgets 2022-23

Item	**2022-23**
	£m
Total Schools Block per Table 2	525.456
Less 0.5% transfer	(2.627)
Less Pupil Growth Fund	(2.509)
Revised total	520.320

Applying the adjusted local formula multipliers to the DfE's published school formula data is estimated to cost £522.325m, a shortfall of £2.005m. The calculated cost assumes an MFG of 1.0% per pupil and no cap on individual schools' year on year gains. The MFG mechanism provides a minimum year on year per-pupil increase for each school and the DfE requires LAs to set their own rate within national parameters, +0.5% to 2.0% being the limits for 2022-23. The rate of +1% was proposed in the Authority's consultation with schools and was widely supported by respondents.

The £2.005m shortfall is largely due to increases in deprivation, as measured by the Ever 6 and free school meals indicators. One option to help close the shortfall is to use resources within the Pupil Growth Fund (PGF) element of the Schools Block. In addition to providing general support for mainstream budgets, the purposes of the PGF are to:

(i) support schools with significant in-year increases in pupil numbers;
(ii) help individual schools meet Key Stage 1 class size requirements; and
(iii) provide support to new Free Schools over and above their formula allocations whilst their numbers on roll build up.

PGF allocations are a matter for the Schools Forum rather than the Council. The Schools Forum considered the shortfall at an extraordinary meeting on 12th January 2022 and agreed a £1.000m contribution plus a further £0.221m to fund the increase in free schools' pupil numbers from September 2022.

The above allocations left the remainder of the PGF (£1.288m) available to meet the other responsibilities listed in (i) – (iii) above.

As a result of the School Forum's decisions, the total resources available next year has increased to £521.541m, leaving a residual shortfall of £0.784m.
In order to contain the cost of school budgets within the total resources available, the balance of the shortfall will be met by a 0.211% pro-rata reduction in formula multipliers.

The indicative allocations for 2022-23 are summarised in Appendix 3. However, it should be noted that the basic entitlement multipliers and allocations, together with the MPPL and MFG allocations, may vary should the DfE approve the LA's application for the MPPL thresholds to be reduced.

4.5 Other matters

Schools Forums are permitted to take-back monies delegated through the formula to mainstream schools to fund a range of prescribed functions. Academies' budgets are not subject to de-delegation and therefore remain responsible for meeting their own costs directly.

In June 2021 the Authority consulted maintained schools on which services should be funded via de-delegated resources for 2022-23 and the results were reported to the Schools Forum meetings in October and December 2021. Given the widespread support from schools, the Schools Forum agreed to approve the de-delegation of funds once more for 2022-23, a list of the relevant services is provided in Appendix 4. It should be noted that the list of services now includes cover for the reduction in the School Improvement Monitoring and Brokering Grant (SIMBG) which supports school improvement activities. The DfE confirmed on 11th January 2022 that the grant will reduce by 50% from April 2022 and will cease completely at the end of 2022-23.

The decision to accept responsibility for costs funded from de-delegated and top-sliced resources is a matter for Cabinet and it is recommended that Cabinet agree to the Schools Forum's request for 2022-23.

5. Consultation

5.1 The Authority has previously consulted schools and academies on the distribution of the Schools Block and there has been general support for the Authority's approach of mirroring the NFF in its own local formula, as far as resources permit. With regards to the proposals for 2022-23 in this report, schools, academies and the Schools Forum were consulted on both the proposal to utilise 0.5% of the School Block to help with wider DSG pressures and the detail of how the local formula multipliers would be affected as a consequence.

LA maintained schools were also consulted in the summer of 2021 on the de-delegation of resources for 2022-23, save for the additional charge to cover the loss of SIMBG funding which was announced too late in the budget cycle process. However, Schools Forum has given its approval to all of the de-delegation proposals for 2022-23.

6. Alternative Options Considered

None, the proposals will continue to ensure the LA's formula allocations mirror the NFF as closely as possible within the available resources.

7. Implications

Appendix 1 sets out the relevant implications considered in the preparation of the report.

8. Background Papers

8.1 DfE document: - Schools revenue funding 2022 to 2023 Operational guide December 2021 Publication

8.2 Consultation de-delegation letter to schools 16 June 2021 - ref CA1288

8.3 Derbyshire Consultation: Proposed Changes to School and Academy Funding 2022-23 Funding Consultation Autumn 2021 published 6th September 2021.

8.4 DfE Consultation: Reforming how local authorities' school improvement functions are funded

8.5 Schools Funding settlement announcement 16th December 2021

9. Appendices

9.1 Appendix 1 - Implications.
9.2 Appendix 2 - National Funding Formula multipliers 2022-23
9.3 Appendix 3 - Analysis of mainstream formula budgets 2022-23 by indicator
9.4 Appendix 4 - List of proposed de-delegated and top-slice funded services 2022-23

10. Recommendation(s)

That Cabinet:

a) Notes the overall DSG settlement for 2022-23 and the Supplementary Grant for schools;
b) Notes the Schools Block allocation for 2022-23;
c) Notes the National Funding Formula multipliers set out in Appendix 2;
d) Approves the local mainstream formula multipliers set out in Appendix 3 as the basis for calculating Derbyshire school and academy budgets;
e) Approves a Minimum Funding Guarantee of 1% per pupil for 2022-23;
f) Approves that no cap on individual school gains will be applied in 2022-23;
g) Approves the request from the Schools Forum to de-delegate/top-slice funds from LA maintained primary and secondary schools' 2022-23 budgets for the services listed in Appendix 4;
h) Approves that any matters of detail regarding the calculation of school budgets be delegated to the Executive Director for Children's Services in consultation with the Cabinet Member for Education; and
i) Agrees to receive further reports on the other DSG blocks at future meetings.

11. Reasons for Recommendation(s)

11.1 To ensure the Authority meets its statutory obligations in determining mainstream school and academy budgets for 2022-23.

12. Is it necessary to waive the call in period?

12.1 No.

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Appendix 1

Implications

Financial

1.1 The Authority's current and projected accumulated DSG deficit mean that the costs of school and academy formula budgets must be contained within the quantum set by the DfE. The report's proposals achieve this.

1.2 The formula proposals have to be submitted to the Education and Skills Funding Agency (ESFA) on or before 21st January 2022 for approval and to ensure compliance with the Regulations and associated guidance.

Legal

2.1 The proposed allocations are in line with DfE Guidance as set out in Schools operational guide: 2022 to 2023 - GOV.UK (www.gov.uk)

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 The proposals will support the Council's objective to work creatively together to inspire and empower children, young people and their families and communities to be the best they can be: safe, healthy, happy, learning and working.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

National Funding Formula Multipliers 2022-23 **Appendix 2**

	2022-23 Multiplier	2021-22 Multiplier	Increase	Increase
Primary	£	£	£	%
Basic Entitlement per pupil: KS 1 & 2	3,217.00	3,123.00	94.00	3.01%
Deprivation: Current Free School	470.00	460.00	10.00	2.17%
Deprivation: Ever 6 Free School Meals	590.00	575.00	15.00	2.61%
Deprivation: IDACI F	220.00	215.00	5.00	2.33%
Deprivation: IDACI E	270.00	260.00	10.00	3.85%
Deprivation: IDACI D	420.00	410.00	10.00	2.44%
Deprivation: IDACI C	460.00	445.00	15.00	3.37%
Deprivation: IDACI B	490.00	475.00	15.00	3.16%
Deprivation: IDACI A	640.00	620.00	20.00	3.23%
Low Prior Attainment	1,130.00	1,095.00	35.00	3.20%
English as an Additional Language (EAL)	565.00	550.00	15.00	2.73%
Mobility	925.00	900.00	25.00	2.78%
Lump Sum	121,300.00	117,800.00	3,500.00	2.97%
Sparsity	55,000.00	45,000.00	10,000.00	22.22%
Minimum Per Pupil Level	4,265.00	4,180.00	85.00	2.03%
	2022-23 Multiplier	2021-22 Multiplier	Increase	Increase
Secondary	£	£	£	%
Basic Entitlement per pupil: Key Stage 3	4,536.00	4,404.00	132.00	3.00%
Basic Entitlement per pupil: Key Stage 4	5,112.00	4,963.00	149.00	3.00%
Deprivation: Current Free School Meals	470.00	460.00	10.00	2.17%
Deprivation: Ever 6 Free School Meals	865.00	840.00	25.00	2.98%
Deprivation: IDACI F	320.00	310.00	10.00	3.23%
Deprivation: IDACI E	425.00	415.00	10.00	2.41%
Deprivation: IDACI D	595.00	580.00	15.00	2.59%
Deprivation: IDACI C	650.00	630.00	20.00	3.17%
Deprivation: IDACI B	700.00	680.00	20.00	2.94%
Deprivation: IDACI A	890.00	865.00	25.00	2.89%
Low Prior Attainment	1,710.00	1,660.00	50.00	3.01%
English as an Additional Language (EAL)	1,530.00	1,485.00	45.00	3.03%
Mobility	1,330.00	1,290.00	40.00	3.10%
Lump Sum	121,300.00	117,800.00	3,500.00	2.97%
Sparsity	80,000.00	70,000.00	10,000.00	14.29%
Minimum Per Pupil Level	5,525.00	5,415.00	110.00	2.03%

Analysis of mainstream formula budgets 2022-23 by indicator

Appendix 3

	Primary				**Secondary**		
	2022-23	2022-23	2022-23		2022-23	2022-23	2022-23
Indicator	Count	Multiplier	Budget		Count	Multiplier	Budget
		£	£			£	£
Per Pupil – Key Stage 1 & 2 see note 1	58,353.17	3,184.88	185,847,833		-	-	-
Per Pupil – Key Stage 3 see note 1	-	-	-		24,925.00	4,489.28	111,895,304
Per Pupil – Key Stage 4 see note 1	-	-	-		15,528.00	5,060.65	78,581,773
Current FSM	15,456.00	469.01	7,249,017		9,047.00	469.01	4,243,133
Ever 6FSM	16,347.16	588.75	9,624,388		10,695.00	863.17	9,231,603
IDACI F	4,925.57	219.54	1,081,360		3,338.07	319.32	1,065,914
IDACI E	6,860.11	269.43	1,848,319		4,472.13	424.10	1,896,631
IDACI D	2,618.22	419.11	1,097,322		1,773.17	593.74	1,052,804
IDACI C	3,114.60	459.03	1,429,695		2,097.00	648.63	1,360,175
IDACI B	3,084.03	488.97	1,507,996		2,019.42	698.52	1,410,607
IDACI A	799.72	638.65	510,738		508.59	888.12	451,691
Low Prior Attainment	16,450.18	1,127.62	18,549,552		9,158.07	1,706.39	15,627,235
English as an Additional Language	1,043.36	563.81	588,256		151.32	1,526.77	231,027
Mobility	197.17	923.05	181,994		0.26	1,327.19	345
Lump Sum	354.00	121,044.00	42,849,576		45.00	121,044.00	5,446,980
Sparsity see note 2	47.04	48,231.32	2,268,754		0.29	73,178.56	20,978
Split site: <500m	4.00	2,838.86	11,355		-	-	-
Split site: >500m	2.00	45,044.21	90,088		1.00	139,836.93	139,837
Private Finance Initiative	-	-	-				2,581,185
Rates			3,582,247				2,758,212
Exceptional Circumstances			45,760				92,503
Minimum Per Pupil Level			2,648,577				2,105,585
Minimum Funding Guarantee see note 3			334,168				0
Total Formula Budgets			**281,346,999**				**240,193,522**
TOTAL BOTH SECTORS							**521,540,521**

Note 1 – The basic entitlement multipliers are below the national rates in Appendix 2 as they have been reduced in line with the LA's consultation to help fund the 0.5% funding transfer. The Key Stage per-pupil rates have been reduced by a further £6.25 (KS1/2) and £10.25 (KS3/4) on the assumption that the LA's application to reduce the MPPL threshold will be rejected. These reductions would be cancelled if approval is given.

Note 2 – The local sparsity multipliers have been increased by £3,333 rather than the £10,00 national increase, the saving has contributed towards the 0.5% funding transfer

Note 3 – the Minimum Funding Guarantee has been set at 1% per pupil in accordance with the LA's consultation.

List of proposed de-delegated and top-sliced funded services 2022-23 **Appendix 4**

Item	**Purpose**
School Contingency Fund	Supports schools in financial difficulty and/or where a school incurs exceptional unforeseen costs which are unreasonable for a governing body to meet
Insurance	Cover includes all risks and contents as well as personal accident and travel cover
Staff Costs: Maternity	Funds the cover costs for staff on maternity, paternity or adoption leave
Staff Costs: Public Duties	Funds the cover costs for staff on jury service.
Staff Costs: Trade Unions	Funds the cover costs for staff undertaking union duties
School Improvement	Funds a range of school improvement services which typically includes: leadership forums, single named contact for advice & guidance, signposting & support and a core package of 3 days of school improvement activity plus governor support package
School Improvement – former SIMBG funded services	Replacement funding to cover the 50% reduction in the national School Improvement Monitoring & Brokering Grant (SIMBG) from April 2022
Redundancy (top-sliced)	To meet the agreed redundancy costs of school staff
Frmr ESG (top-sliced)	Funds a range of HR, Finance, pensions, ICT and asset management functions previously funded via the Education Services Grant (General Duties)