

# Public Document Pack



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PUBLIC

To: Members of Council

Tuesday, 28 January 2020

Dear Councillor,

Please attend a meeting of the **Council** to be held at **2.00 pm** on **Wednesday, 5 February 2020** in Council Chamber, County Hall, Matlock, DE4 3AG, the agenda for which is set out below.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'S Hobbs', written over a light blue horizontal line.

**Simon Hobbs**  
**Director of Legal and Democratic Services**

## **A G E N D A**

### **PART I - NON-EXEMPT ITEMS**

1. Apologies for absence  
To receive apologies for absence (if any)
2. Declarations of interest  
To receive declarations of interest (if any)
3. Chairman's announcements

4. Minutes (Pages 1 - 12)

To confirm the minutes of the meeting of the Council held on 8 January 2020

5. Report of the Leader of the Council

To consider the report of the Council Leader and Members' questions on the report

6. Public questions

To consider public questions (if any)

7. Petitions

To receive petitions (if any)

8. To receive questions from Elected Members

To consider reports on the following:

9 (a) Budget Monitoring 2019-20 (as at 31 October 2019) - Director of Finance & ICT (Pages 13 - 32)

9 (b) Budget Consultation Results - Director of Finance & ICT (Pages 33 - 62)

9 (c) Revenue Budget Report 2020-21 - Director of Finance & ICT (Pages 63 - 144)

9 (d) Capital Programme Approvals, Treasury Management and Capital Strategy - Director of Finance & ICT (Pages 145 - 194)

9 (e) Pay Policy Statement 2020 - Executive Director Commissioning, Communities and Policy (Pages 195 - 204)

9 (f) Changes to Committee Membership - Executive Director Commissioning, Communities and Policy (Pages 205 - 206)

**PART II - EXEMPT ITEMS**

10. Declarations for Interest

To receive declarations for interest (if any)

11. Exempt Minutes (Pages 207 - 208)

To confirm the exempt minutes of the meeting of the Council held on 8

January 2020

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PUBLIC

Agenda Item 4

**MINUTES** of the meeting of the **DERBYSHIRE COUNTY COUNCIL**  
held on 8 January 2020 at County Hall, Matlock

**PRESENT**

Councillor T Ainsworth (In the Chair)

Councillors D Allen, R Ashton, K S Athwal, J Atkin, N Atkin, Mrs E Atkins, S A Bambrick, N Barker, B Bingham, Ms S L Blank, J Boulton, S Brittain, S Bull, Mrs S Burfoot, K Buttery, Mrs D W E Charles, Mrs L M Chilton, J A Coyle, A Dale, Mrs C Dale, J E Dixon, R Flatley, M Ford, Mrs A Foster, J A Frudd, K Gillott, A Griffiths, Mrs L Grooby, Mrs C A Hart, G Hickton, R Iliffe, Mrs J M Innes, T A Kemp, T King, B Lewis, W Major, S Marshall-Clarke, D McGregor, R Mihaly, C R Moesby, P Murray, G Musson, R A Parkinson, Mrs J E Patten, J Perkins, Mrs I Ratcliffe, B Ridgway, C Short, P J Smith, S A Spencer, A Stevenson, S Swann, D H Taylor, , Ms A Western, G Wharmby, Mrs J Wharmby and B Wright.

**01/20      APOLOGIES FOR ABSENCE** Apologies for absence were submitted on behalf of Councillors Mrs H Elliott, P Makin, and Mrs J A Twigg.

**02/20      DECLARATIONS OF INTEREST**      There      were      no  
declarations of interest.

**03/20      CHAIRMAN'S ANNOUNCEMENTS**      The      following  
announcements were made:-

- (a) The Chairman reported the deaths of Councillor Alison Fox and former Councillors Ian Wiley and John Williams, All Members were invited to pay tribute.

Councillor Fox was the County Councillor for the Whaley Bridge Division from 2017 onwards.

Councillor Wiley was the Member for the Alfreton Division between 1985 and 1993.

Councillor Williams was the Member for the Chesterfield North Division between 1981 and 1985 and the Staveley Division from 1993 to 2017. He was Leader of the Council between 2001 and 2009. In 2018, John was made an Honorary Alderman of the County Council.

The Chairman reported the death of Annie Hall, the former High Sherriff of Derbyshire. Annie was High Sherriff between 2017 and 2018. The Council's condolences will be passed to her family. Elected Members were invited to pay tribute.

All Members were invited to observe a two Minute's silence.

- (b) The Chair congratulated Simon Hobbs on his recent appointment as Director of Legal Services.
- (c) Attendees were informed that on the benches there were laminated instructions on how to use the voting system. After successfully voting, two of the three voting icons at the bottom of the screen would be "greyed out". To further assist, during the voting process, the names of the Members who had voted would appear on the large screens. If any further assistance was required, Members were to attract the attention of a member of the Democratic Services Team.
- (d) It was proposed that public questions be brought forward ahead of Councillor questions to assist with one of the public questioners arrangements.

**04/20      MINUTES OF THE COUNCIL MEETING**      On the motion of Councillor B Lewis, duly seconded,

**RESOLVED** that the minutes of the meeting of the Council held on 09 October 2019 be confirmed as a correct record.

**05/20      REPORT OF THE LEADER**      Since the last meeting, the United Kingdom had been informed of the result of the general election which saw a Conservative Government elected for a full five year term of office.

The result of the general election had repercussions for Derbyshire as a local authority. The Direction of Travel had been positive with announcements for new money such as for the Troubled Family Scheme. Additional support for Adult Care. Continuation grants that were due to discontinue would all have a positive impact on our budget for the next year. We would need to ensure that we continued to have a constructive dialogue with Government via our MPs etc to ensure that we had the resources we needed to address these issues.

There was now a withdrawal agreement in place and the United Kingdom would leave the European Union on the 31 January and would get on with negotiating an ambitious trade deal by the 31 December.

Since this was not a 'no deal' scenario that the country was facing we could be reassured that the exit process would be more orderly. However, work and planning must continue as a local authority to address that issue.

Heavy rain in November had resulted in severe flooding across Derbyshire over a number of days. Rivers such as the Derwent and Trent reached record levels. A major incident had been declared and the Multi-Agency Team dealt with a minute by minute immediate threat to life and property. Flooding occurred at over 200 locations across the county and had affected over 100 businesses and 300 homes, and that did not include agricultural businesses.

A financial support package had been re-established and put in place following the Whaley Bridge incident to help residents and businesses. At the beginning of January, the Government had announced a package of support to help farmers deal with uninsured losses.

It was estimated it would cost Derbyshire around £20m to rectify the damage that had been caused by the floods in November, this was more than the annual capital grant from Government to maintain the whole 3,500 miles of the highways' network.

Since publishing the climate change manifesto last year Derbyshire County Council had been extremely proactive in this space. Two work areas were being looked at: firstly, how our own emissions as an organisation were tackled and, secondly, how we helped residents and businesses working with other agencies and authorities to tackle carbon reduction.

The Council was committed to reducing it's own emissions to zero by 2032 and the county economy by 2050. This matter was being taken extremely seriously and as much work as could be was being done to mitigate some of the impacts that Derbyshire could have as a local authority as well as working with businesses and residents throughout Derbyshire.

## **06/20      COUNCILLOR QUESTIONS**

### **(a)      Question from Councillor M Wall to Councillor J Wharmby, Cabinet Member for Adult Care**

According to the Alzheimers Society, there are currently 850000 people with dementia in the UK, expected to rise to 1.6 million by 2040. How many dementia sufferers do we have in Derbyshire, what are the forecasted figures for the next 5 years, what are the expected funding

needs for these vulnerable people and how well placed are we as a County to meet our statutory obligations to provide support to them?

Councillor Wharmby responded as follows:

The answer to your question is that by 2021 there are estimated to be 16,105 people living with dementia in Derbyshire and this is expected to increase to 17,889 by 2026. We have an ageing population in Derbyshire which will result in the number of people aged 65 and over by 58.5% by 2039.

You asked me if we are well placed to meet our responsibilities to people with dementia. Well indeed we are well placed as a county but to meet our statutory obligations to provide support to them, because I think you will be conscious of the report to Cabinet on the 21 November 2019, Cabinet approved the implementation of the Derbyshire Dementia Well Pathway Strategic Vision 2020-25.

The Council and Strategic Partnerships have developed and agreed this Strategic Vision to clarify our share of priorities going forward and the Five Year Joint Implementation Plan outlines key activities and projects which need to take place.

The following supplementary question was asked:

It is interesting that of 16,100 people that is up 800 since the Cabinet report in November. What I would like to know is what levels of residential support are expected to be available within the county over the next five years and how do we ensure that people who need residential care are cared for within easy reach of the relatives that are there to support them?

Councillor Wharmby responded to the supplementary question as follows:

You are quoting there are 800 more since the report. Yes, there are. The needs are going to be there whatever and wherever we need to meet those needs we will do. Again with the residential needs wherever we need to meet the needs we will work with what we have with the officers and I am sure we will provide the best care we possibly can for the people of Derbyshire.

**(b) Question from Councillor S Marshall-Clarke to Councillor S Spencer, Cabinet Member for Highways, Transport and Infrastructure**



An Alfreton rail user has alerted me to a consultation being carried out by East Midlands Rail on the redesign of its franchise. Their intention is to withdraw all of its services on the Erewash Valley Line. Does the Deputy Leader agree with me that the Government lead franchising system puts profit before people and will he, on behalf of this Council, write to the Transport Minister and ask the Minister to intervene to stop this much needed and well used service from being removed.

Councillor Spencer responded as follows:

I am glad you have raised this issue today. I am fully aware that the consultation has started on proposals from East Midlands Trains and as the Cabinet Member of the administration that actually built a new railway station in Ilkeston, *and* got the funding to do so, I think we have demonstrated our commitment to rail provision in our county. I will make a commitment to you today that will continue. Promoting the use of public transport and rail transport is imperative if we are to tackle the issues of climate change. That is why we have to look seriously at the options available to us.

I am aware of the services that are going to be removed. I think it is one going south, which is a direct service into London, and two going north to Liverpool which are also direct services are proposed to be removed from that schedule. I undoubtedly share your concerns. Representations have already been made by officers with regard to those particular services. We will continue to work on preparing a full detailed representation to the consultation moving forward.

Long-term - it is really unfortunate because your question is good but you have gone in there and said it is franchising, the Government has it wrong. We aren't going to change that here. I do believe some of the franchising arrangements in this country are shabby. They are appalling. They are badly delivered and they need to be looked at very closely.

The Williams' report which is now in the process of being developed is looking at how we can improve those services. I think we on all sides of this Chamber have a responsibility to highlight the deficiencies in service and do our best to promote improvement. This Authority will be doing exactly that.

The following supplementary question was asked:

I read our Authority's response to this consultation and I am hoping it is a draft because it fails to mention the amount of houses that have been built along the eastern side. One of the reasons those

houses were built was the fantastic infrastructure we have on the eastern side of the county and now it looks like it is going to be decimated.

Many students use this railway line to get to Chesterfield, Sheffield and Nottingham. How are they going to get there? That is a concern.

Now I will get to my question, don't worry about it. Can the Deputy Leader explain why elected members whose communities will be affected if these services are removed have not been made aware of this consultation by the Authority?

Councillor Spencer responded to the supplementary question as follows:

Well it is news to me the Authority's response because as far as I am aware we have made initial representations on the proposals to remove three services to-date and I give you an assurance today, Steve, that there will be a detailed representation made to the consultation process formally which I will go through personally myself before it is sent back to the Department.

With regard to why members have not been made aware, it is very very recent that this consultation has started and it hasn't even got to the stage where we are actually making representations formally as yet, so I am sure that members in this Council Chamber, as I said earlier on today, I welcome you raising the issue because everybody is very fully aware of it now and I look forward to your views being put forward which I can then add to the full consultation response.

**(c) Question from Councillor I Ratcliffe to Councillor S Spencer, Cabinet Member for Highways, Transport and Infrastructure**

It is becoming clear that "Ash Die Back" is here in Derbyshire and will require increasing resources to manage. What reassurance can you give to the Residents and Business in my Division and across Derbyshire that are already affected by lack of Tree Management along highways?

Councillor Spencer responded as follows:

Ash dieback is a serious serious issue for this county, as it will be for many shire counties across the country. National estimates predict that 90% of ash trees in our country are going to be affected by this dreadful disease. Undoubtedly here in Derbyshire we are going to feel

the impact significantly in our beautiful rural areas let alone the urban areas that we represent also.

The Council has already put together an officer working group. We have been working on our approach to this particular issue and in due course an officer will be appointed to start the work needed to carry out on the areas that we have responsibility for. Those areas will be public rights of way; school yards; highways; other areas of woodland, parks etc. This Authority will be doing a full survey of the condition of those trees and coming forward with a strategy on how we deal with the issues of ash dieback and the consequences of it.

We need to put in place a funding package to deal with this. It is very difficult to accurately estimate the cost at this moment in time but we are estimating expenditure on this particular programme over the next five years of approximately £1m. That officer will obviously be put in place as soon as possible. Mr Ashworth and his team have been working on this already. It will be of major concern particularly to the National Peak Park and the limestone dale area. Those areas in particular will suffer, as we remember many years ago with the dreadful disease that have attacked many of our trees already. We need to have a proactive approach to this. That is exactly what this Authority will do.

Finally, Councillor Ratcliffe, if there are any particular issues that your residents or your businesses are having I would welcome hearing what they are so that I can put in place mitigation.

The following supplementary question was asked:

Councillor Spencer has pre-empted my supplementary question because that is exactly what I want to hear. I do that in the sense that the Via Gellia, the A5012 is one such road. I ask on behalf of businesses, hauliers, residents, visitors, fellow councillors, will you look at the resources and issue in order to reduce the time it takes to address fallen or overhanging trees that are at risk and they are addressed in a timely manner in this location. This is in order to regain the confidence that my Division needs in terms of highway management of the trees on this site. Thank you, Chair. I am happy to meet with Councillor Spencer.

Councillor Spencer responded to the supplementary question as follows:

The road in question (which runs into my Division as well I might add, Councillor Ratcliffe) will be receiving considerable attention over the coming months as we have received a Government grant for road safety measures on that particular stretch of road to the tune of £8m.

Further up the county they are going to get a proportion of that funding also.

I can tell by the tenor of the presentation that you feel it could be improved upon. I think it is going to be an opportunity when we are carrying out these road safety measure improvements on that particular stretch of road to look at the issues of overhanging trees, gullies, water surface fall-off etc because that will all be part of the same road safety measures and it won't be purely about the average speed cameras that have been proposed on that particular area, which were part of the original paper, Councillor Smith, if you had read it and had been at the Cabinet meeting in November. We have been highly successful in getting that funding and I hope in the coming months you will see major improvements in the way in which those trees are managed adjacent to the roads and also the drainage covers etc on that particular stretch of road. We all know it is a major artery for the heavy goods vehicles that travel across our county. If they don't go through Cromford they usually come from Ashbourne so we are both fully aware of the implementation and the improvements required on that particular stretch of road.

**(d) Question from Councillor P Smith to Councillor S Spencer, Cabinet Member for Highways, Transport and Infrastructure**

What response has DCC taken in the light that several Councils following the World Health Organisation findings that Glyphosate carries a higher health risk than previously assumed: and its effect has recently been upgraded to "probably carcinogenic to humans"?

Councillor Spencer responded as follows:

Yes, this has been highlighted. It has been highlighted for many years by the EU, by the World Health Organisation, by a massive raft of scientific bodies who have a slightly different take on the carcinogenic effects to humans. There is no scientific evidence base for the question that you have portrayed today. There is an argument going on and it has been going on for many years what the effects may possibly be or may not possibly be.

The Authority obviously has very stringent processes in which we use Roundup because that is what it is. Roundup has to be used by registered personnel. It has to be documented properly. We have to keep proper accounts and we keep the use to a minimum as we would do with any particular chemicals for managing the highways or countryside parks and that goes without saying, that is a responsible and appropriate way to go forward.

With regard to the question you asked the Council, like I say, has very stringent laid down procedures for the use of Roundup and will continue to apply those procedures. I personally think there are circumstances where we have very little choice but to use Roundup, particularly with Japanese knotweed because the only chemical that is known to have an effect on killing it is Roundup. We are left with very little option but to use it for the purposes of killing off that very progressive and dreadful knotweed effect.

I take note of your question. I am sure the Strategic Director takes note of your question and we will continue to work within our health and safety policies to protect our staff and make sure appropriate and proper records are kept.

The following supplementary question was asked:

There are obviously quite a number of Councils who are concerned about using this product because they have put massive restrictions on its usage. One in particular on the list that is in front of me is a neighbouring Authority, Erewash, so there are Authorities out there who are putting measures in place to use different products. There is an alternative to glyphosate and that is a product called Foamstream. While you are noting this question could you please look into the possibilities of the alternatives that are available out there and see how feasible they are? I do appreciate there are certain weeds that cause continuing problems, and knotweed is one of them, but most of the knotweed I encounter and come across is not necessarily in the highway footprint it is in a landmass footprint, woodlands etc. It is an issue. It needs careful consideration and it needs an assessment of what is out there and available now and as we go forward I think it would be sensible of us to have a conversation with some of these other Authorities to see how the alternative provision in the product they are using is doing the job that this current glyphosate does.

Councillor Spencer responded to the supplementary question as follows:

I have no problem whatsoever in looking at alternative methods of carrying out processes in this Authority if they are more effective, they are more cost effective, they are more beneficial, they are more environmentally friendly. I am sure the Strategic Director is taking a note of what has been said and I have no problem in making sure we are working in the best and most appropriate fashion.

**07/20      PUBLIC QUESTIONS**

**(a) Question from Sharon Davis to Councillor A Dale, Cabinet Member for Young People**

So now we have established the purpose of an EHCP, could I now ask why are DCC SEND team still using vague and woolly wording such as 'would benefit from' 'opportunities for' and access to 'and failing to quantify and specify as per the SEND Code of Practice.'

Councillor A Dale responded as follows:

As you know myself and senior officers met with you and a group of other parents yesterday to discuss various issues of concern, including this one in some detail. You will know from our meeting that as a Council we are very much aware that some parents have raised concerns and questions with regard to the quality of our Education, Health and Care Plans. We have acknowledged on several occasions that we want to continue to improve the processes in place for our production and review of the EHCPs and this, as you know, is a challenge given the severe pressures on the Service and an issue that we have in common with many other local authority areas and it will therefore take some time to make the improvements that we know need to be made, but I want to assure you once again that we are absolutely committed to working diligently to improve the quality of our SEND services and particularly the quality of our Education, Health and Care Plans.

As you know we have in place a new Assistant Director with responsibility for this Service and also a new Service Director with responsibility for Schools and Learning who started on the 1 January. They have a very clear understanding of what needs to change and good ideas about how to achieve this.

As you know also from our meeting yesterday the quality of our EHCPs is already identified as an area for targeted improvement and work has begun to investigate what training will be needed in order to achieve this and the most appropriate framework for ongoing and regular quality assurances moving forward.

I hope the Department's collective commitment to improve its SEND services came across during our meeting yesterday and that we can continue to engage constructively with you and your colleagues to ensure that we move in the right direction.

The following supplementary question was asked:

So if those phrases such as “would benefit from”, “opportunities for” and “access to” would be found in your remuneration package would you be happy?

Councillor A Dale responded to the supplementary question as follows:

As you know we discussed the issue of those phrases and the issue of specificity and quantities yesterday in great detail. A range of commitments that we have made to improve our processes working with you and other parents to try and get the best out of our SEND services and as you know we are continuing to commit to making those improvements and I hope you will work with us moving forward to do that.

**08/20        PETITIONS** There were none received.

**09/20        PROGRESS ON THE REVIEW OF SEND DISCRETIONARY CONTINGENCY FUND FOR MAINSTREAM SCHOOLS AND ACADEMIES**

At the July 2019 meeting of the Council an amended Motion was unanimously agreed which sought to ensure that every Derbyshire SEND (Special Educational Needs & Disability) pupil got the education they were entitled to by:

- Continuing to pressure the government for more funding to be invested in education, especially SEND; and
- Urgently reviewing the discretionary contingency fund, in consultation with the Schools Forum, so that those schools which felt penalised because they had more SEND Children could be given more financial support; and
- To bring a report outlining progress on reviewing the discretionary contingency fund and with the government to a future Full Council meeting within the next six months.

Following the announcement in the Spending Round that the funding for schools and high needs would, compared to 2019-20, rise by £2.6 billion for 2020-21, £4.8 billion for 2021-22, and £7.1 billion for 2022-23, the final settlement for 2020-21 for each local authority was published on 19<sup>th</sup> December 2019.

The settlement provided an additional £9.8m (14.0%) increase in funding in the High Needs block for Derbyshire in 2020-21, in addition to an increase of £27.95m (6.3%) for the Schools Block. While Derbyshire’s allocations for the years 2021-22 and 2022-23 would not be published until nearer the time, it was anticipated that they would rise in line with the national increases already announced.

The Schools Forum met in October 2019 and was presented with analysis of the percentage incidence of pupils with additional needs within schools where this exceeded 3% of all pupils on roll and options for distribution of a contingency. Schools Forum were invited to comment on the issue to inform further work. At the time this meeting took place, the final allocation to Derbyshire for the High Needs Block for 2020-21 had not been announced and therefore Schools Forum were not in a position to provide firm views as the financial position for 2020-21 was a critical unknown factor.

The next Schools Forum meeting was scheduled for 20 January 2020 and a paper had been prepared to invite Schools Forum to consider this issue again and make a recommendation to Council.

On the motion of Councillor B Lewis, duly seconded,

**RESOLVED** to note the progress made to date and to receive a further report in due course, once consultations with the School Forum have been completed.

**10/20      EXCLUSION OF THE PUBLIC    RESOLVED** to exclude the public from the meeting during the consideration of the remaining item on the agenda to avoid the disclosure of exempt or confidential information.

#### **SUMMARY OF PROCEEDINGS CONDUCTED AFTER THE PUBLIC WERE EXCLUDED FROM THE MEETING**

1. Corporate Property 2020 – Application for Voluntary Severance



**Agenda Item 9(a)**

**DERBYSHIRE COUNTY COUNCIL**

**COUNCIL**

**5 February 2020**

**Report of the Director of Finance & ICT**

**BUDGET MONITORING 2019-20 (as at 31 October 2019)**

**1 Purpose of the Report**

To provide Council with the Revenue Budget position for 2019-20 as at 31 October 2019.

**2 Information and Analysis**

The report summarises the controllable budget position by Cabinet Member Portfolio as at 31 October 2019. A further report has been considered at Audit Committee in accordance with the Budget Monitoring Policy and Financial Regulations.

The projected outturn compared to controllable budget is summarised below. This includes the use of one-off funding to support the Highways, Transport and Infrastructure and Young People portfolios. It also allows for the transfer of £5.000m additional Business Rates Relief Grant into an Earmarked Reserve as approved at the Cabinet Meeting of 21 November 2019.

	<b>Budget</b>	<b>Forecast Actuals</b>	<b>Projected Outturn</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Adult Care	249.954	248.287	(1.667)
Corporate Services	47.755	45.544	(2.211)
Economic Development and Regeneration	0.701	0.616	(0.085)
Health and Communities (exc. Public Health)	1.848	1.730	(0.118)
Highways, Transport and Infrastructure	79.843	79.058	(0.785)
Strategic Leadership, Culture and Tourism	12.825	12.569	(0.256)
Young People	110.503	116.208	5.705
<b>Total Portfolio Outturn</b>	<b>503.429</b>	<b>504.012</b>	<b>0.583</b>
Interest and Dividend Income			(0.597)
Debt Charges			(0.621)
Risk Management			(4.535)
Levies and Precepts			0.000
Corporate Adjustments			0.680
<b>Total</b>			<b>(4.490)</b>

A summary of the individual portfolio positions is detailed below.

## **Adult Care**

There is a projected year-end underspend of £1.667m. The main variances are:

Purchased Services, £4.768m overspend – relates to an increase in the cost of complex care packages and a reduction in Continuing Health Care funding.

Unallocated Budgets, £2.145m underspend – relates to budgets awaiting allocation during the year.

Health Funding, £1.807m underspend – relates to Winter Pressures grant funding which has now been allocated and had not been budgeted for originally.

Commissioning and Service Delivery, £0.959m underspend – due to vacancy control and new posts in the Management Team and Transformation Service being filled later than originally budgeted.

Assistive Technology and Equipment, £0.702m underspend – more targeted issuing has ensured that only the most appropriate equipment is supplied, saving on the procurement of less suitable equipment.

Due to the high projected underspend on the portfolio and the estimated increase in Better Care Fund grant income in addition to this, £5.000m of base budget has been transferred from Adult Care to the Risk Management budget.

The budget savings target for 2019-20 is £5.732m. Of this target, £6.083m is expected to be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the main growth items:

- Adult Social Care Precept and Improved Better Care Fund - £12.439m, to cover the additional cost of independent sector fees, the pay award relating to staff working in Adult Care and to address the equitable allocation of budgets across the eight districts.
- Transformational Care Programme - £0.456m, to move 24 clients from long stay hospitals to social care provision in line with the independent living agenda.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

## **Corporate Services**

There is a projected year-end underspend of £2.211m. The main variances are:

Human Resources, £0.618m underspend – due to vacancy control. Departmental Human Resource functions are currently being centralised. Holding vacancies will assist in managing a planned restructure of the function as a whole which is expected to deliver significant savings in 2020-21 and 2021-22.

Finance and ICT, £0.525m underspend - due to vacancy control. This will assist in managing a planned restructure aiming to deliver significant savings over the three years from 2020-21.

Strategic Management, £0.345m underspend - relates to savings arising from previous restructures of senior management.

A budget savings target for 2019-20 of £1.367m has been allocated. Of this target, £1.229m of savings initiatives have been identified, all of which are expected to be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the main growth items:

- Legal Services - £0.300m (one-off), to support the high levels of demand for the service
- ICT Strategy - £0.200m, to ensure that ICT is aligned with the needs of the business and delivery of the Enterprising Council programme.
- Enterprising Council - £0.150m (one-off), to support transformational change.
- Learning Management System - £0.083m (one-off), to manage the replacement of the Council's Learning Management system.
- HR SAP Development - £0.045m (one-off), to support the HR SAP Development team to generate financial savings.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

## **Economic Development and Regeneration**

There is a projected year-end underspend of £0.085m. The main variances are:

Economic Development, £0.126m underspend – Part of the budget for the Enhanced Enterprise and Investment Service is set aside to lever in external funding. Suitable projects which deliver sufficient value for money have not yet been identified and recruitment to posts within the service is not yet complete, so this budget is not currently forecast to be spent.

Employment and skills, £0.075m overspend – relates to salary overspend, resulting from a budget deficit when the Head of Employment and Skills post was established.

No budget savings target has been allocated to this portfolio for 2019-20.

No additional funding has been provided to this portfolio in the 2019-20 budget.

It is possible that demand from businesses for additional relief and support with trading arrangements will increase as a result of the process of the United Kingdom's departure from the European Union. It has not been possible to quantify the scale of the resources required to provide this support or the potential impact on the portfolio's outturn position.

### **Health and Communities**

The Health and Communities portfolio includes the Public Health budget of £39.477m, which is fully funded by the ring-fenced Public Health Grant for 2019-20. The forecast year-end position for the portfolio is an underspend of £0.056m. However, excluding Public Health, the portfolio is forecast to underspend by £0.118m. The main variances are:

Trading Standards, £0.173m underspend – progress towards future planned savings for the period to 2022 and one-off funding yet to be committed to support older people in respect of scams and doorstep crime.

A budget savings target of £0.157m has been allocated for 2019-20. A total of £0.206m of savings initiatives have been identified, of which it is anticipated that £0.206m will be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the following growth items:

- Coroners - £0.270m, to establish new posts and increase daily fees to Assistant Coroners.
- Trading Standards (Older People Support) - £0.048m (one-off), to provide a programme to increase awareness and reduce instances of fraudulent activity against older people.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

### **Highways, Transport and Infrastructure**

The Highways, Transport and Infrastructure portfolio is forecast to overspend by £1.215m, against a total budget of £77.843m. However, after the allocation of £2.000m of one-off funding from the Budget Management Earmarked Reserve, the portfolio is projected to underspend by £0.785m. Funding has been set aside in the Budget Management Earmarked Reserve for the

purpose of meeting the shortfall in the Economy, Transport and Environment department's identified savings target. The intention is to allocate £2.000m of savings to Highways Maintenance in a future financial year, but the 2019-20 Highways budget remains the same as last financial year because of the use of this funding from reserves. Use of the reserve for this purpose was approved in the Revenue Budget reported to Council on 6 February 2019.

Before the allocation of the reserve funding detailed above, the main variances are:

Unallocated Budget Savings, £5.250m overspend – savings targets not yet allocated to specific services.

Planning and Development, £1.778m underspend – mainly due to additional inspection fee income, paid to the Council by building developers, under Section 38 and 278 of the Highways Act (1980). The high levels of fee income reflect the present state of the local economy and the large number of developments currently underway.

Winter Maintenance, £1.777m overspend – of the £1.473m budget for the winter service, £1.189m had already been spent by the end of October 2019. Further expenditure of £2.061m is forecast for the remainder of the year. The Winter Service budget does not provide for more than a mild winter, so the Council is reliant on using contingency reserves for additional costs incurred as a result of a moderate or severe winter.

Highways Maintenance, £1.869m underspend – due to staff costs being allocated to capital budgets rather than revenue. The underspend is also due to vacancies; however, these will reduce as the new Highways staff structure is filled.

Waste Management, £1.647m underspend – lower than expected waste tonnages and savings under the service continuity arrangements.

Costs of £0.567m were incurred in response to the Toddbrook Reservoir incident at Whaley Bridge, predominantly by the Highways Maintenance service. The Highways and Maintenance service costs of £0.547m have been funded from the General Reserve. Use of the General Reserve for this purpose has been reflected in the forecasts above.

The budget savings target for 2019-20 is £2.609m, with a further £3.321m target brought forward from previous years. Of this total target of £5.930m, £0.680m is expected to be achieved by the end of the financial year, with the expected base budget overspend being met from one-off funding, as explained above. Therefore there is currently a £5.250m forecast shortfall in achievement of budget savings, however the multi-year savings programme to 2023-24 does allow for some slippage to be covered by prior years' underspends, still delivering the savings target in total.

Additional funding has been provided in the 2019-20 budget for the main growth items:

- Waste Management - £1.500m, to cover the increased cost of delivering the waste treatment and disposal contracts across Derbyshire and increased cost of recycling credits.
- Highways Maintenance - £1.000m (one-off), to provide a co-ordinated programme of maintenance improvements.
- Public Transport - £0.500m, to maintain reasonable levels of public transport accessibility across Derbyshire.
- Water Body £0.100m (one-off), to enable the Council to meet its obligations to manage its water bodies under new regulations
- HS2 Co-ordination Officer £0.064m (one-off), to support representation of the Council's interests as the HS2 route is developed.
- Street Lighting Energy - £0.048m (one-off), to meet inflationary increases to the cost of street lighting energy.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

Any additional costs incurred from the identified risks will be met from the Budget Management earmarked reserve, the Economy, Transport and Environment Prior Year underspends earmarked reserve and the Winter Maintenance earmarked reserve, therefore none of these issues are expected to impact on the overall budget position for 2019-20.

### **Strategic Leadership, Culture and Tourism**

A year-end underspend of £0.256m is projected. The main variances are:

Policy and Research, £0.176m underspend – due to vacancy control and reduced running costs.

Call Derbyshire, £0.134m underspend – due to vacancy control and staff turnover.

Heritage, £0.063m overspend – the Environmental Studies Service has been allocated a savings target which has yet to be achieved.

Tourism and Twinning, £0.057m underspend – reduced expenditure on tourism related activities.

The budget savings target for 2019-20 is £0.515m, with a further £0.159m target brought forward from previous years. All of this total target of £0.674m is expected to be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the following items:

- Community Managed Libraries - £0.742m (one-off), to fund the commitment to introduce community managed libraries.
- Thriving Communities - £0.368m, to focus on radically reshaping demand, unlocking community potential and creating an alliance for work and skills.
- Enterprising Council - £0.094m, to support transformational change.

There are no significant risks expected to impact on the portfolio's outturn position.

## **Young People**

The Young People portfolio is forecast to overspend by £7.087m, against a total budget of £109.121m. However, after the allocation of £1.382m of one-off funding from the Budget Management Earmarked Reserve, the portfolio is projected to overspend by £5.705m. Funding has been set aside in the Budget Management Earmarked Reserve for the purpose of meeting the shortfall in the Children's Services department's identified savings target. The intention is to allocate £1.382m of savings to Children's Services budgets in a future financial year, but the 2019-20 budgets have not been reduced by this amount because of the use of this funding from reserves. Use of the reserve for this purpose was approved in the revenue budget reported to Council on 6 February 2019.

However, it should be noted that the eventual overspend could be as high as £8.500m depending on the continued trend in the rate of placements for children in care.

The forecast outturn position includes £6.756m of Dedicated Schools Grant income, as a contribution to the cost of supporting Early Help services and children with additional needs. Income from this source is not guaranteed to continue at the same level in future years.

Before the allocation of the reserve funding detailed above, the main variances are:

Placements for Children in Care, £5.060m overspend – placement numbers have continued to rise steadily over the last six months. There are currently more placements required than can be funded from the allocated budget. The forecast overspend has increased since August due to new placements.

Unallocated Budget, £2.946m underspend – this represents budget released as a result of changes to the Early Help offer. It is being held to cover an anticipated £1.767m of grant income which the government has signalled will be withdrawn in 2020-21. In the interim it will help offset some of the portfolio's underspend against its current budget.

Home to School Transport, £1.316m overspend – an increase in the number of journeys provided to children with Special Educational Needs (SEN) and an increase in the cost of those journeys, driven by economic factors and the need to provide more specialised vehicles.

Children's Safeguarding Services, £1.027m overspend – reliance on more expensive agency social workers to meet an increasing caseload. The number of children with child protection plans is impacting on that team's staff costs. Also, payments to support families without recourse to public funds, short term support associated with Universal Credit and the cost of accommodating children whilst court proceedings are concluded has increased the pressure on budgets to support children and families in need.

Education Support Services, £0.883m overspend – an increase in the number of children with SEN driving demand for the Psychology and the Planning and Assessment teams. Also, a growing number of children who are electively home educated is increasing the cost to the Council undertaking its statutory duties in respect of these children.

Support to Children with Disabilities, £0.832m overspend – increasing demand for support and complexity of some individuals' needs.

Early Help and Preventative Services, £0.769m overspend – a shortfall in contributions from schools towards the Early Help offer.

Pensions Payable to Former Staff, £0.206m overspend – enhanced pension obligations payable to staff who left during the early 1990s.

A savings target of £3.013m has been allocated for 2019-20. Savings initiatives totalling £3.013m have been identified, of which £2.323m are expected to be achieved by the end of the financial year.

Additional funding has been provided in the 2019-20 budget for the main growth items:

- Placement Demand Pressures - £3.000m plus one-off funding of £5.000m, to support the increase in the demand for placements and the increasing complexity of children and young peoples' needs.
- Social Worker Recruitment - £1.300m plus one-off funding of £2.600m, as part of a four year recruitment plan to increase the number of social workers to ensure caseloads are at a healthy working level consistent with good practice.
- Home to School Transport (SEN) - £1.450m, to support the increased cost of transporting children and young people to school, pupil referral units or alternative provision when they have been excluded from mainstream schools.
- Increase in Special Guardianship Placements - £1.097m, to ensure the budget is sufficient to meet the current level of costs payable to those who have parental responsibility under a special guardianship order.



- Children in Care Legal Proceedings - £1.050m (one-off), reflecting the greater number of court proceedings and the increased use of external legal firms to present cases.
- Children's Homes - £0.450m, to provide additional staffing required to meet the needs of children and young people placed in homes.
- Care Leavers - £0.402m (one-off), to meet the cost of additional statutory duties towards care leavers.
- SEND Assessment and Planning - £0.275m, to provide additional staffing.
- Mobile Working - £0.260m (one-off), to develop solutions to enable more flexible working with the aim of achieving cost benefits and improvements to the timeliness of information.
- Complex Case Pooled Budget - £0.250m (one-off), contingency for the Council's contribution to the pooled budget reflecting the increasing levels of expenditure in recent years.
- Child Protection - £0.105m (one-off), to fund the cost of staff needed to respond to an increased number of children on protection plans. Staff will be reduced if the number of children on plans reduces.
- Children's Participation - £0.080m (one-off), to fund a delay to a planned budget reduction to the support provided to children and young people to participate in decision making. The service is seeking to identify alternative savings options.
- Foster Carers - £0.060m, to cover the inflationary increase to foster carer allowances from April 2019.

The main risks which could impact on the portfolio's outturn position are contained in Appendix Two.

### **Dedicated Schools Grant**

The Dedicated Schools Grant (DSG) is a ring-fenced grant comprising four individual blocks: Schools Block, High Needs Block (HNB), Early Years Block and Central Block. Allocations of the blocks are governed by the Schools and Early Years Finance Regulations. Any underspend or overspend on the grant is carried forward to future years within the accumulated balance of the DSG Earmarked Reserve.

After utilising available balances from the DSG reserve, it is anticipated that 2019-20 HNB expenditure will exceed the allocated grant income by £2.739m. This has increased since the last forecast because of the number of increasingly complex placements with independent and non-maintained providers. It is anticipated that surpluses in other blocks will offset the HNB deficit, bringing the overall balance on the DSG reserve to carry forward to 2020-21 to nil. However, there are commitments to be paid out to new schools over the next five years from these other blocks. Therefore, it is important that the HNB deficit is recovered before these commitments fall due. These deficits accumulate in the DSG reserve.

On 4 September 2019, in the Spending Review 2019, the Government announced an additional £700m of High Needs Funding for special educational needs. The Department for Education intends to distribute this between authorities based on the HNB within the DSG over the coming three years. It is anticipated that this additional funding will enable balanced spending plans to be set in the financial years to 2022-23, including recovery of the 2019-20 HNB deficit. Any remaining overall deficit on the DSG reserve would have to be funded by earmarking that amount from the General Reserve.

## Summary

A Council portfolio overspend of £0.583m is forecast, after the use of £3.382m of Earmarked Reserves to support the Highways, Transport and Infrastructure and Young People portfolios. Whilst fluctuations in the forecast positions of the various portfolios are likely before the end of the year, the overall portfolio expenditure position is still expected to be satisfactory. Any underspends in 2019-20 will be used to manage the budget in 2020-21.

Interest and Dividends received on balances is estimated to underspend by £0.597m, assuming that returns on the Council's investments in pooled funds remain robust and that these investments are held for all of the financial year. The interest base rate is currently 0.75%, however, the Council utilises a range of investments to maximise its income.

The Debt Charges budget is projected to underspend by £0.621m. This is based on forecast interest payments, anticipated Capital Financing Requirement (CFR), a Minimum Revenue Provision (MRP) of 2.5% in keeping with the policy reported to Cabinet on 22 November 2016 and a £4.500m one-off reduction in the Council's Capital Adjustment Account Reserve. This reduction is made on the basis that the amounts set aside to repay debt over the last ten years are well in excess of what is required to ensure the Council can repay its debts.

The Risk Management Budget is forecast to underspend by £4.535m. This includes a virement of £5.000m of budget from the Adult Care portfolio. In 2019-20 a contingency amount of £1.000m was budgeted for burdens associated with complying with the new General Data Protection Regulations (GDPR). Use of this contingency amount is controlled by the Deputy Director of Legal Services. To date, £0.316m of this funding has been awarded to departments. Further awards in the remainder of the financial year are anticipated and additional costs required to comply with GDPR are anticipated to be incurred in 2020-21, therefore it is proposed to establish an earmarked reserve for £0.684m to carry forward any residual balance of this funding.

Corporate Adjustments are forecast to overspend by £0.680m. This is based on a prudent allowance for potential credit losses on the Council's non-rated investments.

Details of the Council's Earmarked Reserves balances as at 31 October 2019 are set out in Appendix One. In addition to these balances, £5.000m of additional Business Rates Relief grant funding received will be transferred to a newly established Business Rates Relief Earmarked Reserve and £1.015m will be released from Earmarked Reserves to the General Reserve as approved by Cabinet on 21 November 2019.

A summary of the expected achievement of budget savings targets is provided at Appendix Three. The budget savings target for 2019-20 is £13.393m, with a further £3.480m target brought forward from previous years. The savings initiatives identified to meet this target currently fall short by £5.362m, therefore further proposals will need to be brought forward to ensure the Council continues to balance its budget. Of this total target of £16.873m, £11.145m is expected to be achieved by the end of the financial year. Therefore, there is a £5.728m forecast shortfall in achievement of budget savings. The resulting base budget overspend is offset to some extent by one-off underspends or is being met from one-off funding from earmarked reserves.

The age profile of debts owed to the Council and the value of debts written off is disclosed in Appendix Four. This information is collected on a departmental rather than a portfolio basis.

A forecast of the Council's General Reserve balance for the period 2019-20 to 2023-24 is detailed in Appendix Five. The forecast shows that the level of General Reserve is expected to be between 3% to 10% of the Council's Net Budget Requirement in the medium term. The majority of chief financial officers consider 3% to 5% of a council's net spending to be a prudent level of risk based reserves.

### **3 Financial Considerations**

As set out above.

### **4 Other Considerations**

In preparing this report the relevance of the following factors has been considered: legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, transport and social value considerations.

### **5 Background Papers**

Papers held in Technical Section, Finance & ICT, Room 137, County Hall.

### **6 Officer's Recommendation**

That Council:

- 6.1 Notes the 2019-20 budget monitoring position as at 31 October 2019.
- 6.2 Notes the establishment of a GDPR Compliance Earmarked Reserve and a contribution of £0.684m from the Contingency budget into this reserve.

PETER HANDFORD

Director of Finance & ICT

**Earmarked Reserves as at 31 October 2019**

<b>Adult Care</b>	<b>£m</b>
Older People's Housing Strategy	30.000
Other reserves	0.033
<b>Total Adult Care</b>	<b>30.033</b>
 <b>Corporate Services</b>	
Loan Modification Gains	28.440
Insurance and Risk Management	20.069
Budget Management	19.626
Revenue Contributions to Capital	16.591
Planned Building Maintenance	5.932
Business Rates Strategic Investment Fund	4.889
Business Rates Pool	4.716
Prior Year Underspends	3.879
Computer Purchasing	3.615
Uninsured Financial Loss	3.500
Property Insurance Maintenance Pool	2.837
Property DLO	2.503
Change Management	2.311
PFI Reserves	1.981
Community Priorities Programme	1.025
Other reserves	4.047
<b>Total Corporate Services</b>	<b>125.961</b>
 <b>Economic Development and Regeneration</b>	
D2 Growth Fund	0.200
Markham Environment Centre	0.114
Skills Training	0.101
Other reserves	0.391
<b>Total Economic Development and Regeneration</b>	<b>0.806</b>
 <b>Health and Communities</b>	
Domestic Abuse	2.060
S256/External Funding	0.254
Other reserves	0.349
<b>Total Health and Communities</b>	<b>2.663</b>
 <b>Highways, Transport and Infrastructure</b>	
Prior Year Underspends	10.713
Winter Maintenance	2.000
Road Safety Public Service Agreement (PSA)	1.182
Waste Recycling Initiatives	0.598

**APPENDIX 1****Public**

IT Reserve	0.559
Derby and Derbyshire Road Safety Partnership Reserve	0.500
Other reserves	1.254
<b>Total Highways, Transport and Infrastructure</b>	<b>16.806</b>

**Strategic Leadership, Culture and Tourism**

Policy and Research	1.044
Community Managed Libraries	0.742
Derbyshire Challenge Fund	0.466
Library Restructure	0.429
Derwent Valley Mills World Heritage Site	0.193
Other reserves	0.590
<b>Total Strategic Leadership, Culture and Tourism</b>	<b>3.464</b>

**Young People**

Tackling Troubled Families	4.083
Standards Fund (Schools)	1.170
Childrens Services IT Systems	0.746
School Rates Refunds	0.721
Youth Activity Grants	0.330
Foster Carer Adaptations	0.326
Other reserves	0.578
<b>Total Young People</b>	<b>7.954</b>

**Total Portfolio Earmarked Reserves****187.687****Schools**

Schools Balances	25.776
Dedicated Schools Grant (DSG)	3.561

**Total balances held for and on behalf of schools****29.337****Public Health Grant****7.601**

Service	Risk	Sensitivity* £m	Likelihood (1 = Low, 5 = High)
*Sensitivity represents the potential negative impact on the outturn position should the event occur.			
<b>Debt Charges</b>			
Interest Payments	<p>If the Council needed to take out extra borrowing to fund additional capital expenditure, such as that associated with the purchase of the Waste Treatment Plant at Sinfin, this would impact on its annual interest payments.</p> <p>For example, an additional £30.000m of borrowing, from the Public Works Loans Board, repayable on maturity in 40 years, would cost an additional £0.951m each year at the current rate of 3.17%. If this borrowing were taken out in January 2019, the 3 month impact on the budget would be £0.238m.</p>	0.238	3
Minimum Revenue Provision	<p>An additional £30.000m of borrowing, from the Public Works Loans Board, repayable on maturity in 40 years would require an additional £0.750m to be provided each year for repayment of the debt.</p> <p>If this borrowing were taken out in January 2019, the 3 month impact on the budget would be £0.188m.</p>	0.188	3
<b>Adult Care</b>			
None	No single risks over £0.500m	-	-
<b>Corporate Services</b>			
County Property	Loss of key personnel due to uncertainty over a review planned to be implemented from January 2020. Potential net loss of income.	0.200	3

Service	Risk	Sensitivity* £m	Likelihood (1 = Low, 5 = High)
<b>Health and Communities</b>			
Coroners	National shortage of Pathologists may impact by increasing fees	0.090	5
<b>Highways, Transport and Infrastructure</b>			
Highways and Countryside	Failure of assets such as roads, pavements, bridges, retaining walls, street lighting columns, safety fencing, gullies, countryside assets, canals, reservoirs.	1.500	4
Winter Maintenance	Impact of a severe winter.	1.500	4
Street Lighting Energy and Maintenance	Further energy price increases, or further slippage in implementation of the LED programme.	0.300	2
Flooding and/or extreme weather	Emergency response procedures are in place to minimise the impacts of these emergencies. However there is the potential subsequent costs of remedial activities.	1.000	3
Waste Management	Costs associated with resolving the future of the Waste Treatment Plant at Sinfin, including the possibility that some of these costs may not be considered capital in nature.	3.000	5
<b>Young People</b>			
Placements	Increased number of children requiring placements.	1.500	4
Social Care services	Increase in number of referrals meeting social care thresholds.	0.200	4
	Inability to recruit and retain sufficiently experienced social workers.	1.000	5
Department wide	Data security breaches resulting in fines.	0.500	3
Multi-Agency Teams	Not meeting targets for Troubled Families data collection resulting in loss of income	0.300	3



## APPENDIX 3

## Budget Savings Monitoring 2019-20

Portfolio	Budget Savings Targets			Savings Initiatives Identified			Target not Identified	Actual Savings Forecast	Savings Shortfall
	Not yet achieved Brought Forward			Still to be Achieved			(Shortfall)/ Additional Identified Savings	Forecast to be achieved by Financial Year End	Actual (Shortfall)/ Additional Achievement of Savings Target
	Prior Year £m	Current Year £m	Total Target £m	Prior Year £m	Current Year £m	Total Identified £m	£m	£m	£m
AC	0.000	5.732	<b>5.732</b>	0.000	5.732	<b>5.732</b>	0.000	6.083	0.351
CS	0.000	1.367	<b>1.367</b>	0.000	1.229	<b>1.229</b>	(0.138)	1.179	(0.188)
EDR	0.000	0.000	<b>0.000</b>	0.000	0.000	<b>0.000</b>	0.000	0.000	0.000
HC	0.000	0.157	<b>0.157</b>	0.000	0.206	<b>0.206</b>	0.049	0.206	0.049
HTI	3.321	2.609	<b>5.930</b>	0.000	0.680	<b>0.680</b>	(5.250)	0.680	(5.250)
SLCT	0.159	0.515	<b>0.674</b>	0.159	0.542	<b>0.701</b>	0.027	0.674	0.000
YP	0.000	3.013	<b>3.013</b>	0.000	3.013	<b>3.013</b>	0.000	2.323	(0.690)
Total	3.480	13.393	<b>16.873</b>	0.159	11.402	<b>11.561</b>	(5.312)	11.145	(5.728)

AC = Adult Care ; CS = Corporate Services ; EDR = Economic Development and Regeneration ; HC = Health and Communities; HTI = Highways, Transport and Infrastructure ; SLCT = Strategic Leadership, Culture and Tourism ; YP = Young People

**Age profile of debt, relating to income receivable, at 31 October 2019**

<b>0 - 30 Days £m</b>	<b>31 - 365 Days £m</b>	<b>1 - 2 Years £m</b>	<b>2 - 3 Years £m</b>	<b>3 - 4 Years £m</b>	<b>Over 4 Years £m</b>	<b>Total £m</b>
<b>Adult Care</b>						
1.561	6.132	1.111	0.849	0.303	0.611	<b>10.567</b>
14.8%	58.0%	10.5%	8.0%	2.9%	5.8%	<b>100.0%</b>
<b>Children's Services</b>						
1.036	0.832	0.053	0.059	0.008	0.018	<b>2.006</b>
51.6%	41.5%	2.6%	2.9%	0.4%	0.9%	<b>100.0%</b>
<b>Economy, Transport and Environment</b>						
1.521	3.795	0.447	0.045	0.017	0.013	<b>5.838</b>
26.1%	65.0%	7.7%	0.8%	0.3%	0.2%	<b>100.0%</b>
<b>Commissioning, Communities and Policy</b>						
5.492	1.876	0.273	0.089	0.024	0.175	<b>7.929</b>
69.3%	23.7%	3.4%	1.1%	0.3%	2.2%	<b>100.0%</b>
<b>All Departments</b>						
9.610	12.635	1.884	1.042	0.352	0.817	<b>26.340</b>
36.5%	48.0%	7.2%	4.0%	1.3%	3.1%	<b>100.0%</b>

**The value of debt written off in the 12 months up to 31 October 2019**

<b>Department</b>	<b>£m</b>
Adult Care	0.764
Children's Services	0.031
Economy, Transport and Environment	0.014
Commissioning, Communities and Policy	0.057
<b>All Departments</b>	<b>0.866</b>

## APPENDIX 5

## General Reserves Forecast

	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m
<b>Opening Balance</b>	<b>64.570</b>	<b>42.686</b>	<b>26.880</b>	<b>22.144</b>	<b>15.494</b>
Forecast Contributions	12.610	2.500	2.500	2.500	2.500
Forecast Use	(34.494)	(18.306)	(7.236)	(9.150)	(4.150)
<b>Forecast Closing Balance</b>	<b>42.686</b>	<b>26.880</b>	<b>22.144</b>	<b>15.494</b>	<b>13.844</b>
<b>Net Budget Requirement (NBR)</b>	<b>521.292</b>	<b>560.211</b>	<b>553.604</b>	<b>566.550</b>	<b>581.160</b>
<i>As Forecast in the Five Year Financial Plan in the Revenue Budget Report 23 January 2020</i>					
<b>General Reserve Balance as % of NBR</b>	<b>8.19%</b>	<b>4.80%</b>	<b>4.00%</b>	<b>2.73%</b>	<b>2.38%</b>

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**Agenda Item 9(b)**

**DERBYSHIRE COUNTY COUNCIL**

**COUNCIL**

**5 February 2020**

**Report of the Director of Finance & ICT**

**BUDGET CONSULTATION RESULTS**

**1 Purpose of the Report**

To enable Council to consider the outcome of the Council's budget consultation exercises in formulating its budgetary proposals regarding the Revenue Budget for 2020-21.

This report should be read alongside the following reports to this Council Meeting: the Budget Monitoring 2019-20 (as at 31 October 2019) Report; the Revenue Budget Report 2020-21 and the Capital Programme Approvals, Treasury Management and Capital Strategies for 2020-21.

**2 Information and Analysis**

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 2020-21 the Council devised a "Your Council, Your Voice 2019" survey. The online survey, which was developed using the findings from a number of focus groups held across the county at the end of September and early October 2019, combined both budget and residents' consultations and ran for just over six weeks, from 18 October 2019 to 1 December 2019. The headline findings from the survey are being used to refresh the Council Plan for 2020-21 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. An infographic summarising key outcomes and demographic information from the budget consultation focus groups has been produced and is included at Appendix One.

Participation in the survey has been encouraged using various means, including social media and a Facebook campaign, features on the Council's website and articles in Derbyshire Now and the Our Derbyshire employee newsletter. The social media advertising used to publicise the survey reached 330,812 people, which is 41% of the Derbyshire population. In addition, over 7,200 residents who had previously agreed to take part in further consultation with the Council were e-mailed the survey directly. However, the number of

residents completing the survey has reduced. A total of 3,763 Derbyshire residents completed the 2020-21 survey. Last year, the Council attracted 6,718 responses to its 2019-20 budget consultation. The 2020-21 survey was designed to be more in depth and combined both budget and residents' consultations, to provide even more useful information than previous surveys. The survey therefore took longer to complete than in previous years and it is believed that this is the reason for the reduced number of responses.

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. Only one paper questionnaire was returned. All the other responses were completed online.

The average age of respondents was 53 years, with the age of respondents ranging from 14 to 101 years old. Responses from the over 65 group have increased by six percentage points compared to the 2019-20 consultation response. Of those responding 42% were male and 58% were female.

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 sample, as 16% of all respondents live in Derbyshire Dales. High Peak residents are also over-represented (3% higher), whilst those in Erewash and South Derbyshire are under-represented, with figures being 5% and 4% lower respectively.

A total of 15% of respondents identified themselves as having a disability, compared to 13% for the 2019-20 consultation. This compares to 20% of the population identified in the 2011 Census who said their day to day activities were limited. The Census also showed that 96% of Derbyshire's population classed themselves as White British whilst 97% of the survey respondents described their ethnic group as White.

Further demographic analysis is attached for consideration at Appendix Three.

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, three required respondents to select their answers from options given in the consultation and three allowed

respondents to comment freely. Fewer responses were received where respondents were asked to comment freely.

An infographic showing headline results in respect of the budget consultation has been produced and is attached at Appendix Four. In summary, the following views were expressed:

- From a choice of 25 Council services, respondents thought that the top three priorities, with the most popular listed first, should be: highways services and maintenance (selected by 42% of respondents as being in their top three priority services), waste and recycling centres (25%) and support for older adults (21%). 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 support for vulnerable children and families (3%), then day care or residential care for older adults (3%).
- The top Council service priority selected by both males and females is highways service and maintenance, although 53% of males, compared to 33% of females, chose this service priority. A similar proportion of males and females selected waste and recycling centres as the second most popular service priority for both genders. The third most popular service priority for females is support for older adults but for males it is transport planning.
- Most people (1,719 respondents) did not give a reason for choosing their top Council service priorities. An additional 49 people referred to services that were provided by district/borough councils, or other organisations, such as the police or the National Health Service (NHS). An additional 205 people thought that the 25 services were all important to everyday life, or said it was difficult to choose.
- The most common themes for why respondents have chosen their top service priorities are road and public transport issues (636 comments); protecting and assisting vulnerable members of society, either old or young (620 comments), relevance to them or their family (435 comments) and environmental, waste concerns or climate change (409 comments).
- From the same choice of 25 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 38% of respondents as being in their bottom three priority services), followed by grants and aid to voluntary groups (30%), then libraries (21%). These “bottom priority” services were not 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 (2%), followed by trading standards (2%), then adult community education (3%).

- The bottom two Council service priorities above were selected most by both males and females. However, the third most selected bottom Council service priority is school admissions for females and libraries for males.
- Most people (2,052 respondents) did not give a reason for choosing their bottom Council service priorities. An additional 22 people referred to services that were provided by district/borough councils, or other organisations, such as the police or the NHS.
- The most common themes for why respondents have chosen their bottom service priorities are that other budget priorities are more important, they have no relevance to them or their family (385 comments) and the service is either already, or should or could be, provided or supported, by others (335 comments).
- Respondents identified the most important of nine options the Council could use to save money or raise additional revenue as working with other councils to deliver shared services, followed by putting more services on line, then using other ways of delivering services such as through local trusts, or other “not for profit” partnerships. Males and females agreed on the most important option but differed in their other selections.
- The least important of the nine options to save money or raise additional revenue, as ranked by both male and female respondents, is increasing Council Tax, followed by increasing charges for services supplied to the public, then maintaining services but doing them less frequently or reducing the level of service.
- Most people (2,965 respondents) did not make any suggestions on alternative ways for saving money or raising additional revenue. An additional 128 people referred to services that were provided by district/borough councils, or other organisations, such as the police or the National Health Service. A further 89 comments duplicated the nine options that respondents had been asked to rank in the previous question.
- The most common themes for saving money or raising additional revenue are around staffing, such as reducing numbers, pay, sick leave and pensions and increasing productivity (165 comments); increasing funding in various ways such as lobbying Government, by levying local income tax, increasing Council Tax or through lottery funding (67 comments) and increasing efficiency and reducing bureaucracy (56 comments).

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

## **Other Consultation**

A budget consultation session was held at the Black Minority Ethnic Forum on 12 November 2019. Grants for organisations came through strongly as a budget priority of the Forum. The Forum’s priorities for reducing spending and increasing income were increasing charges and working with other councils, more not for profit partnership working, bringing more services online and making efficiency savings.



The Council's Constitution provides that the Improvement and Scrutiny Committee should also be notified of the budget proposals. The Director of Finance & ICT presented details of the Five Year Financial Plan to the Committee in September 2019. The proposals were discussed and there was a clearer understanding of the financial context in which the Council would be operating over the next few years.

The Director of Finance & ICT met with the Trade Unions on two occasions, the main areas of discussion were around the levels of earmarked reserves, the availability of capital resources, the proposals to close care homes and the impact of the National Living Wage.

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 5 February 2020.

### **3 Financial Considerations**

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

### **4 Legal Considerations**

Members are invited to have regard to the advice contained in the Revenue Budget Report 2020-21.

### **5 Equality and Diversity Considerations**

Members are invited to have regard to the advice contained in the Revenue Budget Report 2020-21.

### **6 Other Considerations**

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, human resources, environmental, health, property, transport and social value considerations.

### **7 Background Papers**

Papers held in Technical Section, Room 137, County Hall.

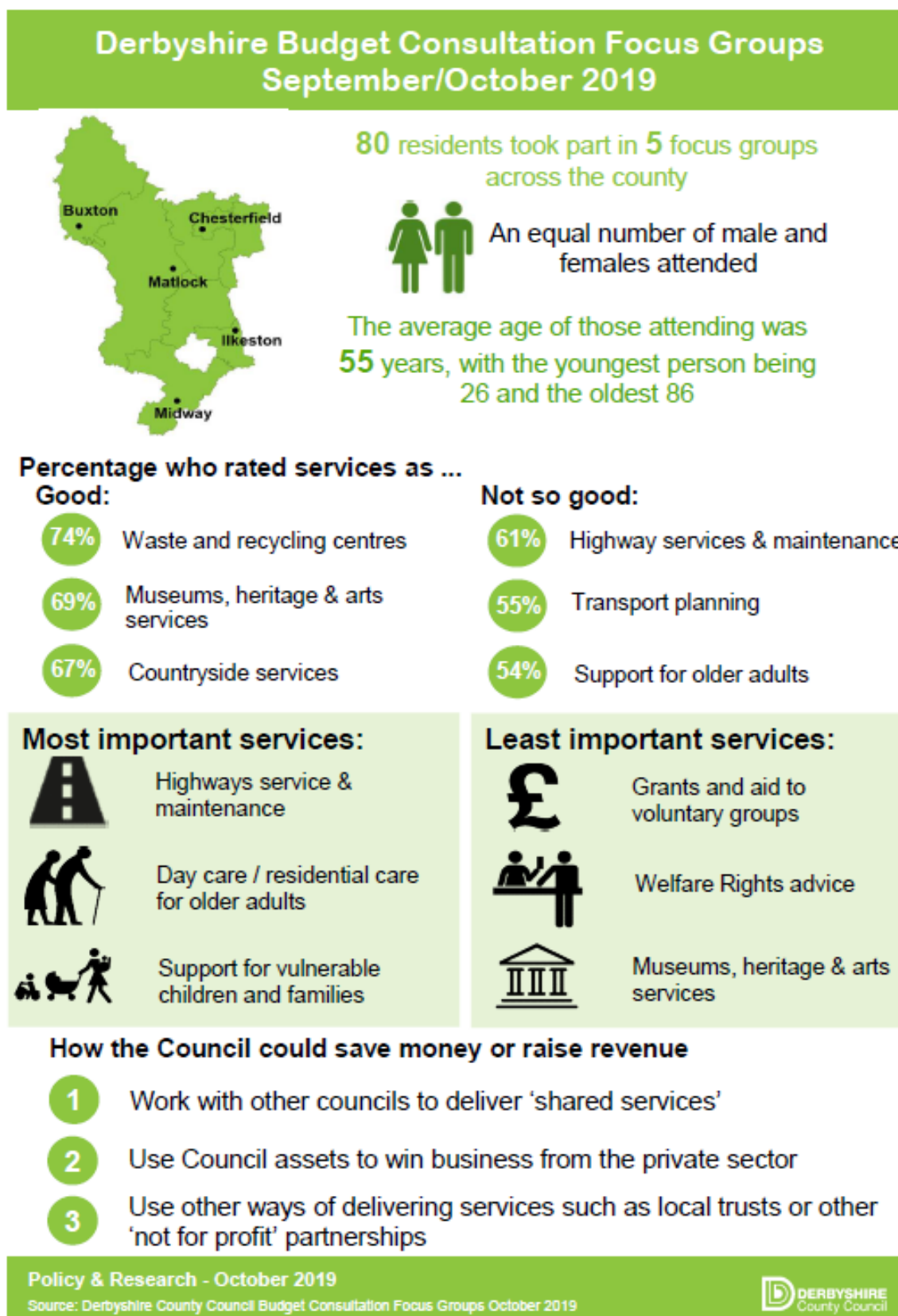
## **8 Officer's Recommendation**

That the views of the consultation respondents are taken into account by Council regarding the Revenue Budget for 2020-21.

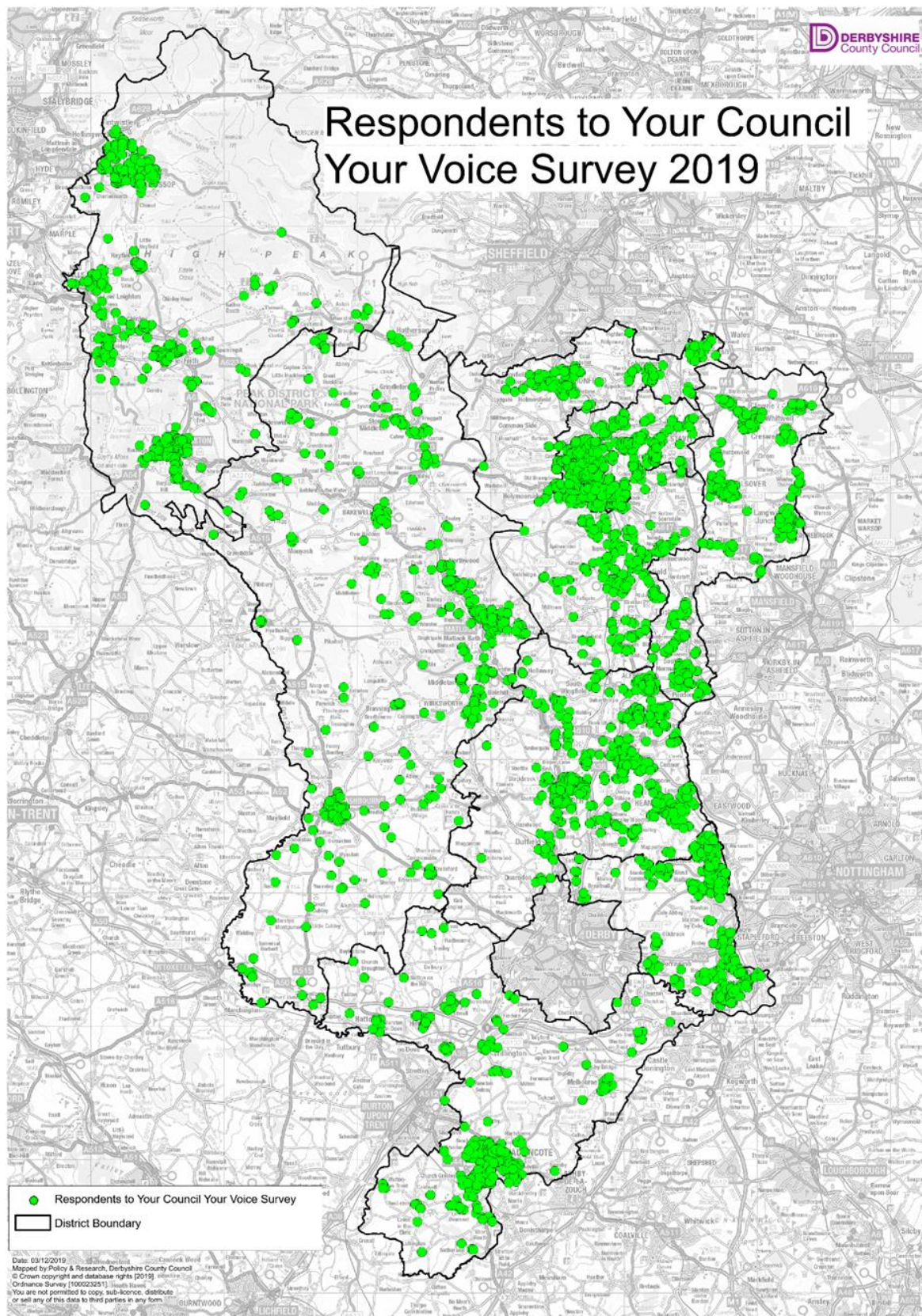
PETER HANDFORD

Director of Finance & ICT

## Infographic – Budget Consultation Focus Groups Summary



## Map - Location of Budget Consultation Survey Respondents





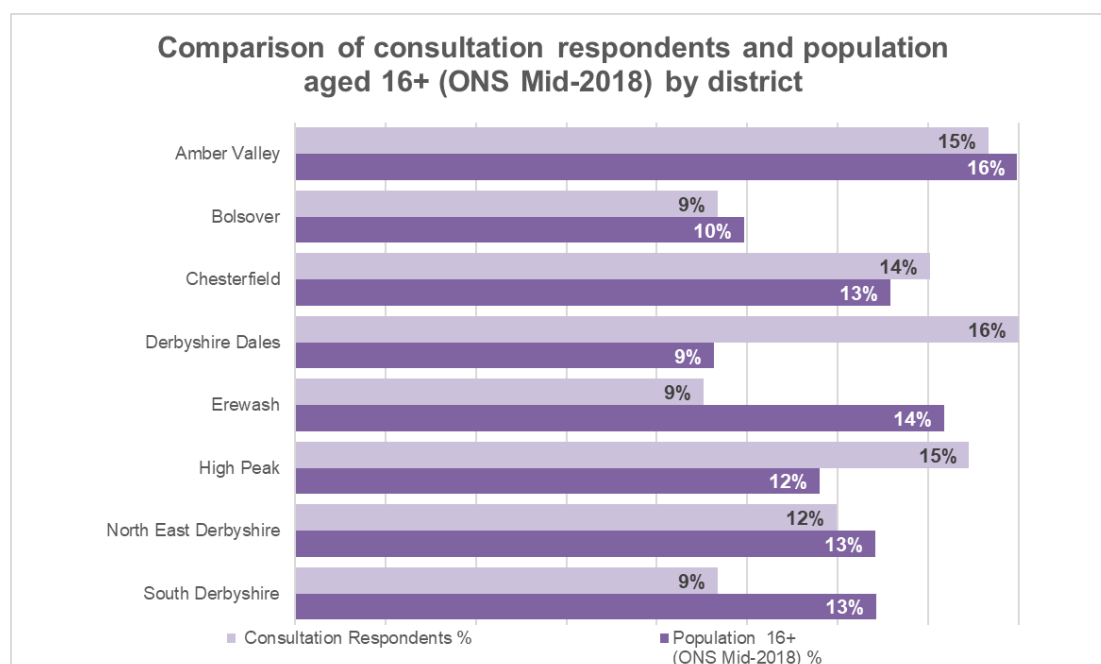
## Demographic Profile of Budget Consultation Respondents

A total of 3,867 people responded to the consultation but the analysis included in this report looks at the analysis of 3,763 respondents. This excludes the responses of 45 people who lived outside Derbyshire and those of 59 who submitted multiple entries. The total number of respondents will vary for individual questions as not all respondents answered all of the questions. Only one paper questionnaire was returned and the remaining responses were completed online.

The distribution of residents for those that live within Derbyshire has been compared to the distribution of the population aged 16+ according to the latest Office for National Statistics (ONS) mid-year population estimates for 2018.

### Location

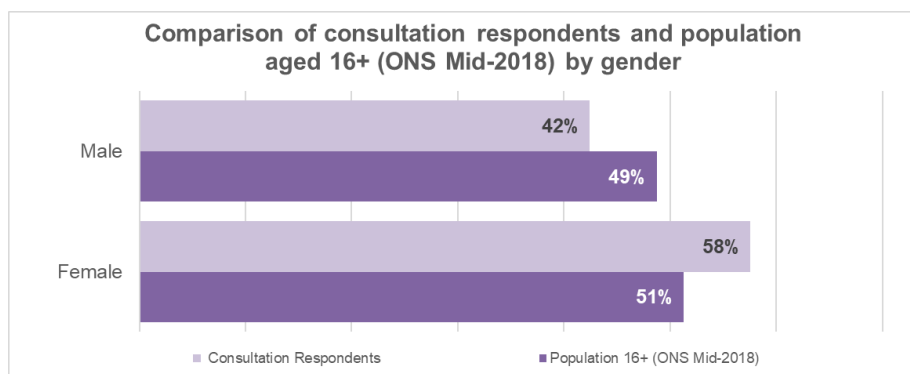
District	Consultation Respondents		Population 16+ (ONS Mid-2018)		Difference (Respondents - Population)	
	Number	%	Number	%		
Amber Valley	545	15%	105,359	16%	-0.6%	↓
Bolsover	332	9%	65,435	10%	-0.6%	↓
Chesterfield	499	14%	86,858	13%	0.9%	↑
Derbyshire Dales	569	16%	61,058	9%	6.8%	↑
Erewash	321	9%	94,708	14%	-5.3%	↓
High Peak	530	15%	76,525	12%	3.3%	↑
North East Derbyshire	426	12%	84,695	13%	-0.9%	↓
South Derbyshire	332	9%	84,791	13%	-3.5%	↓
<b>Total</b>	<b>3,554</b>	<b>100%</b>	<b>659,429</b>	<b>100%</b>		



## Gender

The gender and age profile of respondents have also been compared to the profile of all residents as given by the mid-2018 ONS population estimates.

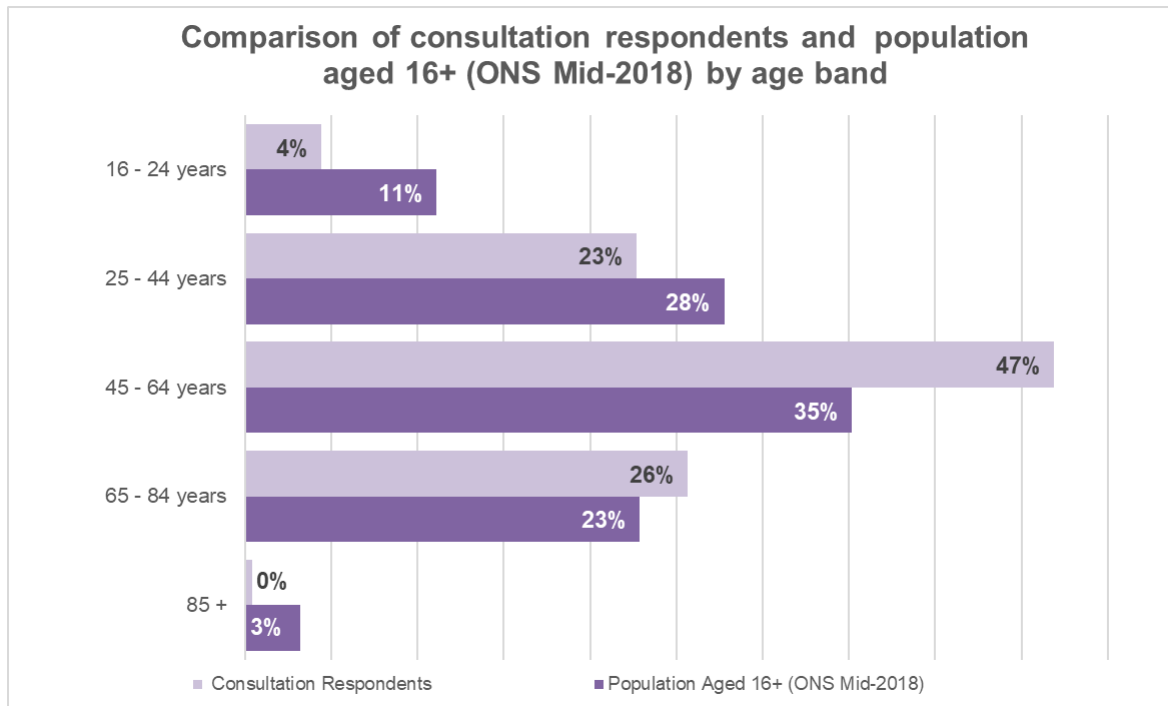
Gender	Consultation Respondents		Population 16+ (ONS Mid-2018)		Difference (Respondents - Population)	
	Number	%	Number	%		
Male	1,569	42%	321,322	49%	-6.3%	↓
Female	2,128	58%	338,107	51%	6.3%	↑
<b>Total</b>	<b>3,697</b>	<b>100%</b>	<b>659,429</b>	<b>100%</b>		



## Age

Age Band	Consultation Respondents		Population Aged 16+ (ONS Mid-2018)		Difference (Respondents - Population)	
	Number	%	Number	%		
16 - 24 years	161	4%	72,951	11%	-8%	↓
25 - 44 years	832	23%	183,081	28%	-5.1%	↓
45 - 64 years	1,719	47%	231,714	35%	11.7%	↑
65 - 84 years	940	26%	150,790	23%	2.8%	↑
85 +	15	0%	20,893	3%	-2.8%	↓
<b>Total 16 or over</b>	<b>3,667</b>	<b>100%</b>	<b>659,429</b>	<b>100%</b>		

The average age of respondents was 53 years.



## Disability

Do you consider yourself disabled?	Consultation Respondents	
	Number	%
Yes	566	15%
No	3,104	85%
<b>Total</b>	<b>3,670</b>	<b>100%</b>

## Ethnicity

What is your ethnic group?	Consultation Respondents	
	Number	%
White	3,600	97%
Other	100	3%
<b>Total</b>	<b>3,700</b>	<b>100%</b>

## Infographic – Budget Consultation Summary Results

### Budget Consultation Headline Results 2019



**3,763** residents completed the survey



**58%** of respondents were female

The average age of those responding was **53** years, with the youngest person being 14 and the oldest 101

#### Percentage who selected services as ...

##### top three priorities:



Highway services & maintenance

**42%**



Waste & recycling centres

**25%**



Support for older adults

**21%**

##### bottom three priorities:



Museums, heritage & arts services

**38%**



Grants & aid to voluntary groups

**31%**



Libraries

**21%**

#### How the Council could save money or raise revenue

- 1** Work with other councils to deliver 'shared services'
- 2** Put more services on-line
- 3** Use other ways of delivering services such as local trusts or other 'not for profit' partnerships

Policy & Research - December 2019

Source: Derbyshire County Council Your Council Your Voice Survey 2019





## Budget Consultation - Analysis of Consultation Responses

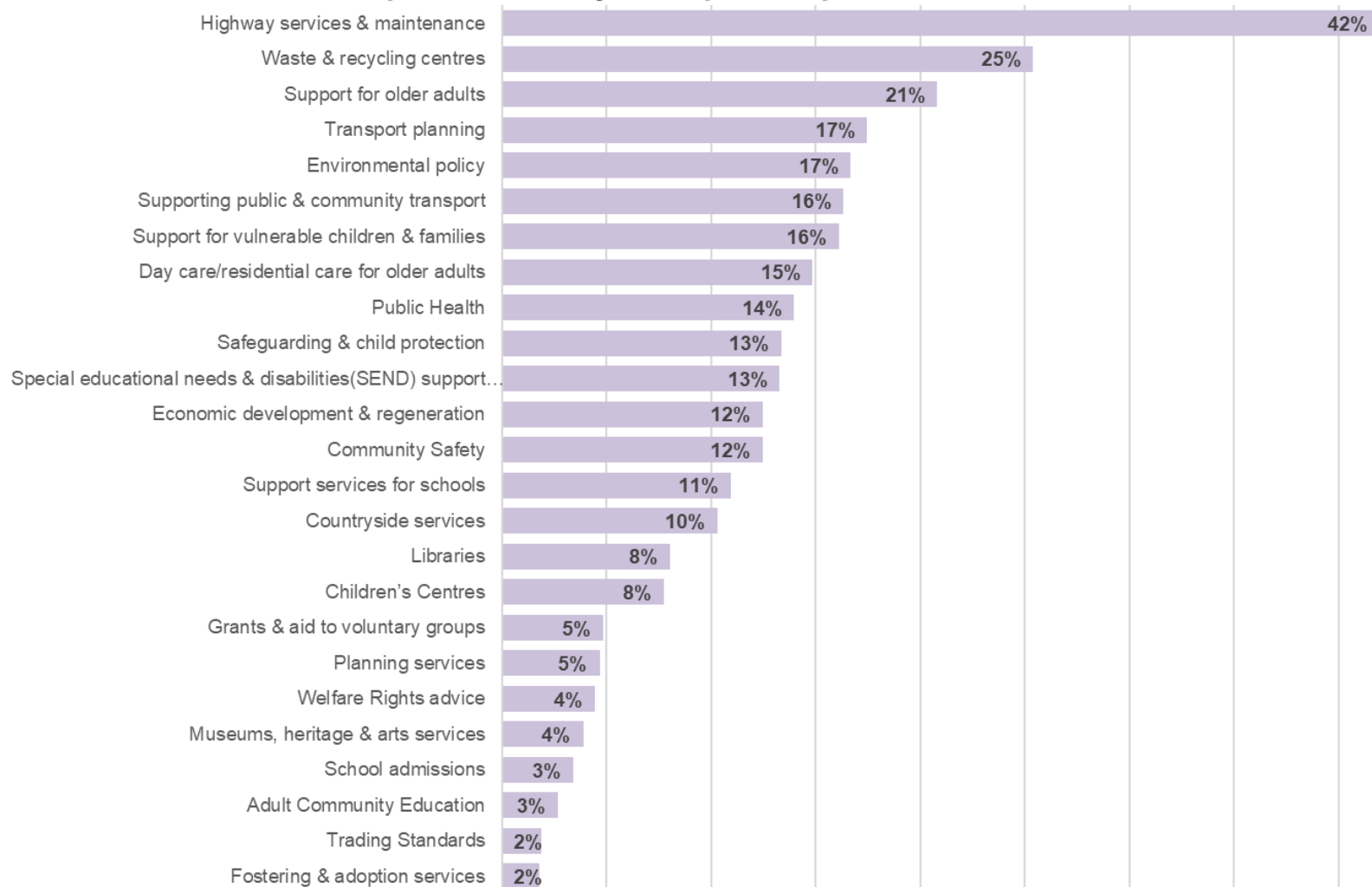
### All Derbyshire Residents

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

	Number	Percentage	Rank
Highway services & maintenance	1,561	42%	1
Waste & recycling centres	945	25%	2
Support for older adults	774	21%	3
Transport planning	650	17%	4
Environmental policy	620	17%	5
Supporting public & community transport	608	16%	6
Support for vulnerable children & families	599	16%	7
Day care/residential care for older adults	553	15%	8
Public Health	520	14%	9
Safeguarding & child protection	497	13%	10
Special educational needs & disabilities(SEND) support services	494	13%	11
Economic development & regeneration	464	12%	12
Community Safety	464	12%	12
Support services for schools	407	11%	14
Countryside services	383	10%	15
Libraries	300	8%	16
Children's Centres	289	8%	17
Grants & aid to voluntary groups	180	5%	18
Planning services	174	5%	19
Welfare Rights advice	166	4%	20
Museums, heritage & arts services	145	4%	21
School admissions	128	3%	22
Adult Community Education	100	3%	23
Trading Standards	70	2%	24
Fostering & adoption services	67	2%	25
<b>Total</b>	<b>11,158</b>	<b>300%</b>	

*Please note the percentages sum to 300% as respondents were asked to choose 3 priorities*

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



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

Most people (1,719) did not give a reason for choosing their top priorities. An additional 49 people referred to services that were the responsibility of the district/borough councils or other organisations such as police or the NHS.

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

- Road and public transport issues (636)
- Protect and assist vulnerable members of society old / young (620)
- Relevant to me or my family (435)
- Environmental / waste concerns / climate change (409)

An additional 205 people thought the services were all important to everyday life or said it was difficult to choose.

Examples of comments include:

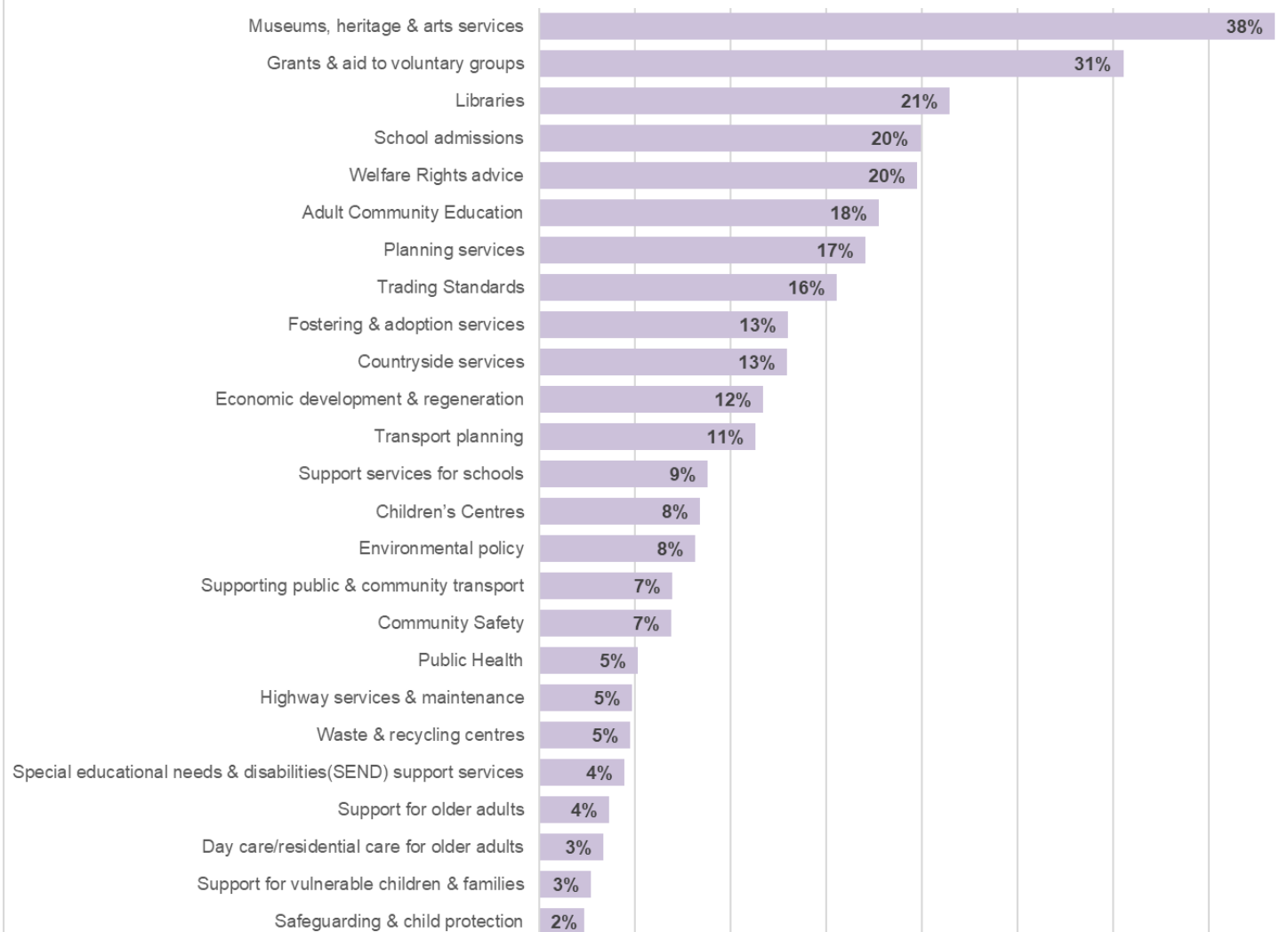
- “Environment is a crisis that needs addressing”
- “The youngest and oldest people are vulnerable”
- “These services support the most vulnerable, however, I believe preventative services are key”
- “Important the Council protects the most vulnerable in society, and the environment”
- “I think providing support to vulnerable people is the Council's most important role”
- “Important to maintain and build for a brighter future for Derbyshire”
- “Because older people, children’s centres and the environment have all suffered too many cuts recently and currently critical elements of our society”
- “We MUST address the climate and ecological crisis. Time is rapidly running out”
- “Library is very valuable to local community and is a contact point for local issues”
- “The more care for the elderly and their families the less strain on NHS”

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

	Number	Percentage	Rank
Museums, heritage & arts services	1,303	38%	1
Grants & aid to voluntary groups	1,034	30%	2
Libraries	726	21%	3
School admissions	675	20%	4
Welfare Rights advice	669	19%	5
Adult Community Education	601	17%	6
Planning services	578	17%	7
Trading Standards	527	15%	8
Fostering & adoption services	440	13%	9
Countryside services	439	13%	10
Economic development & regeneration	397	12%	11
Transport planning	383	11%	12
Support services for schools	298	9%	13
Children's Centres	285	8%	14
Environmental policy	276	8%	15
Supporting public & community transport	235	7%	16
Community Safety	233	7%	17
Public Health	175	5%	18
Highway services & maintenance	164	5%	19
Waste & recycling centres	161	5%	20
Special educational needs & disabilities(SEND) support services	151	4%	21
Support for older adults	123	4%	22
Day care/residential care for older adults	113	3%	23
Support for vulnerable children & families	92	3%	24
Safeguarding & child protection	79	2%	25
<b>Total</b>	<b>10,157</b>	<b>300%</b>	

*Please note the percentages sum to 300% as respondents were asked to choose 3 priorities*

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



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

Most people (2,052) did not give a reason for choosing their bottom priorities. An additional 22 people referred to services that were the responsibility of the district/borough councils or other organisations such as police or the NHS.

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







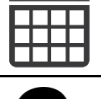


- Other budget priorities are more important (561)
- Not relevant to me or my family (385)
- Service either already is or should / could be provided / supported by others (335)

Examples of comments include:

- “All services are essential, but at least no one suffers harm if these three underfunded (Adult Education, Museums, heritage & arts services, Grant aids to voluntary groups)”
- “I pay an additional premium on my council tax for adult social care why should they keep getting more”
- “All the above are still priorities of a caring council!”
- “It’s difficult to say where money is best spent I don’t envy your job”
- “I do not want to be responsible for identifying an important service which will then be cut!”
- “There shouldn’t be any bottom priorities - neglecting the least popular choice is not acceptable”
- “You are asking permission to abdicate responsibility by asking the public to do your decision making”
- “Not the role of council to give away money or preach to people (Welfare Rights advice, Public Health and Grant aid to voluntary groups)”
- “I think these are nice to have rather than top priorities”
- “Because I don’t believe these are Council responsibilities”
- “Services I don’t use and they could be delivered by other partners”
- “Informing people of their rights in welfare, trading standards and adoption could be out sourced”
- “Adult education should be self-funding, unless it is to get someone into a job”
- “Less impact on those who are vulnerable”
- “Other services have greater impact on communities”
- “Libraries, museums, art centres are luxuries that come after everything else is paid for”

- “Police should provide community safety; Public health should be provided by the NHS”
- “Wouldn't want to do without but effectively not life threatening”
- “Support for adults and adult education isn't as important as children who need to learn”
- “Schools and children services get too big a share of budgets already”
- “Sick of funding people who should fund themselves (Support for older adults and Support for vulnerable children & families)”
- “We should all take more responsibility for our own welfare and not rely on the Council (Adult Community Education, Welfare Rights advice, Grants & aid to voluntary groups)”
- “Prevention and helping people take responsibility for their well-being is better than crisis care”
- “Need public not private transport”
- “New models of delivery for libraries”
- “The things I've selected are not of great importance to the majority of people (Libraries, Museums, heritage & arts services, Grants & aid to voluntary groups)”
- “All areas which can be paid for by the users rather than through council tax (Supporting public & community transport, Children's Centres)”
- “If money is limited, focus on areas which the majority of the population will benefit, not the few”

**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		
	1	Work with other councils to deliver 'shared services'
	2	Put more services on-line
	3	Use other ways of delivering services such as local trusts or other 'not for profit' partnerships
	4	Reduce or stop delivery of less important services
	5	Use Council assets to win business from the private sector
	6	Reduce the number of properties the Council owns
	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 (2,965) did not make any suggestions on alternative ways for saving money or raising additional revenue. An additional 128 people referred to services that were provided by district/borough councils or other organisations such as police or health. A further 89 comments duplicated the 9 options that respondents had been asked to rank.

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

- Staffing issues (165) - including reducing the number, pay, sick leave and pensions of managers and staff and increasing productivity
- Increasing funding (67) by various ways including lobbying central government, local income tax, council tax and lottery funding
- Increasing efficiency and reducing bureaucracy (56)

Examples of comments include:

- "It is difficult to make suggestions without knowing about the budgets/restrictions that the finance committees work with"
- "Use evidence to prioritise and help make informed decisions. Listen to residents by visiting communities, how can you help from Matlock!"
- "Cut councillors' community grants and services that can be funded in other ways"
- "Invite businesses to help services, do talks, etc with contribution and promote their business there at same time!"
- "Council take over more essential services for people, eg bulk-buying of essential foods to sell on, being electric/gas suppliers"
- "Crowdfund for extra Capital for some smaller start-up projects LOCAL MONEY for LOCAL SERVICES"
- "Seek sponsorship from the private sector for various activities (naming new roads, adverts on parking receipts)"
- "Promote local schools and clubs for sponsors and scholarships"
- "Allow advertising on Council websites"
- "Hire out more facilities such as meeting and workspaces. Offer paid consultancy and training to business. Run paid for events like concerts or conferences"
- "Fundraising events, encourage outside investment in local services. Sell services to other councils. Avoid duplication of services provided by other agencies"
- "Look at other forms of income generators - Business Rates, rental income, lettings, charges, commercial incentives, regeneration."

- Generate more income as a council to support residents and front line services”
- “Create a Derbyshire lottery that would raise additional revenue”
- “Stop wasting money on the county offices at Matlock and use a more efficient building”
- “Sell and lease back some properties”
- “Join with NHS and share office blocks/ buildings and sell services e.g. Catering for events, event spaces etc, when offices are shut e.g. weekends”
- “Use technology to hold meetings instead of all meeting in one room, saves on travel, heating and other experiences”
- “Means test bus passes, or charge an annual subsidised fee”
- “Make more use of Parish Councils to help support local residents. Get them more involved in social support”
- “Need to look critically at the actual benefit from services provided and how many people that are actually benefiting from the service and bottom line if it's just a nice thing to have then we need to learn to do without it”
- “Services online are OK for younger people with computer skills but prevent others gaining access or necessary knowledge”
- “‘Market’ what the County Council does: many people still do not know of what is on offer and how to get it”
- “Reduce business rates to encourage new businesses”
- “Put more money into preventative services e.g. services such as Sure START, Local Area Connectors, extra support in schools, crisis and community support for mental health and elderly”
- “Ensure that contracted out services are working correctly”

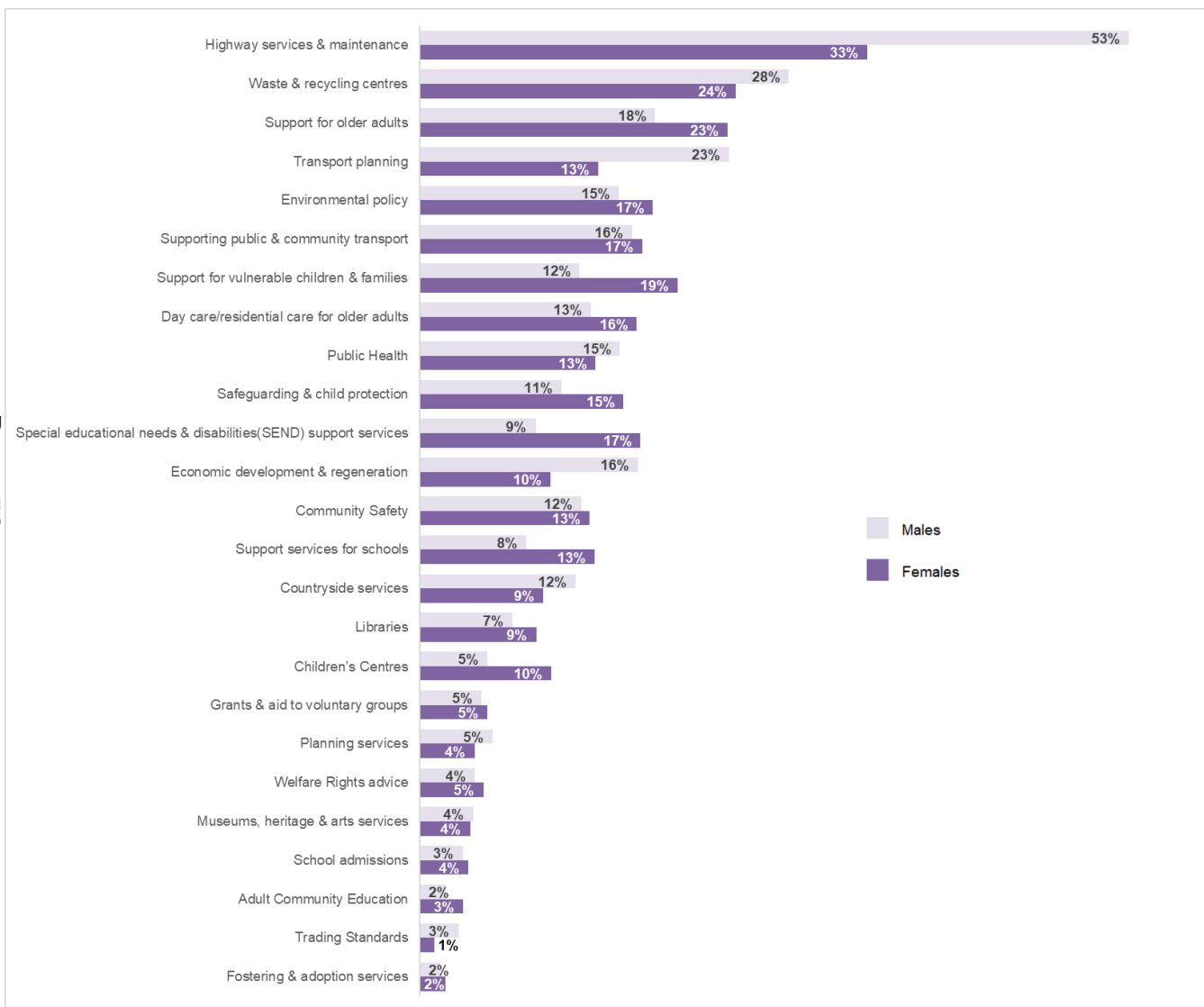
## Analysis of Consultation Responses – By Gender

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

Priority	Consultation Responses - By Gender					
	Males		Females		All respondents	
	Number	Percentage	Number	Percentage	Number	Percentage
Highway services & maintenance	826	53%	710	33%	1536	42%
Waste & recycling centres	430	28%	501	24%	931	25%
Support for older adults	274	18%	488	23%	762	21%
Transport planning	360	23%	283	13%	643	17%
Environmental policy	232	15%	370	17%	602	16%
Supporting public & community transport	247	16%	353	17%	600	16%
Support for vulnerable children & families	186	12%	409	19%	595	16%
Day care/residential care for older adults	199	13%	344	16%	543	15%
Public Health	233	15%	279	13%	512	14%
Safeguarding & child protection	165	11%	323	15%	488	13%
Special educational needs & disabilities (SEND) support services	135	9%	350	17%	485	13%
Economic development & regeneration	254	16%	207	10%	461	13%
Community Safety	188	12%	269	13%	457	12%
Support services for schools	124	8%	277	13%	401	11%
Countryside services	181	12%	196	9%	377	10%
Libraries	108	7%	185	9%	293	8%
Children's Centres	79	5%	208	10%	287	8%
Grants & aid to voluntary groups	72	5%	107	5%	179	5%
Planning services	85	5%	87	4%	172	5%
Welfare Rights advice	64	4%	101	5%	165	4%
Museums, heritage & arts services	62	4%	80	4%	142	4%
School admissions	50	3%	77	4%	127	3%
Adult Community Education	30	2%	69	3%	99	3%
Trading Standards	45	3%	23	1%	68	2%
Fostering & adoption services	24	2%	41	2%	65	2%
<b>Total</b>	<b>4,653</b>	<b>299%</b>	<b>6,337</b>	<b>299%</b>	<b>10,990</b>	<b>299%</b>

Please note the percentages sum to 300% as respondents were asked to choose 3 priorities

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

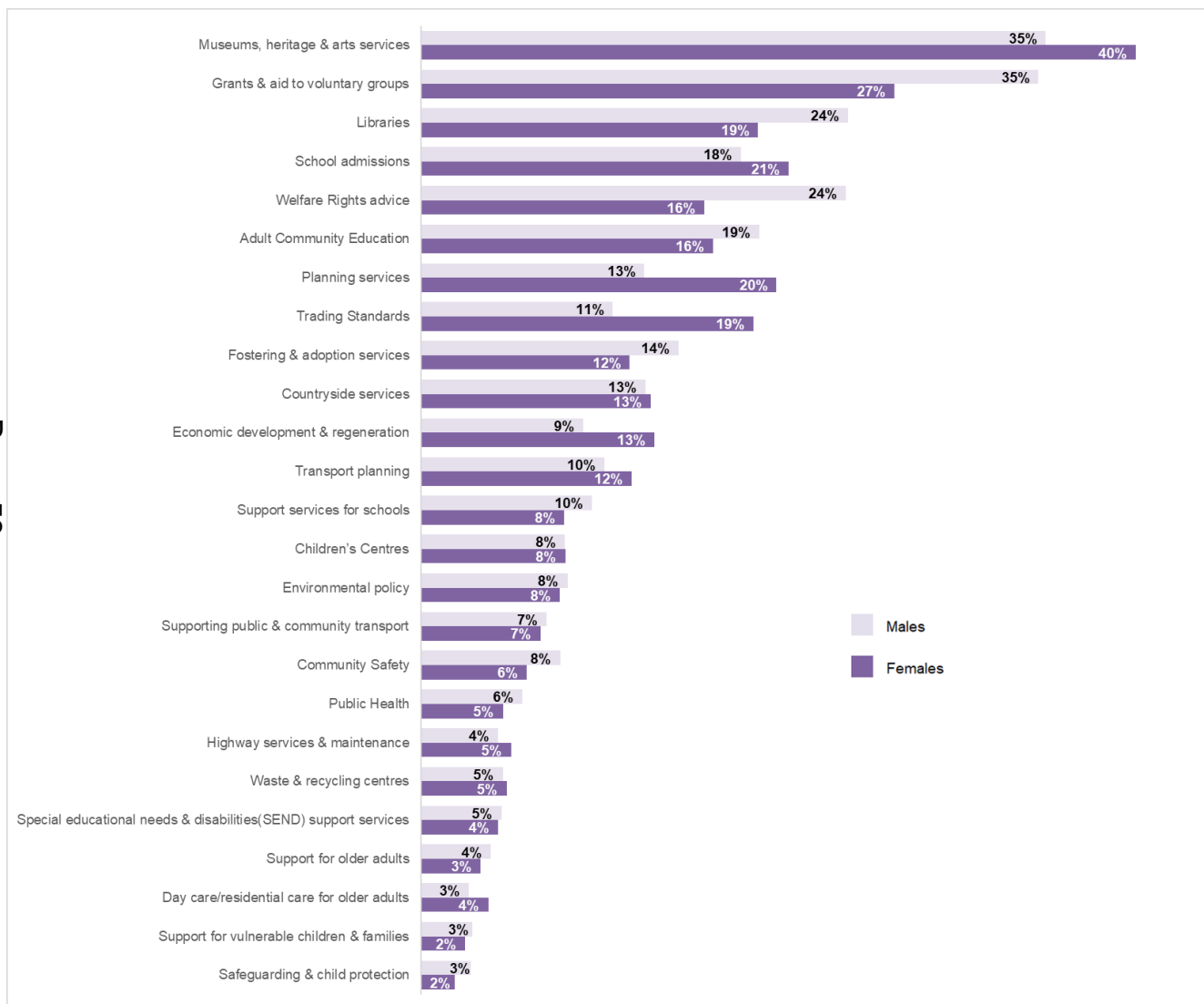


From the list of services below provided by Derbyshire County Council please select your bottom three priorities:

Priority	Consultation Responses - By Gender					
	Males		Females		All respondents	
	Number	Percentage	Number	Percentage	Number	Percentage
Museums, heritage & arts services	512	35%	778	40%	1290	38%
Grants & aid to voluntary groups	506	35%	515	27%	1021	30%
Libraries	350	24%	367	19%	717	21%
School admissions	262	18%	400	21%	662	19%
Welfare Rights advice	348	24%	308	16%	656	19%
Adult Community Education	277	19%	318	16%	595	18%
Planning services	183	13%	387	20%	570	17%
Trading Standards	157	11%	362	19%	519	15%
Fostering & adoption services	211	14%	227	12%	438	13%
Countryside services	184	13%	250	13%	434	13%
Economic development & regeneration	133	9%	254	13%	387	11%
Transport planning	150	10%	229	12%	379	11%
Support services for schools	140	10%	156	8%	296	9%
Children's Centres	118	8%	157	8%	275	8%
Environmental policy	120	8%	151	8%	271	8%
Supporting public & community transport	103	7%	130	7%	233	7%
Community Safety	114	8%	115	6%	229	7%
Public Health	83	6%	89	5%	172	5%
Highway services & maintenance	63	4%	98	5%	161	5%
Waste & recycling centres	67	5%	93	5%	160	5%
Special educational needs & disabilities (SEND) support services	66	5%	84	4%	150	4%
Support for older adults	57	4%	65	3%	122	4%
Day care/residential care for older adults	39	3%	73	4%	112	3%
Support for vulnerable children & families	42	3%	48	2%	90	3%
Safeguarding & child protection	41	3%	37	2%	78	2%
<b>Total</b>	<b>4,326</b>	<b>297%</b>	<b>5,691</b>	<b>294%</b>	<b>10,017</b>	<b>295%</b>

Please note the percentages sum to 300% as respondents were asked to choose 3 priorities

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



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

## Analysis of Consultation Responses – By Age Group

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

Priority	Consultation Responses - By Age Band											
	16 - 24 years		25 - 44 years		45 - 64 years		65-84 years		85 and over		All respondents	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Transport planning	29	18%	113	14%	304	18%	185	20%	2	13%	633	17%
Supporting public & community transport	22	14%	86	10%	260	15%	220	24%	5	33%	593	16%
Waste & recycling centres	44	28%	166	20%	447	26%	265	28%	3	20%	926	25%
Countryside services	18	11%	77	9%	197	12%	79	8%	1	7%	374	10%
Economic development & regeneration	17	11%	91	11%	213	12%	133	14%	3	20%	458	13%
Environmental policy	35	22%	146	18%	293	17%	129	14%	2	13%	606	17%
Planning services	6	4%	33	4%	84	5%	50	5%	0	0%	173	5%
Highway services & maintenance	46	29%	290	35%	752	44%	431	46%	6	40%	1526	42%
Trading Standards	3	2%	7	1%	37	2%	20	2%	0	0%	67	2%
Adult Community Education	9	6%	25	3%	42	2%	21	2%	0	0%	97	3%
Children's Centres	19	12%	124	15%	94	5%	48	5%	1	7%	286	8%
Libraries	7	4%	55	7%	131	8%	95	10%	4	27%	293	8%
Welfare Rights advice	12	8%	35	4%	79	5%	39	4%	0	0%	165	5%
Community Safety	23	15%	123	15%	226	13%	81	9%	1	7%	456	12%
Support for older adults	15	9%	111	13%	380	22%	250	27%	5	33%	761	21%
Day care/residential care for older adults	12	8%	67	8%	295	17%	154	17%	3	20%	531	15%
Public Health	30	19%	154	19%	201	12%	124	13%	2	13%	512	14%
Support for vulnerable children & families	36	23%	151	18%	287	17%	109	12%	4	27%	588	16%
Fostering & adoption services	8	5%	28	3%	21	1%	8	1%	0	0%	65	2%
Safeguarding & child protection	26	16%	158	19%	206	12%	96	10%	1	7%	487	13%
School admissions	7	4%	58	7%	45	3%	16	2%	0	0%	126	3%
Support services for schools	17	11%	173	21%	152	9%	53	6%	1	7%	397	11%
Special educational needs & disabilities(SEND) support services	16	10%	135	16%	237	14%	95	10%	0	0%	484	13%
Museums, heritage & arts services	9	6%	40	5%	60	4%	30	3%	0	0%	140	4%
Grants & aid to voluntary groups	6	4%	43	5%	75	4%	50	5%	1	7%	176	5%



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

Priority	Consultation Responses - By Age Band											
	16 - 24 years		25 - 44 years		45 - 64 years		65-84 years		85 and over		All respondents	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Transport planning	29	19%	97	12%	161	10%	86	10%	0	0%	373	11%
Supporting public & community transport	9	6%	68	9%	99	6%	53	6%	0	0%	229	7%
Waste & recycling centres	17	11%	46	6%	58	4%	36	4%	0	0%	157	5%
Countryside services	33	21%	104	13%	176	11%	118	14%	0	0%	431	13%
Economic development & regeneration	19	12%	100	13%	169	11%	98	12%	1	8%	387	11%
Environmental policy	13	8%	66	8%	124	8%	68	8%	0	0%	271	8%
Planning services	27	17%	162	21%	263	17%	114	14%	2	15%	568	17%
Highway services & maintenance	16	10%	46	6%	62	4%	35	4%	1	8%	161	5%
Trading Standards	26	17%	149	19%	241	15%	99	12%	1	8%	518	15%
Adult Community Education	18	12%	148	19%	266	17%	153	18%	3	23%	590	18%
Children's Centres	11	7%	61	8%	130	8%	69	8%	2	15%	273	8%
Libraries	48	31%	171	22%	339	22%	155	18%	2	15%	716	21%
Welfare Rights advice	17	11%	144	18%	284	18%	204	24%	8	62%	658	20%
Community Safety	5	3%	30	4%	124	8%	67	8%	1	8%	227	7%
Support for older adults	10	6%	34	4%	55	4%	22	3%	0	0%	121	4%
Day care/residential care for older adults	8	5%	42	5%	45	3%	17	2%	1	8%	113	3%
Public Health	7	5%	33	4%	93	6%	34	4%	1	8%	168	5%
Support for vulnerable children & families	6	4%	14	2%	47	3%	24	3%	0	0%	91	3%
Fostering & adoption services	15	10%	81	10%	203	13%	132	16%	2	15%	434	13%
Safeguarding & child protection	3	2%	9	1%	38	2%	26	3%	1	8%	78	2%
School admissions	21	14%	122	16%	332	21%	177	21%	5	38%	658	20%
Support services for schools	6	4%	47	6%	156	10%	80	10%	1	8%	290	9%
Special educational needs & disabilities(SEND) support services	8	5%	28	4%	90	6%	20	2%	0	0%	148	4%
Museums, heritage & arts services	62	40%	321	41%	560	36%	327	39%	3	23%	1275	38%
Grants & aid to voluntary groups	25	16%	205	26%	506	32%	272	32%	4	31%	1013	30%

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 as 2 through to the least important option as 9)						
	Consultation Responses - By Age					
	16 - 24 years	25 - 44 years	45 - 64 years	65 - 84 years	85 and over	All respondents
	Overall Rank	Overall Rank	Overall Rank	Overall Rank	Overall Rank	Overall Rank
Work with other councils to deliver 'shared services'	2	1	1	1	2	1
Put more services on-line	1	2	3	4	9	2
Use other ways of delivering services such as local trusts or other 'not for profit' partnerships	3	3	2	2	4	3
Reduce or stop delivery of less important services	4	5	4	3	1	4
Use Council assets to win business from the private sector	6	4	5	6	7	5
Reduce the number of properties the Council owns	7	6	6	7	5	6
Maintain services but do less frequently or reduce level of service	5	7	7	5	3	7
Increase charges for services supplied to the public	8	8	8	8	8	8
Increase Council Tax	9	9	9	9	6	9

**DERBYSHIRE COUNTY COUNCIL**

**COUNCIL**

**5 February 2020**

**Report of the Director of Finance & ICT**

**REVENUE BUDGET REPORT 2020-21**

**1 Purpose of the Report**

To propose a Revenue Budget and Council Tax for 2020-21. This report should be read alongside the following reports to this Council meeting: the Budget Consultation Results Report for 2020-21, the Budget Monitoring 2019-20 (as at 31 October 2019) Report and the Capital Programme Approvals, Treasury Management and Capital Strategies for 2020-21 Report.

**2 Information and Analysis**

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 2020. Information relating to the funding and income streams to the Council are set out in Appendix One. The report commences with details of the Spending Round 2019 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.

**(a) Budget 2019-20**

The latest budget monitoring position for 2019-20 is in a separate report for consideration at this meeting. The Council is forecasting an overall underspend for 2019-20, however, this is being achieved, in part, through the use of one-off funding measures and underspends on corporately held budgets as there is immense pressure on all demand led services, in particular those around services to children.

**(b) Spending Round 2019**

On 4 September 2019, the Government announced details of the Spending Round 2019 (SR 2019), sometimes referred to as the Spending Review. This set out public spending totals for the financial year 2020-21 only, pending a

full Spending Review which will be published later this year. The key announcements relevant to local government were:

- CPI inflationary increases in business rates baseline funding levels and Revenue Support Grant.
- Cessation of Business Rates Retention pilots, except for devolution areas.
- Business Rates Retention reform and Fair Funding Review delayed until April 2021.
- Proposal to allow a further 2% Adult Social Care Precept to be levied in 2020-21.
- Continuation of “one-off” grants allocated in 2019-20, including £1.8bn Improved Better Care Fund (iBCF), £240m Winter Pressures Grant (expected to be rolled into iBCF), £410m Social Care Support Grant, £918m New Homes Bonus and £81m Rural Services Delivery Grant.
- £1bn additional Social Care Grant.
- “Real-terms” increase in the Public Health Grant.
- £2.6bn increase in core schools funding in 2020-21, including £700m High Needs Funding for special educational needs (11% increase).
- Additional £400m for further education and £66m for early years.
- £9m additional funding to local authorities to support EU Exit preparations. In total, Government has allocated £77m in funding to help local areas prepare.
- £200m to transform bus services, making better use of technology and promoting decarbonisation.
- £422m to help reduce homelessness and rough sleeping.
- £24m additional funding for the Building Safety Programme, post-Grenfell.
- £10m additional funding for English as a second language provision.
- £241m funding from the Towns Fund.
- Continued funding for the Troubled Families Programme, Midlands Engine, Northern Powerhouse and Help to Buy Support.

### **(c) Local Government Finance Settlement**

Details of the Provisional Local Government Finance Settlement 2020-21 (Provisional Settlement) were published on 20 December 2019. It 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 17 January 2020, following consultation with the Leader of the Council and Corporate Management Team. A copy is attached at Appendix Two. Details of the Final Settlement are expected to be published in early February 2020. This is later than normal and may be after the Council has formally set its budget and Council Tax on 5 February 2020. Whilst this presents a risk, it is felt to be manageable within the context of the Council’s overall finances.

Further to the key announcements relevant to local government from SR 2019, the headlines from the Provisional Settlement and associated Technical Consultation, the Queen's Speech and later announcements, are:

- To reflect the one-year SR 2019, the Government is proposing to roll forward core components of the 2019-20 Settlement, with elements of core funding increasing in line with CPI inflation, key Local Government grants being maintained at 2019-20 levels and £1bn of additional funding provided for social care.
- Negative Revenue Support Grant has been removed from the 2020-21 Provisional Settlement.
- Basic Council Tax precept threshold will be set at 2% for county councils.
- Adult Social Care Precept threshold will remain at 2%.
- Delay of one year, to 2021-22, of the outcome of the Fair Funding Review and the move to increased Business Rates Retention. The Government is committed to conducting a fundamental review of Business Rates as a tax, engaging with businesses and local authorities. Presently it is not known how this might affect the Business Rates Retention system or future Local Government funding arrangements.
- New Homes Bonus is continuing for 2020-21.
- Rural Service Delivery Grant is continuing at 2019-20 levels.
- Pothole funding for 2020-21 is expected to be announced in the upcoming Budget.
- More announcements are expected in the upcoming Budget in respect of support for high street rejuvenation and to improve transport links.
- National Living Wage (NLW) to increase by 6.21% from £8.21 to £8.72 in 2020-21.

### **Future Funding Levels**

The current multi-year funding offer from Government ends on 31 March 2020. The local government sector is seeking a multi-year settlement beyond 2020-21 to provide funding certainty and stability, similar to the four-year offer made by Government in 2015.

It was expected that a further multi-year funding offer would be available for three years from 2020-21. However, the SR 2019 covers only a single year, 2020-21. This leaves the Government more flexibility to respond to future developments, against a backdrop of political and economic uncertainty. It is expected that there will be a comprehensive multi-year Spending Round in 2020.

### **Settlement Funding Assessment**

Settlement Funding Assessment (SFA) is made up of Revenue Support Grant, 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:

	2019-20 allocations £m	2020-21 allocations £m
Revenue Support Grant	13.517	13.738
Business Rates Top-Up	93.370	94.892
Business Rates - Local	19.195	20.067
	<b>126.082</b>	<b>128.697</b>

- **Revenue Support Grant**

Revenue Support Grant has increased in line with the Small Business Rates multiplier (based on the Consumer Price Index (CPI) as at September of the preceding financial year). It had previously been expected that Revenue Support Grant would be reduced to zero in 2020-21.

- **Business Rates Top-Up**

Business Rates Top-Up has also increased in line with the Small Business Rates multiplier. The Government has fixed, in real terms, authorities' retained business rates baselines until the business rates system is reset.

- **Business Rates – Locally Retained**

The figure for Local Business Rates shown in the table above includes the Council's estimate of its Derbyshire business rates 2020-21 pool gain of £1.500m, based on previous years' pool gains, and the billing authorities' business rates estimates for 2019-20; the billing authorities have until 31 January 2020 to provide the County Council with the final estimates for 2020-21 growth to be used in setting the budget. The amount represents 9% of business rates collected locally. A verbal update of the business rates income will be provided at the meeting. Any changes to the figure shown in Appendix One will be managed through the Risk Management Budget or Reserves.

### **New Homes Bonus (NHB)**

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. The allocations tend to favour councils with lower tier responsibilities. NHB is to continue in 2020-21, with a new round of allocations funded by £900m top-sliced from Revenue Support Grant, in addition to an estimated £7m from the Ministry of Housing, Communities and Local Government (MHCLG).

The Government has decided not to make any change to the payments baseline, remaining at 0.4% for 2020-21 allocations. No legacy payments will be made on these new allocations; meaning that the 2020-21 bonus is not included in the calculation of payments in 2021-22 and 2022-23 and future income from NHB is expected to decrease. Legacy payments will be made on allocations from earlier years. This will leave an element of the £900m top-slice available for reallocation on a different basis in later years. The Government is expected to consult with local authorities on proposed revisions to the NHB Scheme later in the year.

The Council's 2020-21 allocation is £2.326m.

## General Grant

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

	2019-20 £m	2020-21 £m
Improved Better Care Fund (iBCF)***	31.055	34.682
Winter Pressures Grant***	3.627	0
Business Rates Capping*	6.364	4.524
Business Rates Retention Levy Account Surplus**	1.704	0
Social Care Support Grant****	6.197	21.941
Independent Living Fund	2.534	2.534
Extended Rights to Free Travel*/**	0.914	0
Lead Local Flood Authority**	0.059	0.059
Troubled Families Grant*/**	0.302	0.302
Local Reform and Community Voices Grant*/**	0.520	0
War Pensions Scheme Disregard*/**	0.171	0
Prison Services*/**	0.110	0
EU Exit Preparation Grant and Resilience Forum*/**	0.175	0
<b>Total</b>	<b>53.732</b>	<b>64.042</b>

\* 2019-20 figures updated from Revenue Budget Report following announcement/release of allocations.

\*\* For 2020-21 awaiting Government information about this grant; where numbers are included it is considered likely that funding will be received at around 2019-20 levels.

\*\*\* Winter Pressures Grant of £3.627m has been rolled into iBCF from 2020-21 and is no longer ring-fenced for alleviating winter pressures.

\*\*\*\* For 2020-21, Social Care Support Grant allocations have been rolled into the Social Care Grant.

- **Improved Better Care Fund (iBCF) including Winter Pressures Grant** – 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. For 2020-21, funding has been maintained at 2019-20 levels, additionally incorporating £240m which was allocated as a Winter Pressures Grant in

2019-20. This amount is no longer ring-fenced for alleviating NHS winter pressures.

- **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 2020-21 budget calculation is the Council's Provisional Settlement allocation for under-indexing of the business rates multiplier. Business rates discounts for 2020-21 are currently unknown. More details regarding business rates and reliefs are expected in the upcoming Budget. Billing authorities will provide final estimates by 31 January 2020 to be used in setting the budget. A verbal update of business rates income will be provided at the meeting.
- **Business Rates Retention Levy Account Surplus** – in 2019-20 this related to the distribution of surplus on the 2018-19 Business Rates Retention Levy Account as a result of business rates growth, originally top-sliced from Revenue Support Grant. The Provisional Settlement does not include any provision from the Levy Account. Calculation of the surplus has been delayed because of audit delays and the General Election. It is not expected that the surplus will be as significant as in 2019-20. Whether the surplus is rolled over, or is distributed to local authorities, is subject to ministerial discretion. Accordingly, no amount has been included in the Council's 2020-21 budget calculation, pending receipt of further information.
- **Social Care Grant including the Social Care Support Grant** - The £1.41bn Social Care Grant consists of £1bn new funding (announced in SR 2019) and direct continuation of the 2019-20 £410m Social Care Support Grant. Allocations have been determined according to the Adult Social Care Relative Needs Formula, including £150m used to provide equalisation of the Council Tax Adult Social Care Precept. The whole £1.41bn Social Care Grant is unringfenced, with no conditions attached. There is no prescription regarding the proportion of the grant which should be allocated to children or to adults.
- **Independent Living Fund (ILF)** – responsibility for administering the ILF was devolved to local authorities in England in 2015. The Government originally committed to providing non ring-fenced funding to local authorities until 2019-20. In the Provisional Local Government Finance Settlement it was announced that the ILF would be received in 2020-21, at 2019-20 levels.
- **Extended Rights to Free Travel** – funding to support extended rights to free school travel. Pending receipt of grant information, no grant income has been included in the Council's 2020-21 budget calculation.



- **Lead Local Flood Authority** – to carry out duties under the Flood and Water Management Act 2010 and for the role as statutory consultee on surface water for major development. Pending receipt of grant information, this grant has been included in the Council's 2020-21 budget calculation at the Council's 2019-20 allocation.
- **Troubled Families Grant** – funding to provide intensive support for some of the most vulnerable families. The programme was originally set to run for five years from 2015 to 2020 but was extended by a year in SR 2019. £165 million of new funding has been confirmed for 2020-21 but pending receipt of grant allocation information, this grant has been included in the Council's list of 2020-21 general grants at the Council's 2019-20 allocation.
- **Local Reform and Community Voices Grant** – this grant is comprised of funding for Deprivation of Liberty Safeguards, local Healthwatch and Independent Complaints Advisory Services. Pending receipt of grant information, no amount for this grant has been included in the Council's 2020-21 budget calculation.
- **War Pensions Scheme Disregard** - compensates authorities for disregarding, for the purposes of social care charging, most payments made under the War Pension Scheme. Pending receipt of grant information, no amount for this grant has been included in the Council's 2020-21 budget calculation.
- **Prison Services** – funding for social care in prisons. Pending receipt of grant information, no amount for this grant has been included in the Council's 2020-21 budget calculation.

### **Private Finance Initiative Grant (PFI)**

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 2020-21 is £10.504m.

### **Ring Fenced Grants**

- **Dedicated Schools Grant (DSG)**

Grant is paid to local authorities to provide school, high needs, early years and central schools 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 school and early years revenue funding allocations for 2020-21 were published on 19 December 2019. Details of

DSG schools block funding were considered by Cabinet on 16 January 2020 and the early years block and high needs block will be considered in February/March 2020.

- **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 2020-21 has yet to be announced in detail but a real-terms increase has been assumed in line with SR 2019. The Government has not yet confirmed whether the ring-fence and grant conditions will remain in place but it is expected that they will, until 31 March 2021, at which point it is expected that the funding for Public Health will form part of the revised funding mechanisms for local authorities following the Fair Funding and Business Rates Retention Reviews to be announced in 2020-21.

- **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 will support the aim of providing people with the right care at the right place at the right time. This will build 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 2020-21 allocation for Derbyshire as a whole has yet to be announced but the National Health Service (NHS) contribution to the Better Care Fund will increase by 3.4% in real terms, in line with the planned additional investment in the NHS. The 2019-20 allocation of £101.477m was split as follows:

	<b>Public</b>
	<b>2019-20</b>
	<b>£m</b>
Tameside and Glossop CCG	2.389
Derby and Derbyshire CCG	54.446
<b>CCG Minimum Contribution</b>	<b>56.835</b>
 <b>CCG Additional Contribution</b>	
Hospital Discharge Support	1.433
	<b>1.433</b>
 <b>DCC Additional Contribution</b>	
ICES Equipment	1.566
Disabled Facilities Grant	6.961
Improved Better Care Fund	31.055
Winter Pressures Grant	3.627
	<b>43.209</b>
	<b>101.477</b>

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.

#### **(d) Council Tax**

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**

The Council Tax is calculated by dividing the Council's Council Tax requirement 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.

The billing authorities have until 31 January, the statutory deadline, to confirm their taxbase positions, although these are not expected to change. The total taxbase figure for 2020-21 is 251,496.22, based on the number of equivalent Band D properties, a 1.71% increase on the previous year. Individual authority information is shown at Appendix Three.

The additional Council Tax due as a result of the increase in taxbase is £5.603m. This is calculated by multiplying the increase in the number of properties by the Council's Equivalent Band D Council Tax rate in 2019-20. Previous years have seen increases in the taxbase of 1.17%, 1.47% and 1.40%. The Provisional Five Year Financial Plan assumes an increase of 1.50% on the basis of housing growth seen in recent years.

### **Collection Fund**

The collection fund surplus for 2020-21 is estimated at £3.310m, based on draft information from billing authorities. As with the taxbase, billing authorities have until 31 January to confirm in writing their collection fund positions, although they are not expected to change.

The collection fund surpluses and deficits for the individual authorities are shown at Appendix Three.

### **Council Tax Support**

Amber Valley Borough Council (AVBC) has consulted on increasing the level of Council Tax Support received by Council Tax Benefit claimants, by reducing the amount they are expected to contribute from the current level of 8.5%, to zero. The Council does not agree with this proposal and has formally responded to the consultation. AVBC has yet to make a final decision on the 2020-21 scheme. The cost to the Council of AVBC increasing Council Tax Support is likely to be in the region of £0.350m each year.

### **Referendum Principles**

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.

For 2020-21, the Government proposes a 2% threshold for county councils 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 2%, making 4% in total.

## **Council Tax Increase**

The Council's Five Year Financial Plan, published in September 2019, assumed a freeze in Council Tax for two years from 2020-21 and a 2% increase in Council Tax for two years from 2022-23. At the time it was assumed that the option to raise additional Council Tax income for Adult Social Care would not be available to local authorities in 2020-21.

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 and the continuation of payment of Revenue Support Grant in 2020-21 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 from SR 2019 that Government has a clear and definite expectation that part of the additional pressures in adult care will be funded by levying additional Adult Social Care Precept in 2020-21. Latest information indicates that every County Council will comply with the Government expectation and levy the Adult Social Care Precept.

Pressures across both Children's and Adult Social Care (including the effect of the recently announced increase in the NLW) far outstrip the additional grant offered by the Government. These costs are likely to increase significantly in later years.

### **Adult Social Care Precept**

The Government has stated that "councils will be required to publish a description of their plans, including changing levels of spend on adult social care and other services". This must be signed off by the Chief Finance Officer. Councils complying with the Government expectation to levy the Adult Social Care Precept in 2020-21 must also show how they plan to use this extra money to improve social care. The Government will write to Adult Social Care authorities with further details on the conditions of the scheme in the near future.

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.

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 Adult Social Care Precept but continues with the commitment to a nil increase on the basic Council Tax.

## **(e) Price Increases**

There will be no increase to departmental budgets for specific price rises, other than for business rates, Coroners' fees and specific software licences, as inflation is expected to remain low over the medium term.

The total impact of price increases is estimated at £0.400m.

## **Pay Award**

The Conservative Manifesto proposed to increase NLW to two thirds of average earnings, currently forecast at £10.50 an hour, by 2024. It has since been announced that for 2020-21 NLW is to increase by 6.21%, from £8.21 to £8.72, in 2020-21. Local authorities are currently negotiating with unions on the offer for 2020-21. The Council's Five Year Financial Plan published in September 2019 assumed a general pay award of 2%. The final offer is still to be agreed, however it appears realistic, at this stage, to assume a general offer of a 2% increase. This equates to £5.403m, which will 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 2%, the additional cost will have to be found from within existing budgets.

## **(f) Corporate Budgets**

### **Contingency Budgets**

#### **Pay and Price Inflation - £20.181m**

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 inflation are set out below.

- **Independent Sector Fees Increases - £12.000m**

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 2020-21, the NLW will increase by 6.21%, from £8.21 to £8.72. This increase is higher than expected and is considerably higher than increases in recent years, which has surprised both the public and private sectors. This amount is to be held in Contingency budgets until negotiations are complete.

- **Pay Award - £5.403m**

A general increase of 2% has been assumed (see section (e) above), however, negotiations are still ongoing.

- **Pension Fund - £2.500m**

This is the estimated increase in pension costs to the Council, as a participating employer in the Derbyshire Pension Fund, arising from the Actuarial Valuation as at 31 March 2019, which requires a 1% increase in employer's contributions.

- **Street Lighting Energy - £0.278m**

Energy consumed by street lighting has fallen year-on-year, as a result of the LED Invest to Save Project. However, the cost of energy has continued to rise. This is an estimate of the overall increase in cost.

The overall Contingency Budget of £26.924m includes the above pay and price inflation elements of £20.181m, departmental service pressures of £7.743m to be held over pending further information, as detailed in Appendix Four, reduced by cross-departmental savings in respect of the upfront payment of pension contributions and the funding of capital expenditure from borrowing, as detailed in Appendix Five.

### **External Debt Charges and Minimum Revenue Provision - £33.271m**

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, to reflect the reduction in interest charges. A further reduction, of £1.500m, is planned in 2021-22. In 2020-21, the debt charges budget is to be increased by £1.000m, to reflect the October 2019 announcement of a 1% increase in the Public Works Loan Board (PWLB) borrowing rate, which affects the Council's loan repayments.

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 in to which the money is set aside has been reviewed.

The amount of MRP that has been transferred over the last ten years to the CAA reserve is in excess of £171m, however the actual amount of loan repayments during that time is significantly lower, at £121.5m. With the Council not undertaking any new borrowing within the last ten 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 have been 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 rise by £4.5m in 2020-21. The Council will however continue to review its MRP policy annually to ensure in future years that adequate/prudent provisions are still being made.

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 2020-21, with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

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

### **Risk Management Budget - £0.514m**

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 General Reserve. The balance on the budget will be used to support priority services after 2020-21, in particular to meet the cost of further predicted increases in NLW, impacting on Independent sector care home fees.

### **Interest Receipts - £5.948m**

The Bank of England base rate of interest has remained at 0.75% since August 2018. The budget assumes that the Council will continue to earn additional income by utilising a range of risk assessed investment vehicles in order to increase its income from external investments.

### **(g) Service Pressures**

A number of service pressures have been identified by Departments. Details of Departmental pressures identified for 2020-21 are shown at Appendix Four.

Of the ongoing Departmental service pressures of £31.906m, a total of £24.163m will be allocated to Departmental base budgets and a further



£7.743m will be held over in Contingency Budgets, pending further information.

Overall Ongoing Service Pressures of £39.681m include the above Departmental services pressures of £31.906m, Corporate External Debt Charges pressures of £5.500m, referred to in section (f) and pressures against the Corporate Risk Management Budget of £2.275m, also referred to in section (f).

One-off support of £14.816m will be funded from reserves.

#### **(h) Budget Savings Targets**

The target savings by the end of 2024-25 are estimated to be £65m, of which £52m have been identified.

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.

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.

Details of identified savings totalling £51.568m over the Five Year Financial Plan (FYFP) are shown at Appendix Five. These identified budget savings comprise £43.568m of identified departmental annual budget savings and £8.000m of cross-departmental annual budget savings over the FYFP.

Overall, there remains a shortfall of identified annual budget savings against the £65.333m budget savings target, over the five years of the FYFP. In headline terms the Council has now identified measures which should help achieve most of the budget gap over the period of the FYFP, although there is a clear challenge to identify the remainder and plan the best approach to achieving those savings over the next few years.

The table below summarises the savings target by department for 2020-21, identified savings and the level of achievement for each department.

	<b>Target £m</b>	<b>New Savings Identified £m</b>	<b>Public Shortfall/ (Over- achievement) £m</b>
<b>Adult Social Care and Health</b>	3.784	1.100	2.684
<b>Children's Services</b>	2.350	2.350	0.000
<b>Economy, Transport and Environment</b>	1.426	1.576	-0.150
<b>Commissioning, Communities and Policy</b>	6.235	6.235	0.000
<b>Total</b>	<b>13.795</b>	<b>11.261</b>	<b>2.534</b>

The shortfall in 2020-21 savings target for Adult Social Care and Health of £2.684m will be met from the General Reserve, as these are a result of the uncertainty over the timing of the savings, not their likelihood of being achieved. This is in agreement with the principles of meeting savings shortfalls with one-off support as agreed in the Revenue Budget Reports from 2017-18 to 2019-20.

Adult Social Care and Health will still be required to achieve the £3.784m savings target for 2020-21 but the use of reserves provides some flexibility to plan and achieve the target in later years. Base budgets will need to be in balance by 1 April 2021.

The Economy, Transport and Environment department has re-profiled its identified savings over the FYFP, although the total remains the same. This has resulted in the over-achievement of the originally allocated 2020-21 savings target by £0.150m.

The savings proposals mark a change from principles adopted for a number of years, with significant protection of the Children's services budget.

#### **(i) Statutory Requirements of the Local Government Act 2003**

There is a duty placed on the Director of Finance & ICT, as the Council's statutory Chief Financial Officer, to report to the 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 and 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). Good practice requires the professional advice of the Chief Finance Officer for these two questions, and that they are connected with matters of risk and uncertainty. This report has been drafted with all of these requirements in mind.

- **Estimation Processes**

On the matter of robustness of estimates, there has been no change to the fundamental methods used in the preparation of the budget which ensure that many professional officers are involved in a process which takes into account and evaluates all known facts. 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.

- **Financial Resilience**

The Chartered Institute of Public Finance and Accountancy (CIPFA) has recently 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. 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 central government funding cuts.

- **Financial Management Code**

CIPFA has also designed the Financial Management Code, again to support good financial management, as well as demonstrating a local authority's financial sustainability. The Code is based on a series of principles supported by specific standards and statements which are considered necessary to managing its 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. It is anticipated that local authorities will be required to evidence their performance against the criteria from April 2021, which will help external auditors in forming their value for money opinion as part of the audit of a local authorities' year-end accounts. The Council considers that it is in a strong position when validating its performance against these standards.

- **Spending Review 2020**

The Government's commitment to support additional social care funding of £1bn for each year of the new Government's office is welcome. However, it is not sufficient 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 Local Government Settlement demonstrate the exceptional demand led pressures experienced by local authorities in recent years. The Fair Funding Reviews and Adult Social Care Green Paper urgently need to address deficiencies in social care funding. 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. The Spending Review expected later this year is expected to provide confirmation of funding to local authorities over the medium term.

- **Pressures**

There is a commitment to support budget growth for children's social care to the value of approximately £20m. However, if current trends continue, for example, in the number of children in care, and the Government fails to provide adequate funding to support this, there will be further pressure on budgets 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.

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. Whilst the budget includes a growth figure of £0.200m to help coordinate and plan activity, it is also proposed to set aside over £4m from the Business Rates Pilot gain and plan for increases in capital borrowing to meet the requirements of changes to the vehicle fleet and approaches to help reduce emissions from buildings. 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 street lights has done.

- **Role of Audit Committee**

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 is a significant overview of the Council's potential liabilities and is supported by a rigorous set of processes across the organisation. It receives regular reports regarding the procedures and practices in place to ensure that the Council's budget is closely monitored.

Members are provided with more detail of the current budget position, in particular departments' progress against their individual targets, together with details regarding the level of Earmarked Reserves.

- **Reserves**

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.

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 were reported to Cabinet on 21 November 2019.

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 £12m and £43m 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 £7m 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 £6m. This provides a worst/best case range of between £7m and £49m. 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 2.2% and 8.2%.

The Council's Five Year Financial Plan 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.

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.

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. 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 is forecast to be depleted in 2021-22.

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 pessimistic forecast of General Reserve balances over the medium term.

<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
26.880	22.143	15.493	13.843	12.793

Earmarked Reserves are not generally available to the Council for use in its budget and Council Tax setting process. They 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.

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**

Undoubtedly the Council has managed the achievement of a balanced budget in a robust and planned manner over the period of the current downturn in general government support for local authority spending. Since the Revenue Budget 2019-20 was compiled, departments have been reassessing their identified savings, with a view to bridging the savings

shortfall. Cross departmental budget savings proposals have also been made. In headline terms the Council has now identified measures which should help achieve substantially all of the budget gap over the medium term. The timescales are important, the majority of any savings need to be achieved in the period up to 31 March 2023, this reflects the desire by the current administration to have a 0% general Council Tax rise in both 2020-21 and 2021-22, as well as deciding not to take the full increase possible in 2019-20.

Further, there is uncertainty over future funding due to changes the Government is committed to making in funding of councils via retained Business Rates and remaining Government grant funding regimes. At present we have no indication of how these technical changes, alongside the results of the next Comprehensive Spending Review, expected in 2020, will affect the Council's funding position. In the absence of other information, we assume that funding for 2021-22 to the end of the FYFP period continues on the same basis, this assumption being consistent with other similar local authorities. In particular, a balanced budget is prevalent on Improved Better Care Funding being available beyond 2020-21.

#### **(j) Five Year Financial Plan (FYFP)**

The Council's FYFP is reviewed and updated at least annually. It was updated and reported to Cabinet on 11 September 2019. The FYFP has been updated and this serves to inform the annual budget setting process. A copy of the FYFP is shown at Appendix Six.

The Government had been committed to introduce a 75% Business Rates Retention Scheme in 2020-21, with an eventual move to 100% retention. As expected, the Government announced in SR 2019 that Business Rates Retention Reform and the Fair Funding Review have been delayed until April 2021.

The FYFP is predicated on the basis that the funding to the Council is in its existing format of 50% Business Rates Retention, as it is difficult to predict the likely impact of the proposed changes to the scheme and the financial impact until further consultation takes place and detailed information is provided by the Government. The FYFP assumes 2% growth year-on-year.

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

- The introduction of 75% and 100% Business Rates Retention is assumed to be fiscally neutral to the Council. There remains a period of consultation between local government and central government to establish a distribution methodology that is fit for purpose, however, local authorities are struggling to set medium term financial plans due to this element of uncertainty.

- The existing allocations of the improved Better Care Fund continue to be paid beyond 2020-21, in line with the Government's intentions.
- There continues to be a consistent rise in business rates growth in the county, however a change in the economic life-cycle or a significant loss of business in the region will impact on the level of business rates income.
- Inflationary increases are managed within existing budgets. The FYFP assumes that inflation will remain at the Government's target of approximately 2% over the medium term.
- A general 2% pay award is assumed for each year of the FYFP. The award for 2019-20 has been agreed. At the time of publication, local government employers were in negotiation with the unions regarding an offer for 2020-21. Any amount over and above 2% will have to be met from within existing budgets.
- NLW increases are assumed to result in independent sector care home fees increasing by no more than £13m in 2021-22 and 2022-23 and £10m thereafter. The 2020-21 increase is estimated to be £12m following the announcement that NLW will increase by 6.21% from April 2021.
- Investment income will remain at 2019-20 levels over the next year, following the UK's planned exit from the European Union on 31 January 2020.

Further significant risks are illustrated below.

## **Business Rates**

The introduction of the Business Rates Retention Scheme in April 2013 has increased the level of financial risk for local authorities as they are now exposed to both the impact of 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.

Other general risks have been identified, which need to be managed effectively. These are:

- The impact on Business Rates income of economic growth rates across the county.
- The district/borough councils' effectiveness in the collection of Council Tax owed.
- Deficits of the collection fund as a result of reduced collection rates for both Council Tax and Business Rates.
- Uncertainty around the level of Business Rates appeals.
- Current economic conditions including inflation levels, interest rates, reduced income from fees and charges.
- The Government's commitment to conducting a fundamental review of Business Rates as a tax, engaging with businesses and local authorities. Presently it is not known how this might affect the Business



Rates Retention system or future Local Government funding arrangements.

## **Children's Social Care**

The Council, along with other local authorities in the country, has expressed concern over the cost pressures associated with the provision of Children's Social Care. Many local authorities, including Derbyshire, and the LGA have urged Government to provide additional funding for the service.

There continues to be increased demand for Children's Social Care in Derbyshire, which is reflected at the national level. More children have had to be placed with external providers rather than in-house foster carers. The number of children in care as a percentage of the child population is below the England national average, however, there is a risk that demand will continue on the same trajectory as that seen in recent years, placing further financial pressure on the service.

The number of children in care nationally has reached a ten year high, rising from 60,900 in 2009, to 78,150 in 2019. In addition to this, there has been a further 139% rise in serious cases at the national level. The level of demand pressures on children's services is unprecedented and is financially unsustainable.

The National Audit Office highlighted in a report published in 2018 that overspends on social care have been the drivers of overall service overspends in single-tier and county councils. Collectively, councils surpassed their Children's Social Care budgets by £714m in 2016-17 in order to protect children at immediate risk of harm, equivalent to 10.4% of budgeted spend for that service. There were overspends in the Council's Young People portfolio in each of the three years from 2016-17. The latest budget monitoring report highlights a projected 2019-20 year-end overspend for Children's Services of £7.1m, before allocation of one-off funding from the Budget Management Earmarked reserve of £1.4m. The service is facing increased demand, including rising numbers of children in care and children in need.

The need for additional support will continue to form part of the sector's lobbying strategy.

## **Schools**

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 High Needs Block is a part of the DSG, which is allocated to local authorities to spend on provision for children and young people with special educational needs and disabilities, from their early years to age

25. For 2019-20, an overspend of around £3m is projected, after the use of earmarked reserves. It is intended to recover this deficit over the life of the Plan. Although High Needs funding has not been announced in full detail for the years beyond 2020-21, the indications are that levels of funding will increase sufficiently to considerably reduce the risk of deficits arising in future years.

- 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.

## **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 £5m 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 4% and 5%. For 2020-21, the increase is 6.21%. 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 an additional £13m each year.

## **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 build 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 new two-year contract.

Work is continuing on the facility to determine its condition and capability. 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.

Funding for the facility had been loaned to RRS by the UK Green Infrastructure Platform and three leading international banks; Sumitomo Mitsui Banking Corporation and Shinsei Bank from Japan and Bayerische Landesbank from Germany. The councils are in negotiations to pay the banks an “estimated fair value” 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.

## **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 street lights has done.

### **(k) Consultation**

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.

A separate report highlighting consultation activity recently undertaken is also on the agenda for consideration at this meeting.

## **3 Legal and Human Rights Considerations**

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.

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 2020-21 budget are relevant in this respect.

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).

A high level equality analysis has been carried out and is included at Appendix Seven. 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.

#### **4 HR Considerations**

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.

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.

#### **5 Equality and Diversity Considerations**

An initial Equality Analysis has been carried out in relation to the Council's proposed Revenue Budget Report 2020-21. 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.

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 Seven. 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.

## **6 Other Considerations**

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, environmental, health, property, social value and transport considerations.

## **7 Background Papers**

Spending Round 2019.

Provisional Local Government Finance Settlement 2020-21 – Department for Communities and Local Government.

Initial budget Equality Impact Assessment.

Papers held in Technical Section, Finance & ICT, Room 137, County Hall.

## **8 Officer's Recommendations**

That Council:

- (i) Notes the details of the Spending Round 2019 and Provisional Local Government Finance Settlement as outlined in sections (b) and (c).
- (ii) Notes the Government's expectations about Council Tax levels for 2020-21 in section (d).
- (iii) Approves the precepts as outlined in section (d) and Appendix Three.
- (iv) Approves that billing authorities are informed of Council Tax levels arising from the budget proposals as outlined in section (d) and Appendix Three.
- (v) Approves the contingency to cover non-standard inflation as outlined in section (f). The contingency to be allocated by the Director of Finance & ICT once non-standard inflation has been agreed.
- (vi) Approves the service pressure items identified in section (g) and Appendix Four.
- (vii) Approves the level and allocation of budget savings as outlined in section (h) and Appendix Five.

- (viii) Notes the Director of Finance & ICT's comments about the robustness of the estimates and adequacy of the reserves as outlined in section (i).
- (ix) Notes the details of the Council's consultation activity as outlined in section (k).
- (x) Approves the Council Tax requirement of £342.663m which is calculated as follows:
- (xi)

	£
<b>Budget Before Pressures and Budget Reductions</b>	<b>524,509,187</b>
Plus Service Pressures – on-going	25,252,320
Plus Adult Social Care Precept	6,653,986
Plus Service Pressures - one-off	14,816,000
Less Budget Reductions	-18,795,000
Increase in Debt Charges	5,500,000
Increase in Risk Management Budget	2,274,928
<b>Net Budget Requirement</b>	<b>560,211,421</b>
Less Top-Up	-94,891,733
Less Business Rates	-20,067,433
Less Revenue Support Grant	-13,737,515
Less New Homes Bonus	-2,325,987
Less General Grant	-61,205,762
Less PFI Grant	-10,503,833
Less Use of Earmarked Reserves	-14,816,000
<b>Balance to be met from Council Tax</b>	<b>342,663,158</b>

- (xii) Authorises the Director of Finance & ICT to allocate cash limits amongst Cabinet portfolios; Executive Directors will then report to Cabinet on the revised service plans for 2020-21.

PETER HANDFORD

Director of Finance & ICT

# Public Appendix One

SERVICE	Adjusted Base £	Funding Changes £	Adjusted 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 2020-21 £
<b>Adult Social Care and Health</b>	242,079,438	0	242,079,438	3,023	242,082,461	2,273,320	6,653,986	-3,784,000	247,225,767	7,210,000	254,435,767
<b>Children's Services</b>	96,607,535	0	96,607,535	9,718	96,617,253	14,836,000	0	-2,350,000	109,103,253	5,836,000	114,939,253
<b>Economy, Transport and Environment</b>	77,399,607	0	77,399,607	5,094	77,404,701	0	0	-1,426,000	75,978,701	470,000	76,448,701
<b>Commissioning, Communities and Policy</b>	64,779,150	0	64,779,150	381,729	65,160,879	400,000	0	-6,235,000	59,325,879	300,000	59,625,879
<b>Service Totals</b>	<b>480,865,730</b>	<b>0</b>	<b>480,865,730</b>	<b>399,564</b>	<b>481,265,294</b>	<b>17,509,320</b>	<b>6,653,986</b>	<b>-13,795,000</b>	<b>491,633,600</b>	<b>13,816,000</b>	<b>505,449,600</b>
Plus Contingency	0	0	0	20,181,000	20,181,000	7,743,000	0	-2,000,000	25,924,000	1,000,000	26,924,000
Plus External Debt Charges	27,771,491	0	27,771,491	0	27,771,491	5,500,000	0	0	33,271,491	0	33,271,491
Plus Risk Management Budget	1,239,402	0	1,239,402	0	1,239,402	2,274,928	0	-3,000,000	514,330	0	514,330
Less Interest Receipts	-5,948,000	0	-5,948,000	0	-5,948,000	0	0	0	-5,948,000	0	-5,948,000
<b>Net Budget Requirement</b>	<b>503,928,623</b>	<b>0</b>	<b>503,928,623</b>	<b>20,580,564</b>	<b>524,509,187</b>	<b>33,027,248</b>	<b>6,653,986</b>	<b>-18,795,000</b>	<b>545,395,421</b>	<b>14,816,000</b>	<b>560,211,421</b>
<b>FUNDED BY:</b>											
Council Tax	329,429,566	13,233,592	342,663,158	0	342,663,158	0	0	0	342,663,158	0	342,663,158
Top Up	93,370,422	1,521,311	94,891,733	0	94,891,733	0	0	0	94,891,733	0	94,891,733
Business Rates	19,194,534	872,899	20,067,433	0	20,067,433	0	0	0	20,067,433	0	20,067,433
Revenue Support Grant	13,517,274	220,241	13,737,515	0	13,737,515	0	0	0	13,737,515	0	13,737,515
New Homes Bonus	2,097,996	227,991	2,325,987	0	2,325,987	0	0	0	2,325,987	0	2,325,987
General Grant	35,814,998	25,390,764	61,205,762	0	61,205,762	0	0	0	61,205,762	0	61,205,762
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	14,816,000	14,816,000
	<b>503,928,623</b>	<b>41,466,798</b>	<b>545,395,421</b>	<b>0</b>	<b>545,395,421</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>545,395,421</b>	<b>14,816,000</b>	<b>560,211,421</b>

## **Response to Provisional Local Government Finance Settlement**



**Peter Handford**  
Director of Finance & ICT

County Hall  
Matlock  
Derbyshire DE4 3AH

Telephone (01629) 538950  
Ask for: Eleanor Scriven  
Our ref: ES/SB  
Date: 15 January 2020

Local Government Finance Settlement Team  
Ministry of Housing, Communities and Local Government  
2<sup>nd</sup> floor, Fry Building  
2 Marsham Street  
LONDON, SW1P 4DF

Dear Sir/Madam

### **Provisional Local Government Finance Settlement 2020-21**

The Council welcomes the opportunity to respond to the Provisional Local Government Finance Settlement 2020-21, details of which were published on the 20 December 2019. The Council's response is set out below.

### **Fair Funding**

The Council is pleased that the 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 2020-21 includes £1.5 billion for adult and children's social care services, including £1 billion of new money. In addition, Councils will have the option to raise up to half a billion pounds more for adult social care, where needed, through additional Council Tax flexibilities.

This response will ease a number of the Council's financial pressures but there still remains a substantial unresolved funding gap between the cost of service demand and the resources available. For example, the increase of 6.21% in the National Living Wage for 2020-21, from £8.21 to £8.72, will lead to an estimated cost pressure of £12m for the Council in 2020-21 in respect of Adult Social Care Independent Sector fees.



As an upper tier authority, the Council is responsible for providing children's social care services, including looked after children, children and families with complex needs, and 'early help' support for families; ensuring the sustainability of our schools provision and providing support for those with special educational needs and disabilities (SEND).

The Council has expressed its concern regarding substantial increases in the cost of children's social care, providing evidence of increased demand in Derbyshire in a letter to the Secretary of State last year. Furthermore, during 2019 the Council has spoken to Derbyshire MPs to reiterate the need for Fair Funding and in July 2019 met with the Secretary of State on this matter. There are particular pressures in relation to providing support to children with SEND and increasing concerns regarding the level of school funding.

Local authorities have been warning that services for children's social care are reaching breaking point, with the LGA estimating that there will be an annual local government funding gap in the region of £8 billion by 2024-25. The CCN commissioned an independent analysis of the funding gap, which concluded that it was higher in the short term (£4.8 billion in 2019-20) than the LGA analysis, but slightly lower in the long term (£6.9 billion in 2024-25). Urgent action is needed to address the children's social care system.

The ADCS Safeguarding Pressures report highlighted that for 2018-19, local authorities had an estimated shortfall of an average of 10.4% in their children's services budget. Set against the 2018-19 published Section 251 budget of £8.03 billion, this would mean an additional £840 million ongoing funding is required, before inflation, simply to maintain current delivery. This is made even more acute given the demand-led nature of these services, which local authorities must fund by law.

Analysis illustrates rising demand for children's services nationally, including:

- an increase of 116% in the number of early help assessments completed between 2013 and 2018, with a 78% increase in initial contacts in the last ten years and a 159% increase in the number of Section 47 enquiries in the same ten year period;
- an increase in the average spend for each Looked After Child from £33,078 in 2012 to £39,099 in 2016, this increase continues; and
- an increase in total spending on residential care for Looked After Children, from £0.99 billion in 2012 to £1.10 billion in 2016, with further pressures predicted.

These pressures have resulted in a number of authorities being left with little choice but to divert funding towards crisis intervention activities, rather than preventative services. The national picture is being reflected in Derbyshire, with substantial strain placed on the children's social care budget. There were overspends in the Council's Young People portfolio in each of the three years from 2016-17 and it is currently forecast to overspend by £7.1 million in 2018-19, despite local investment in children's social care services. Increased demand for services in Derbyshire is highlighted below:

- Children subject to a child protection plan – in 2010-11, there were 554 children that were subject to a child protection plan in Derbyshire (a rate of 35 children per 10,000 population). By the end of 2015-16 this had risen to 738, being 48 children per 10,000 population. This is higher than the England rate of 43 per 10,000 population and higher than the rate of the Council's statistical neighbour benchmarking group, of 41 children per 10,000 population. Since 2015-16, numbers have increased, to an all-time high at the end of 2017-18 in excess of 900 children.
- Special Guardianship Orders (SGO) – the number of children subject to an order has increased year-on-year, from 141 in 2012-13 to 370 in 2016-17. The payments to SGO carers and Child Arrangement Order holders is in itself forecast to create a budget pressure in excess of £1 million during 2019-20.
- Children in Care – whilst the numbers of children in care decreased up to 2015-16, there has been a 20% increase in numbers since that time, with an increase of 130 children over a two year period. The cost of placements for children in care is forecast to create a £4 million budget pressure in 2019-20 for the Council.
- Children with additional needs – the number of children in Derbyshire schools with complex educational needs is estimated to have risen by approximately 30% since 2004. The proportion of pupils with statements or Education Health and Care Plans (3%) has increased since 2010-11 and is higher than averages for England and our statistical neighbour group, both of which have remained stable (2.8%). The proportion of pupils with Special Educational Needs (SEN) support has reduced since 2010-11 but at a slower rate than England and our statistical neighbour group.

Critical front-line services continue to feel the financial strain from increased demand and the present short term funding does not sufficiently address this.

It is vital that additional funding for children's social care is allocated to local authorities as part of the Local Government Finance Settlements and Fair Funding Review and the Council is strongly of the view that any additional funding provided must be on-going, to help local authorities plan their budgets over the medium-term. The Council is disappointed that the Government has not provided further details of the Fair Funding Review or Business Rates Retention review. The Government has committed to introduce the 75% rates retention scheme from April 2021. Therefore, there is now less than twelve months before the publication of the Provisional Local Government Finance Settlement 2021-22, which is a challenging timetable to review and finalise the Government's proposals.

The Council awaits the publication of the social care Green Paper, which will now cover proposals for younger adults, as well as support for older people.

**Question 1: Do you agree with the Government's proposed methodology for the distribution of Revenue Support Grant in 2020-21?**

The Council agrees with the proposed methodology as this provides local authorities with the certainty required for 2020-21 in order to facilitate the setting of budgets within the prescribed timeframes.

The Council would request that the Government provides local government with the funding certainty required over the medium term at the earliest opportunity, following the exit of the UK from the European Union (EU). The pressures faced by local authorities in respect of adults and children's social care are now well-versed. Recent analysis by the County Councils Network outlined the financial pressures being faced by councils, with an estimated £6.1bn more each year being required for adult social care by 2025.

Therefore, it is important that a medium-term funding settlement is provided to support local authorities with a financially sustainable solution to support vital social care services.

**Question 2: Do you agree with the Government's proposal to eliminate negative RSG?**

The Council welcomes the approach to resolving the issue of "negative RSG", which some authorities were again facing in 2020-21, by removing it from the settlement via forgone business rate receipts. The methodology sensibly only affects local authorities who would otherwise have received a negative RSG allocation; with settlement allocations for the remaining local authorities, including the Council, unaffected.

**Question 3: Do you agree with the proposed package of council tax referendum principles for 2020-21?**

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 responsibility to raise up to an additional 2% to support service pressures, in addition to the £1 billion of new funding allocated for social care in 2020-21.

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 4: Do you agree with the Government's proposals for the Social Care Grant in 2020-21?**

The Council welcomes the Government's decision to provide additional funding for social care. 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 both the Fair Funding Review and the delayed Adult Social Care Green Paper are given priority following the EU Exit 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 5: Do you agree with the Government's proposals for iBCF in 2020- 21?**

The Council is pleased to see that the improved Better Care Fund allocations will carry forward into 2020-21, however, local authorities will be expecting confirmation of iBCF funding beyond 2020-21, 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 6: Do you agree with the Government's proposal to fund the New Homes Bonus in 2020-21 with the planned £900 million from Revenue Support Grant, with additional funding being secured from departmental resources, and to allocate the funds in line with previous years but with no legacy payments?**

The New Homes Bonus Scheme (NHB) was intended to encourage local authorities to increase housing growth and reward those authorities accordingly,

with the aim to utilise the funding for local infrastructure to support further housing growth. The reality is that local authorities have, in general, used the funding to support the overall council budget to mitigate funding reductions as a result of austerity measures implemented since 2010.

The Council welcomes the Government decision not to adjust the baseline in 2020-21 to reflect significant housing growth. Adjusting the baseline disproportionately may have penalised some authorities who would have reflected the estimated New Homes Bonus allocations in their medium term financial strategies.

However, the Council is disappointed by the removal of legacy payments on new NHB allocations for 2020-21, which means that the Council's future income from NHB is forecast to decrease by around £0.7m from 2021-22 onwards. The Council would welcome an explanation of the reasoning behind the Government's decision.

It has yet to be demonstrated whether the NHB has had the Government's planned incentive effect and has resulted in significant behavioural change. 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.

The Council would welcome a review of the New Homes Bonus funding as part of the Fair Funding Review and considers that the funding allocated for New Homes Bonus, the £900m top-sliced from RSG at the inception of the Scheme, should be allocated on the basis of need.

**Question 7: Do you agree with the Government's proposed approach to paying £81 million Rural Services Delivery Grant in 2020-21 to the upper quartile of local authorities, based on the super-sparsity indicator?**

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 8: Do you have any comments on the impact of the proposals for the 2020-21 settlement outlined in this consultation document on persons who share a protected characteristic, and on the draft equality statement published alongside this 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 in respect of increasing the Council Tax referendum threshold from the previous 2% to 3% has been welcomed, 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.

Yours faithfully

A handwritten signature in black ink, appearing to read 'P Handford'.

Peter Handford  
Director of Finance & ICT

## Council Tax

### Taxbase

	<b>Equivalent Band D Properties 2019-20</b>	<b>Equivalent Band D Properties 2020-21</b>	<b>Change %</b>
Amber Valley	39,539.86	39,909.63	0.94
Bolsover	21,982.87	22,169.60	0.85
Chesterfield	29,000.63	29,181.08	0.62
Derbyshire Dales	28,914.13	29,828.68	3.16
Erewash	32,988.80	33,699.90	2.16
High Peak	30,575.00	30,970.00	1.29
North East Derbyshire	30,957.85	31,263.33	0.99
South Derbyshire	33,302.00	34,474.00	3.52
	<b>247,261.14</b>	<b>251,496.22</b>	<b>1.71</b>

### Collection Fund

	<b>2019-20 £</b>	<b>2020-21 £</b>
Amber Valley	411,922	570,802
Bolsover	0	-450,631
Chesterfield	-20,135	693,096
Derbyshire Dales	55,932	512,434
Erewash	14,706	541,691
High Peak	490,190	458,170
North East Derbyshire	647,232	397,090
South Derbyshire	733,500	587,200
	<b>2,333,347</b>	<b>3,309,852</b>

### Council Tax Amounts

<b>Band</b>	<b>2019-20 £</b>	<b>2020-21 £</b>	<b>General Increase £</b>	<b>ASC Increase £</b>	<b>Total Increase £</b>	<b>Number of Properties</b>
<b>A</b>	881.92	899.56	0.00	17.64	17.64	135,240
<b>B</b>	1,028.91	1,049.49	0.00	20.58	20.58	82,060
<b>C</b>	1,175.89	1,199.41	0.00	23.52	23.52	60,600
<b>D</b>	1,322.88	1,349.34	0.00	26.46	26.46	40,340
<b>E</b>	1,616.85	1,649.19	0.00	32.34	32.34	24,640
<b>F</b>	1,910.83	1,949.05	0.00	38.22	38.22	12,160
<b>G</b>	2,204.80	2,248.90	0.00	44.10	44.10	6,940
<b>H</b>	2,645.76	2,698.68	0.00	52.92	52.92	550
						<b>362,530</b>

**Precept Amounts**

	<b>Amount Collected £</b>	<b>Collect Fund Surplus/ (Deficit) £</b>	<b>Amount Actually Due £</b>
Amber Valley	53,851,564	570,802	54,422,366
Bolsover	29,914,275	-450,631	29,463,644
Chesterfield	39,375,128	693,096	40,068,224
Derbyshire Dales	40,248,960	512,434	40,761,394
Erewash	45,472,542	541,691	46,014,233
High Peak	41,788,986	458,170	42,247,156
North East Derbyshire	42,184,787	397,090	42,581,877
South Derbyshire	46,517,064	587,200	47,104,264
	<b>339,353,306</b>	<b>3,309,852</b>	<b>342,663,158</b>



## Service Pressures

### **Social Care Contingency – Total £5,000,000 ongoing contingency**

The demand pressures on the Council's budgets and the financial pressures associated with this have been highlighted throughout this report. Children's social care, in particular, has experienced rising demand for its services in recent years. If this trend continues on the same path, it is likely that there will be increased costs again in 2020-21. In such circumstances, the Head of Paid Service and Director of Finance & ICT will be responsible for making the decision on the allocation of budgets.

### **Adult Social Care and Health – Total - £8,927,000 ongoing, £2,743,000 ongoing contingency, £7,210,000 one-off**

#### **Demographic Growth - £4,500,000 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.

#### **Winter Pressures - £3,627,000 ongoing**

The Government provided £240 million in 2019-20 through a Winter Pressures Grant which was ringfenced for use by local authorities to alleviate winter pressures on the NHS. In 2020-21, this £240 million will not be ringfenced for that purpose and will instead be rolled into the iBCF; allocated using the existing Adult Social Care Relative Needs Formula, as in 2019-20.

#### **Implementation of a New Pathway - £4,210,000 one-off**

This funding is required to implement the recommendations of the Newton Europe review. The implementation of the revised pathway is expected to save £21m over the next three years. This is part of a four-year transformation programme that will seek to promote greater independence for older people in Derbyshire.

#### **Transforming Care Programme - £800,000 ongoing**

Thirty clients in long stay hospitals will need to be transferred to Social Care provision, as part of the Transforming Care Programme to transfer services from the NHS to the Council.

#### **Learning Disability Short Term Breaks - £543,000 ongoing**

As part of the Transforming Care Programme it has been agreed to move forward with a closure programme relating to five NHS funded short break units. This service is to transfer to the Council and discussions are underway with the NHS, which should establish the cost. This amount would be held in

Contingency budgets until the cost is known.

**Homes for Older People - £3,000,000 one-off**

Due to significant pressures around maintenance within our older persons care homes this bid will support the ongoing maintenance and associated costs attributed to the works required.

**Continuing Health Care - £2,200,000 ongoing**

Following a review of Continuing Health Care clients using a Continuing Health Care/Joint Funding Matrix to determine the threshold of needs between the NHS and social care, there is expected to be a year-on-year increase in costs. Discussions are underway with the NHS, which should establish the additional cost. This amount would be held in contingency budgets until the cost is known.

**Children's Services – Total - £14,836,000 ongoing, £5,836,000 one-off**

**Social Workers - £1,300,000 ongoing, £1,300,000 one-off**

A new structure for social workers has increased the number of established posts. The funding for this new structure was agreed in 2018-19 and is transferring into the base budget of Children's Services over four years. This bid continues with the plan as previously set out in the Five Year Financial Plan.

**Child Carer Allowances - £100,000 ongoing**

To recognise the value provided by foster carers to the Council, it is proposed that their allowances are increased by inflation from 1 April 2020.

**Develop Quality Assurance Practices - £214,000 one-off**

Additional capacity is required to support improvement priorities identified as a result of the recent Ofsted inspection. There is a demand to develop and implement effective quality assurance and performance management activities and approaches.

**Resources to Implement New Pathway - £108,000 one-off**

To provide programme direction and front line service input to assist with work being led by Adult Social Care, required on the life-long disability pathway programme. The goal is to move to a culture where disabled people are encouraged to live as independently as possible and this requires a change in approach.

**Leaving Care Services - £498,000 one-off**

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. This reflects the additional cost of service provision.

**Agency Placements - £8,000,000 ongoing**

The increase in the number and complexity of children being taken into care has meant that more children have to be placed with external providers rather than in-house provision. This has led to an increase in costs. This is an estimate of the additional cost in 2020-21 of expected placements based on current levels of demand. If trends continue into 2020-21, costs are likely to increase further. This increase in demand is being experienced nationally.

**Section 17 and Pre-Placement Expenditure - £1,000,000 one-off**

Under Section 17 of the Children's Act, the local authority has a duty "to safeguard and promote the welfare of children in need through promoting the upbringing of children by their families". This includes providing financial assistance to do so. Demand has been rising as a result of an increased number of referrals and increased identification of children that meet the threshold of children in need.

**Special Guardianship Orders (SGO) and Child Arrangement Allowances - £336,000 ongoing**

The Council provides means tested financial support towards the cost of caring for a child under Special Guardianship or Child Arrangement Orders. The number of children whose carers are in receipt of these payments has been increasing steadily for a number of years. This reflects the additional cost of providing the allowances.

**Elective Home Education - £207,000 one-off**

There has been a significant increase in the number of young people being electively home educated. The request for funding is to enable the Council to meet its statutory function and to enable the Council to be more proactive at the point that parents indicate they are considering elective home education.

**Special Needs Transport - £1,000,000 ongoing, £971,000 one-off**

The SEND Home to School Transport budget has faced significant budget pressures for a number of years. Actual numbers and proportion 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 young people that are post 16. In addition, Derbyshire special schools have been increasing the number of pupils they take. This reflects the additional cost of service provision.

**Special Needs Service - £600,000 ongoing**

The demands on the service for the foreseeable future are such that there is no scope to reduce expenditure and meet statutory duties. The pressure bid

is therefore to increase budget to the current level of expenditure.

**Child Protection Services - £500,000 ongoing**

The number of children subject to a child protection plan in Derbyshire has increased over the last three years and the number of children in care has been increasing. There is a shortfall in funding to current levels of spend and additional funding is required to ensure the service is able to deliver within the expected timeframes and to expected levels.

**Legal Costs - £1,100,000 one-off**

The number and the complexity of children in care proceedings is increasing. 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.

**Future Demand for Services - £3,000,000 ongoing**

Demand experienced within Children's Services in recent years is likely to continue and therefore it is likely that costs will continue to increase during 2020-21. This will principally affect the areas of Child Protection Service staffing, placements for looked after and other accommodated children, including complex cases, and children who are electively home educated.

**Service Transformation - £438,000 one-off**

The Children's Services department is facing unprecedented demand for its services. A recent Ofsted inspection identified a number of areas where Children's Services provision required improvement. As a result, the department has identified a number of areas where there will need to be either a reduction in costs and/or an improvement in service provision. This work will be co-ordinated within the department for a fixed term.

**Commissioning, Communities and Policy – Total – £400,000 ongoing, £300,000 one-off**

**Legal Services Child Care Cases - £300,000 one-off**

In the context of a rising number of child care cases, there is an objective of reducing Children's Services' spend on external legal services. Legal Services is intending to introduce a new model of delivery based on core offer in January 2020 and this should over time help to stabilise costs.

**ICT Strategy - £200,000 ongoing**

The ICT Strategy was approved by Cabinet in July 2018. Included within the ICT Strategy was the need to increase the ICT Budget by £1.000m, to assist

with the delivery of priorities, at a rate of £0.200m each year, over the five year ICT Strategy period.

**Climate Change - £200,000 ongoing**

The Council published its Climate Change Manifesto in May 2019. Resource is required to ensure the Council can take forward work across the Council and deliver identified priorities.

**Economy, Transport and Environment – Total - £470,000 one-off**

**Ash Dieback - £270,000 one-off**

Ash Dieback 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 Dieback 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. It is considered likely that this funding will turn into a multi-year commitment once evaluation work has been performed.

**Elvaston Castle Masterplan - £200,000 one-off**

Cabinet approved the Elvaston Castle Masterplan on 20 December 2018, following a public consultation exercise. A business case is being prepared for capital investment to deliver the Masterplan, which requires preliminary studies, assessments and design work to identify the costs, requirements and potential income.

## **BUDGET SAVINGS PROPOSALS 2020-21**

### **Adult Social Care and Health – Total - £1,100,000**

#### **Whole life disability pathway - £498,000**

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 children and adults living with a disability across the whole county. This will include enabling younger people preparing for adulthood to develop and realise their aspirations and ambitions for adult life.

#### **Older Adult's pathway - £602,000**

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 through the implementation of consistent strength-based and outcome-focussed assessments and reviews.

### **Children's Services – Total - £2,350,000**

#### **Improved efficiency – £230,000**

Children's Services will continue with actions to improve use of resources such as rationalising management structures, making effective use of new technologies, regional partnerships and continuing to improve working processes.

#### **Placements for children unable to live at home – £450,000**

Children's Services will continue with actions to ensure cost-effective placement arrangements for those children that are unable to remain with their birth family. These will include ensuring effective use of both Derbyshire provided placements and those placements provided by other agencies. In addition, the Care Leavers service will work with young people from the age of 15 to ensure they are well-prepared for their transition to adulthood.

#### **Continuation of already announced actions in respect of Early Help Services – £167,000**

The Council, in conjunction with its partnership agencies, is in the process of completing a major review of early help provision for vulnerable children and their families.

**Continuation of already announced actions in respect of Services for Teenagers – £162,000**

Savings can be achieved by taking away centralised and back office management functions.

**Continuation of already announced actions in respect of Donut Creative Arts Centre – £81,000**

The Council will negotiate with other providers to take over the running of the centre, reducing the need for direct staffing and day-to-day running costs.

**Continuation of already announced actions in respect of Outdoor education – £130,000**

The Council's outdoor education service will continue to reduce its net costs by widening the facilities available to schools and families and at weekends, for example weddings, functions and camping, to generate additional income and will review its charges to help deliver cost reductions.

**Continuation of already announced actions in respect of Special Educational Needs and Disabilities (SEND) – £39,000**

The Council's educational psychology service will further reduce its net cost by increasing income generation.

**Continuation of already announced actions in respect of preventing newborn children being taken into care – £143,000**

The Council will be working with a partner organisation to support women with the aim of avoiding the need to take newborn children into care because of safeguarding concerns.

**Continuation of already announced actions in respect of a combined Children's Safeguarding Board with Derby City – £25,000**

Delivery of previously planned actions to reduce duplication and delivery economies of scale through shared arrangements with other Local Authorities.

**Disabled Children's Services – £300,000**

There will be a review of Disabled Children's Services to ensure that the provision Derbyshire offers remains appropriate for the need across the county and that there is equity in access to support. Additionally, the Council will ensure that services and provision support and prepare young people and their families as they approach adulthood.

**Home to School Transport – £70,000**

The Council will continue to seek efficiencies in its provision of transport to all pupils to ensure that there is equity across the county. This includes ceasing transport that is not provided for a statutory reason and reviewing the level of subsidy provided to the Council where transport is non-statutory and a contribution is made. It also includes looking at ways of working with parents and carers to help them take their own child to school where it is cost-effective

to do so or where there is a statutory responsibility on the parent/carer to take their child to school.

**Back office costs – £538,000**

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.

**Youth Council – £15,000**

The operation of the Youth Council will be reviewed to ensure the offer remains relevant and appropriate for young people.

**Economy, Transport and Environment – Total - £1,576,000**

**Waste – £230,000**

The cost of disposing of waste will be reduced through restricting use of household waste recycling centres by businesses and people who live outside Derbyshire.

**Public Transport – £450,000**

Following the additional investment in 2017, the amount the Council spends on subsidised bus services will reduce. This will be achieved by re-tendering services to get a better price and by reviewing some services to make sure they are still being used.

**Countryside Service – £400,000**

The Council is looking for a combination of alternative sources of funding to generate income through commercial activity or to reduce the cost of this service.

**Staffing – £258,000**

Staff budgets will be reduced by identifying other sources of income to pay for staff costs.

**b\_line – £88,000**

The Council will no longer provide a public transport discount card for young people, although some operators will continue to provide discounted rates on their trains and buses.

**Budget Challenge - £150,000**

Budget challenge across the department to identify additional savings that do not impact on services delivered to the public.



**Commissioning, Communities and Policy – Total – £6,235,000**

**Administration and employee savings – £2,081,000**

The number of staff in finance and ICT, communications, human resources, policy, trading standards and community safety will be reduced by not replacing some people when they leave and by restructuring services. Back office costs will also be regularly reviewed. There are also a number of new initiatives, such as channel shift, and procurement exercises being carried out to reduce costs.

**Insurance reductions – £350,000**

This money will be saved by reducing the contribution to the insurance fund, which means the Council accepting a higher level of risk against the fund.

**Interest receipts – £250,000**

By managing the Council's cash balances in a more pro-active manner, it is anticipated that this would increase interest receipts. One way that this could be achieved is by looking to invest in longer term, pooled funds which would generate a higher return.

**ICT – £275,000**

Existing IT contracts and systems will be reviewed and the Council will seek to rationalise the number of systems in use across the authority.

**Property Services – £1,893,000**

The Council will reduce running costs by rationalising its land and property and releasing the resulting surplus assets. Fees will also be generated from capital schemes.

**Legal services – £375,000**

A new delivery model will be introduced to manage the demand for Legal Services across the Council.

**Additional income – £278,000**

The Council will look to raise additional income, e.g. by charging for advertising, increasing income from the Registration Service and the Derbyshire Business Centre and by introducing a charge for the free training currently provided by Community Safety.

**Trade Union (TU) Facilities Time – £50,000**

The Council is looking to reduce its expenditure on TU Facilities to bring the Council in line with similar county councils which have the lowest percentage of TU Facility Time as a proportion of their pay bill.

**Libraries – £320,000**

The multi-year programme to transfer 20 libraries to community management, together with regularly reviewing staffing levels and opening hours, will continue, as well as the review of the Mobile Library Service.

**Arts – £208,000**

The Council will look at alternative ways to deliver the arts service and also review the current arrangements for awarding grants to organisations.

**Buxton Museum – £70,000**

In line with the proposals to transfer libraries to community management the Council will investigate using volunteers to help to deliver services at Buxton Museum.

**Derbyshire Record Office – £60,000**

Opening hours and staffing levels will be reviewed.

**Trading Standards – £25,000**

Further efficiencies will be found from the trading standards budget.

## **BUDGET SAVINGS PROPOSALS 2021-22**

### **Adult Social Care and Health – Total - £7,607,000**

#### **Continuation from 2020-21 Schemes:**

Whole life disability pathway and assistive technology - £1,709,000

Older people's pathway and assistive technology - £5,748,000

#### **Review other prevention services - £150,000**

Efficiency savings in the welfare benefits service.

### **Children's Services – Total – £1,972,000**

#### **Continuation from 2020-21 Schemes:**

Improved efficiency – £290,000

Disabled Children's Services – £1,000,000

Back office costs – £266,000

Outdoor Education – £130,000

Preventing newborn children being taken into care – £286,000

### **Economy, Transport and Environment – Total - £2,013,000**

#### **Waste – £230,000**

The cost of disposing of waste will be reduced through restricting use of household waste recycling centres by businesses and people who live outside Derbyshire.

#### **Staff Budgets: Economy & Regeneration – £330,000; Environment - £64,200; Highways – £636,500; Resources & Improvement – £427,300**

The number of staff will be reduced by not replacing some people when they leave, staff reorganisations and looking for other sources of income to pay for staff costs.

**Highway Agency Agreements – £150,000**

The Council will reduce the cost of highway maintenance work carried out on its behalf by other organisations.

**Parking Services – £25,000**

The Council will save money by managing its on street parking service differently.

**Digital Derbyshire – £150,000**

The team responsible for ensuring superfast broadband is available across the county will be funded from the Council's reserves instead of a revenue budget.

**Commissioning, Communities and Policy - Total - £2,586,000**

**Continuation from 2020-21 Schemes:**

**Administration and employee savings – £832,000**

The number of staff in finance and ICT, communications, human resources, policy, community safety and trading standards will be reduced by not replacing some people when they leave and by restructuring services. Back office costs will be regularly reviewed. There are also a number of new initiatives and procurement exercises being carried out to reduce costs.

**Insurance reductions – £200,000**

Further money will be saved by reducing the contribution to the insurance fund, which means the Council accepting a higher level of risk against the fund.

**Interest receipts – £250,000**

By managing the Council's cash balances in a more pro-active manner, it is anticipated that this would increase interest receipts.

**ICT – £256,000**

The Council will continue to review its existing IT contracts and systems and seek to rationalise the number of systems in use across the Council.

**Property Services – £619,000**

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.

**Legal services – £223,000**

The new delivery model will be utilised to manage the demand for Legal Services across the Council.

**Libraries – £206,000**

The multi-year programme to transfer some libraries to community management, and the review of staffing levels and opening hours, will continue.

## **BUDGET SAVINGS PROPOSALS 2022-23**

### **Adult Social Care and Health – Total - £8,727,000**

#### **Continuation from 2020-21 Schemes:**

Whole life disability pathway and assistive technology - £1,972,000

Older people's pathway and assistive technology - £6,755,000

### **Children's Services – Total - £786,000**

#### **Continuation from 2020-21 Schemes:**

Improved efficiency – £143,000

Disabled Children's Services – £300,000

Preventing newborn children being taken into care – £143,000

Back office costs – £200,000

### **Economy, Transport and Environment – Total - £2,220,000**

#### **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.

#### **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 – £2,000,000**

Additional income will be generated from making better use of the Council's assets by delivering a major improvement plan for the highways service.

## **BUDGET SAVINGS PROPOSALS 2023-24**

### **Adult Social Care and Health – Total - £3,669,000**

#### **Continuation from 2020-21 Schemes:**

Whole life disability pathway and assistive technology - £1,674,000

Older people's pathway and assistive technology - £1,995,000

### **Children's Services – Total – £200,000**

#### **Continuation from 2020-21 Schemes:**

Back office costs – £200,000

### **Economy, Transport and Environment – Total - £2,220,000**

#### **Continuation from 2022-23 Schemes:**

Elvaston Castle and Country Park – £120,000

### **Waste – £2,100,000**

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

## **BUDGET SAVINGS PROPOSALS 2024-25**

### **Adult Social Care and Health – Total - £187,000**

#### **Continuation from 2020-21 Schemes:**

Whole life disability pathway and assistive technology - £187,000

### **Economy, Transport and Environment – Total - £120,000**

#### **Continuation from 2022-23 Schemes:**

Elvaston Castle and Country Park – £120,000

## **BUDGET SAVINGS PROPOSALS 2025-26**

### **Economy, Transport and Environment – Total - £120,000**

#### **Continuation from 2022-23 Schemes:**

Elvaston Castle and Country Park – £120,000



## **BUDGET SAVINGS PROPOSALS – CROSS DEPARTMENTAL**

Work has taken place to identify possible savings from the following sources over the life of the Five Year Financial Plan.

### **Risk Management Budget - £3,000,000**

Through tight control of costs it has been possible to release back, for Council-wide use, amounts no longer required by, principally, the Adult Care and Social Health Department. It is proposed to utilise this sum in 2020-21.

### **Pension Contributions - £1,000,000**

It is proposed that the Council pay –upfront – its whole expected pension contribution to the Pension Fund in one payment during 2020-21. This will then generate a longer term saving from saving from the enhanced rates of return available to fund.

### **Revenue Contribution to Capital - £1,000,000**

There is an opportunity in 2020-21 to release a sum of revenue base budget that is used to finance capital, by funding the capital expenditure from borrowing instead.

### **Procurement Strategy**

As part of the implementation of the Council's Procurement Strategy it has become clear that further opportunities for savings exist. It is proposed that a reasonable expectation for further savings is possible at around the £3m level.

<b>FIVE YEAR FINANCIAL PLAN for 2020-21 to 2024-25</b>					
	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>FUNDING</b>					
<b>Business Rates and Government Grants</b>					
Business Rates	20.067	20.408	20.755	21.108	21.467
Top-Up	94.892	96.505	98.146	99.814	101.511
Revenue Support Grant	13.738	13.738	13.738	13.738	13.738
Improved Better Care Fund	34.681	34.681	34.681	34.681	34.681
New Homes Bonus	2.326	1.600	1.600	1.600	1.600
General Grant	26.524	26.524	26.524	26.524	26.524
PFI Grant	10.504	10.504	10.504	10.504	10.504
<b>Sub Total</b>	<b>202.732</b>	<b>203.960</b>	<b>205.948</b>	<b>207.969</b>	<b>210.025</b>
Council Tax	342.663	346.444	358.602	371.190	384.223
Use of Balances	14.816	3.200	2.000	2.000	2.000
<b>TOTAL FUNDING</b>	<b>560.211</b>	<b>553.604</b>	<b>566.550</b>	<b>581.160</b>	<b>596.248</b>
<b>EXPENDITURE:</b>					
Base Budget	503.929	545.395	550.404	564.550	579.160
Price Inflation	0.400	0.000	0.000	0.000	0.000
Pay Award (including Living Wage)	5.403	5.495	5.592	5.751	6.767
Contingency for Price Increases	14.778	13.000	13.000	10.000	10.000
Debt Charges	1.000	-1.500	0.000	0.000	0.000
MRP adjustment	4.500	-3.500	7.000	0.000	0.000
Ongoing Service Pressures (see below)	31.906	7.300	6.000	6.000	5.000
<b>Budget Savings Identified</b>	<b>-18.795</b>	<b>-16.541</b>	<b>-12.726</b>	<b>-4.280</b>	<b>-0.307</b>
Risk Management Budget	2.275	0.755	-1.269	0.000	0.000
	<b>545.396</b>	<b>550.404</b>	<b>568.001</b>	<b>582.021</b>	<b>600.620</b>
<b>One-off Expenditure:</b>					
One-off Revenue Support	13.816	2.000	2.000	2.000	2.000
Contingency for Other One-off Revenue Bids	1.000	0.000	0.000	0.000	0.000
Elections	0.000	1.200	0.000	0.000	0.000
	<b>14.816</b>	<b>3.200</b>	<b>2.000</b>	<b>2.000</b>	<b>2.000</b>
<b>Further Budget Savings Required</b>	<b>0.000</b>	<b>0.000</b>	<b>-3.451</b>	<b>-2.862</b>	<b>-6.372</b>
<b>TOTAL EXPENDITURE</b>	<b>560.211</b>	<b>553.604</b>	<b>566.550</b>	<b>581.160</b>	<b>596.248</b>
<b>Ongoing Base Budget</b>	<b>545.395</b>	<b>550.404</b>	<b>564.550</b>	<b>579.160</b>	<b>594.248</b>

<b>Assumptions</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Price Inflation	1.90%	2.00%	2.00%	2.00%	2.00%
Pay Award	2.00%	2.00%	2.00%	2.00%	2.00%
Business Rate Growth	4.54%	2.00%	2.00%	2.00%	2.00%
Top Up RPI	1.70%	1.70%	1.70%	1.70%	1.70%
Council Tax Increase	2.00%	0.00%	2.00%	2.00%	2.00%
Taxbase Increase	1.71%	1.50%	1.50%	1.50%	1.50%
Taxbase	251,496	255,269	259,098	262,984	266,929
Collection Fund Position (£m)	3.310	2.000	2.000	2.000	2.000
Council Tax (£/Band D)	1,349.34	1,349.34	1,376.32	1,403.85	1,431.93
<b>Ongoing Service Pressures</b>					
Adult Care Demographics	4.500	5.000	5.000	5.000	5.000
Winter Pressures	3.627	0.000	0.000	0.000	0.000
Transforming Care Programme	0.800	0.000	0.000	0.000	0.000
LD Short Term Breaks Contingency	0.543	0.000	0.000	0.000	0.000
Continuing Health Care Contingency	2.200	0.000	0.000	0.000	0.000
Social Care Contingency	5.000	0.000	0.000	0.000	0.000
Child Carer Allowances	0.100	0.000	0.000	0.000	0.000
Agency Placements	8.000	0.000	0.000	0.000	0.000
SGO and Child Arrangement Allowances	0.336	0.000	0.000	0.000	0.000
Special Needs Transport	1.000	0.000	0.000	0.000	0.000
Special Needs Service	0.600	0.000	0.000	0.000	0.000
Child Protection Services	0.500	0.000	0.000	0.000	0.000
Future Demand for Services	3.000	0.000	0.000	0.000	0.000
Pension Fund	0.000	0.000	0.000	1.000	0.000
Children's Services Demographics	0.000	1.000	1.000	0.000	0.000
Children's Social Care Recruitment Remodelling	1.300	1.300	0.000	0.000	0.000
ICT Strategy	0.200	0.000	0.000	0.000	0.000
Climate Change	0.200	0.000	0.000	0.000	0.000
	<b>31.906</b>	<b>7.300</b>	<b>6.000</b>	<b>6.000</b>	<b>5.000</b>
<b>One-Off Pressures</b>					
Implementation of New Pathway	4.210	0.000	0.000	0.000	0.000
HOPS Vacation	3.000	0.000	0.000	0.000	0.000
Social Workers	1.300	0.000	0.000	0.000	0.000
Develop Quality Assurance Practices	0.214	0.000	0.000	0.000	0.000
Resources to Implement New Pathway	0.108	0.000	0.000	0.000	0.000
Leaving Care services	0.498	0.000	0.000	0.000	0.000
S17 and Pre-Placement Expenditure	1.000	0.000	0.000	0.000	0.000
Elective Home Education	0.207	0.000	0.000	0.000	0.000
Special Needs Transport	0.971	0.000	0.000	0.000	0.000
Legal Costs	1.100	0.000	0.000	0.000	0.000
Service Transformation	0.438	0.000	0.000	0.000	0.000
Legal Services Child Care Cases	0.300	0.000	0.000	0.000	0.000
Ash Die-Back	0.270	0.000	0.000	0.000	0.000
Elvaston Castle Master Plan	0.200	0.000	0.000	0.000	0.000
	<b>13.816</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>



# Derbyshire County Council

## Equality Impact Analysis Record Form

### Derbyshire County Council Revenue Budget 2020/21

Department	ALL
Service Area	ALL
Title of policy/ practice/ service of function	<b>REVENUE BUDGET FOR 2020/21</b>
Chair of Analysis Team	Paul Stone, Assistant Director of Finance (Financial Management)

#### Stage 1. Prioritising what is being analysed

- Why has the policy, practice, service or function been chosen?
- 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 for local people. 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 not 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 ways of changing or cutting services and other activities to stay within budget.

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 2020/21 vary in scale enormously, between a few million pounds and several thousand pounds. 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. A number of services are due to identify budget reductions over longer than the period covered by this analysis – 2020/21.

## Stage 2. The team carrying out the analysis

<b>Name</b>	<b>Area of expertise/ role</b>
(Paul Stone (Chair)	Assistant Director of Finance (Financial Management)
Simon Hobbs	Director of Legal Services
John Cowings	Senior Policy Officer, Equalities
Angela Glithero	Assistant Director, Resources and Improvement, ETE
Julie Vollar	Assistant Director, Commissioning and Performance, Adult Social Care and Health
Karen Gurney	Finance Manager, Children's Services
Don Gibbs	Director, Community Services and Commissioning

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

This analysis will examine:

1. The proposed Revenue Budget for Derbyshire County Council for 2020/21
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 savings of approximately £19 million in 2020/21, with expenditure at £560 million for the financial year. Over the period of the FYFP, savings of approximately £60m 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 for 202/021 include:

#### **Adult Social Care & Health**

- Demographic Growth - £4.500m
- Independent Sector Fees Increases - £9.000m
- Winter Pressures - £3.627m
- Implementation of New Pathway - £4.210m
- Transforming Care Programme - £0.800m
- Learning Disability – Short Term Breaks - £0.543m
- Homes for Older People Vacation - £3.000m
- Continuing Health Care - £2.200m
- 

***Total for Adult Social Care & Health = £27.880m***

#### **Children's Services**

- Social Workers - £2.600m
- Child Carer Allowances - £0.100m
- Develop Quality Assurance Practices - £0.214m
- Resources to Implement New Pathway - £0.108m
- Leaving Care Services - £0.498m

- Agency Placements - £8.000m
- Section 17 and Pre-Placement Expenditure - £1.000m
- Special Guardianship and Child Arrangement Allowances - £0.336m
- Elective Home Education - £0.207m
- Special Needs Transport - £1.971m
- Special Needs Service - £0.600m
- Child Protection Services - £0.500m
- Legal Costs - £1.100m
- Future Demand for Services - £3.000m
- Service Transformation - £0.438m

**Total for Children's Services = £20.672m**

**Commissioning, Communities and Policy (CCP)**

- Legal Services Child care Cases - £0.300m
- ICT Strategy - £0.200m
- Climate Change - £0.200m

**Total for CCP = £0.700m**

**Economy, Transport & Environment**

- Ash Die-Back £0.270m
- Elvaston Castle Masterplan - £0.200m
- Street Lighting Energy Inflation - £0.278m

**Total for ETE = £0.748m**

**Totals for DCC in 2020/21 = £50.00m**

## Stage 4. Data and consultation feedback

### a. Sources of data and consultation used

<b>Source</b>	<b>Reason for using</b>
Council Budget Report – February 2020	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
Derbyshire County Council Budget Consultation 2019/20 (conducted in November/ December 2018)	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

<b>Source</b>	<b>Reason for using</b>
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?

<b>Protected Characteristic</b>	<b>Findings</b>
<b>Age</b>	<p>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 general public use but which, if altered, can specifically lead to implications for people of different ages, such as public transport, libraries and consumer protection.</p> <p>The proposals for 2020/21 include important proposed changes that will impact upon people on grounds of their age.</p> <p><u>Older people</u></p> <p>The budget proposed for 2020/21 includes a number of possible savings that could further affect older people, carers and families, including:</p> <ul style="list-style-type: none"> <li>• Whole life disability pathway (£0.498m)</li> <li>• Older Adult's pathway (£0.602m)</li> </ul> <p>For older people the most obvious proposals which could result in an adverse impact could come from the Older Adult's pathway, the re-organisation of Library services and changes to public transport.</p>



	<p>An EIA was undertaken in relation to the pathway redesign which was completed in July 2019.</p> <p>In relation to the proposed changes to direct care home provision (which is the subject of a separate report to Cabinet on the 23<sup>rd</sup> January) it is recognised that these proposals potentially affect older and disabled people in particular. These proposed changes will therefore be further examined in a full EIA, subject to the proposals made in the report being approved for consultation.</p> <p>The remaining services which are listed could also result in reduced service, access to service or support for older people being curtailed, and reduce the quality of life for older people in Derbyshire.</p> <p><u>Children and families</u></p> <p>The budget for 2020/21 will include a number of significant savings proposals which could affect children, young people, carers and families including:</p> <ul style="list-style-type: none"> <li>• Placements for children unable to live at home (£0.450m)</li> <li>• Early Help Services (£0.167m)</li> <li>• Donut Creative Arts Centre (£0.081m)</li> <li>• Outdoor education (£0.130m)</li> <li>• Special Educational Needs (£0.039m)</li> <li>• Preventing newborn children being taken into care (£0.143m)</li> <li>• Disabled Children's Services (£0.300m)</li> <li>• Home to School Transport (£0.070m)</li> <li>• Youth Council (£0.015m)</li> </ul> <p>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.</p> <p>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.</p> <p><u>Potential for impact on older workers within the Council</u></p>
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	<p>A number of proposals will include restructuring of staffing teams, although details are not available at this level of the budget.</p> <p>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.</p> <p>The proposals for 2020/21 include a number where restructuring will take place, leading to the potential for workers to face redundancy. This could impact significantly on older workers, especially older female workers.</p>
<b>Disability</b>	<p>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.</p> <p>The budget proposals for 2020/21 include a number of savings proposals which could affect disabled people, adults and children, carers and the families of disabled people, including:</p> <ul style="list-style-type: none"> <li>• Whole life disability pathway (£0.498m)</li> <li>• Older Adult's pathway (£0.602m)</li> <li>• Outdoor education (£0.130m)</li> <li>• Special Educational Needs (£0.039m)</li> <li>• Disabled Children's Services (£0.300m)</li> <li>• Home to School Transport (£0.070m)</li> <li>• Public Transport (£0.450m)</li> <li>• b_line (£0.088m)</li> <li>• Administration and employee savings (£2.081m)</li> <li>• Libraries (£0.320m)</li> </ul>

	<ul style="list-style-type: none"> <li>• Arts (£0.208m)</li> <li>• Buxton Museum (£0.070m)</li> <li>• Derbyshire Records Office (£0.060m)</li> </ul> <p>In particular the proposals in relation to people with learning disabilities could result in some people who currently use the service receiving a reduced or changed service. This is likely to impact adversely on people who currently rely upon the Council's services or support, and the families/ carers of people with learning disabilities. This particular review will be examining current day-care provision and could lead to some geographical locations being adversely affected, although it could also lead to improved access in others.</p> <p>Savings in relation to public transport have been identified. Further information will need to be reviewed if reductions in demand continue, as this would suggest that older and disabled people could become less mobile and experience further difficulties accessing local services.</p> <p><u>Disabled workers</u></p> <p>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.</p> <p>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.</p>
<b>Gender (Sex)</b>	<p>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.</p> <p>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.</p> <p>Amongst the proposals, the following are likely to impact on women to a greater extent:</p> <ul style="list-style-type: none"> <li>• Whole life disability pathway (£0.498m)</li> </ul>

	<ul style="list-style-type: none"> <li>• Older Adult's pathway (£0.602m)</li> <li>• Administration and employee savings (£2.081m)</li> </ul> <p>Women as mothers/ parents could be adversely affected by proposals such as 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.</p> <p><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.</p>
<b>Gender re-assignment</b>	<p>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,</p> <p>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.</p> <p>A number of proposals within the budget could potentially have low adverse impact on this group of people including:</p> <ul style="list-style-type: none"> <li>• Administration and employee savings (£2.081m)</li> </ul>
<b>Marriage and civil partnership</b>	<p>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.</p>
<b>Pregnancy and maternity</b>	<p>There is much research which has revealed that women who become pregnant can experience discrimination, especially</p>

	<p>in relation to employment, but also because of attitudes towards issues such as breastfeeding.</p> <p>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.</p> <p>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.</p> <p>Of the proposals within the budget for 2020/21 it is considered that the following could result in an adverse impact on expectant and new mothers or families taking shared parental leave:</p> <ul style="list-style-type: none"> <li>• Preventing newborn children being taken into care (£0.143m)</li> <li>• Libraries (£0.320m)</li> </ul>
<b>Race</b>	<p>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.</p> <p>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. During 2019/20 a review of how the Council works with and funds the community and voluntary sector commenced, although any changes to actual funding will commence in 2020/21.</p>

	<p>A number of the proposals within the budget plans for 2020/21 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:</p> <ul style="list-style-type: none"> <li>• Whole life disability pathway (£0.498m)</li> <li>• Older Adult's pathway (£0.602m)</li> <li>• Placements for children unable to live at home (£0.450m)</li> <li>• Early Help Services (£0.167m)</li> <li>• Donut Creative Arts Centre (£0.081m)</li> <li>• Outdoor Education (£0.130m)</li> <li>• Special Educational Needs and Disabilities (£0.039m)</li> <li>• Preventing newborn children being taken into care (£0.143m)</li> <li>• Disabled Children's Services (£0.300m)</li> <li>• Home to School Transport (£0.070m)</li> <li>• Public Transport (£0.450m)</li> <li>• Countryside Service (£0.400m)</li> <li>• Administration and employee savings (£2.081m)</li> <li>• Libraries (£0.320m)</li> </ul> <p><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.</p>
<b>Religion and belief including non-belief</b>	<p>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.</p> <p>A small number of the proposals could have an adverse impact upon some people from a religious minority background, including:</p> <ul style="list-style-type: none"> <li>• Home to School Transport (£0.070m)</li> <li>• Administration and employee savings (£2.081m)</li> <li>• Libraries (£0.320m)</li> </ul> <p><u>Employees who follow a faith or religion</u></p>

	<p>There are 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.</p> <p>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.</p>
<b>Sexual orientation</b>	<p>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.</p> <p>This is likely to mean that they will feature amongst all groups of customers but may not self-identify specifically as LGBTQ.</p> <p>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</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• Special Educational Needs (£0.039m)</li> <li>• Public Transport (£0.450m)</li> <li>• Administration and employee savings (£2.081m)</li> <li>• Libraries (£0.320m)</li> </ul>

	<p><u>LGBTQ employees</u></p> <p>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.</p> <p>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.</p>
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### **Non-statutory**

<p>Socio-economic and social mobility</p>	<p>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.</p> <p>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.</p> <p>The following proposals are expected to exercise a significant possible adverse impact of people with fewer resources, or living in deprived communities, including:</p> <ul style="list-style-type: none"> <li>• Savings from changes to Learning Disability Services, and services which ensure that care and support is available to older and vulnerable people. This could also include how such savings impact on carers.</li> <li>• Changes to charging policies and eligibility for services</li> <li>• Proposed savings in relation to public transport, resulting in greater isolation, removing access to work, local services and leisure opportunities including libraries, and further aid the decline of small town high streets and shopping centres.</li> </ul> <p>Social mobility is determined though a number of factors, many of which are beyond the control, but not necessarily</p>
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	<p>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 2020/21 could further limit some aspects of social mobility. This will include savings in relation to public transport, support to families and children, and 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.</p> <p>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.</p>
Rural	<p>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.</p> <p>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.</p> <ul style="list-style-type: none"> <li>• Outdoor education (£0.130m)</li> <li>• Disabled Children's Services (£0.300m)</li> <li>• Home to School Transport (£0.070m)</li> </ul>

	<ul style="list-style-type: none"> <li>• Public Transport (£0.450m)</li> <li>• b_line - £0.088m)</li> <li>• Libraries (£0.320m)</li> <li>• Arts (£0.208m)</li> </ul> <p>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.</p>
Other groups of people and businesses	<p><u>Businesses in Derbyshire</u></p> <p>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.</p> <p>This could have a negative impact on the local economy during a difficult economic outlook, and the uncertainty of Brexit and the continued decline of the high street. How expenditure takers 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.</p> <p><u>Public and private partners</u></p> <p>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:</p> <ul style="list-style-type: none"> <li>• Whole life disability pathway (£0.498m)</li> <li>• Older Adult's pathway (£0.602m)</li> <li>• Placements for children unable to live at home (£0.450m)</li> <li>• Early Help Services (£0.167m)</li> <li>• Home to School Transport (£0.070m)</li> <li>• Public Transport (£0.450m)</li> </ul>

	<ul style="list-style-type: none"> <li>• Countryside Service (£0.400m)</li> <li>• ICT (£0.275m)</li> <li>• Arts (£0.208m)</li> </ul> <p>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, or because schools are being expected to carry out functions or provide advice and support instead. 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.</p>
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- 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 9 protected characteristic groups.

<b><i>Protected Group</i></b>	<b><i>Findings</i></b>
Age	When the public was asked which priorities it supported, a number of those selected support looking after older people (this being in the top three of priorities requested), and providing a positive start in life for children. 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 53 years.
Disability	<p>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 15% 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).</p> <p>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</p>

	lifestyles will impact positively on some areas of disability, including mental health.
Gender (Sex)	<p>A higher proportion of those who took part were female (58%) rather than male (42%).</p> <p>This might be expected since some of the Council services are likely to have direct contact or impact on women as mothers/ parents, older people, carers and users of services such as our libraries.</p>
Gender reassignment	<p>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.</p> <p>It is not possible to identify specific impacts on the basis of gender re-assignment from the consultation which has been carried out.</p>
Marriage and civil partnership	<p>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.</p> <p>However, amongst the support for specific priorities, there was support for investing in services which support families and children, and keeping children safeguarded.</p>
Pregnancy and maternity	<p>Those participating were not asked to indicate if they had this protected characteristic.</p> <p>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.</p>
Race	<p>Those participating were not asked to indicate if they had this protected characteristic.</p> <p>From the responses received it is not possible to identify specific views from our BME communities in relation to the budget consultation.</p> <p>Historically regular consultation with BME community based organisations has highlighted the importance of social care and family based services, but also services such as local libraries and the arts, in recognition that equal access to services and acknowledging the diversity of our communities is important to racial and probably other communities.</p>
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	<p>Those participating were not asked to indicate if they had this protected characteristic.</p> <p>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 we do know 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.</p>

#### Non-statutory

Socio-economic	<p>Those participating were not asked to indicate if they had this protected characteristic.</p> <p>A total of 21% of respondents supported help for vulnerable adults and 12% 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, so the support for learning disability services if translated into investment, can benefit people in our poorer and disadvantaged communities.</p>
Rural	<p>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).</p> <p>Some 8% of respondents supported rural based expenditure, 42% supported investment in roads, 17% in the environment, and 10% in countryside services, much of which benefits the Peak District and Derbyshire's more rural areas.</p>

- 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 are 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	Review how data can be improved before next year's budget analysis, including by designing in further ways to engage with communities and groups over budget proposals.

gender re-assignment in relation to customer and consultation data.	
Consultation feedback disaggregated by protected characteristics of race and ethnicity, religion and belief, sexual orientation, and gender re-assignment status.	The ONS has been exploring how to expand and develop questions and monitoring for the 2021 Census and other data collection. If this leads to improved data in relation to the protected characteristics, then it is more likely that public bodies will also extend to carry out such monitoring, as it becomes capable of comparison, and more regular.

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

<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
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### **Stage 7. Do stakeholders agree with your findings and proposed response?**

<p>Consultation carried out with the public and other stakeholders did not at this stage cover specific proposals.</p> <p>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.</p>
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## Stage 8. Main conclusions

The budget proposals for 2020/21 will impact much more directly on frontline services than earlier budgets and mean significant changes to Council services affecting many more people than in earlier years of austerity savings. 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 2020/ 21 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
- People with a learning disability
- Women as service users and employees
- Disabled people requiring support and care
- Users of public transport and motorists (the former will include more people with disabilities, older people, and people on lower incomes)
- 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.



## Stage 9. Objectives setting/ implementation

<b>Objective</b>	<b>Planned action</b>	<b>Who</b>	<b>When</b>	<b>How will this be monitored?</b>
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 2020
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 2020
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 2021/22 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	2020	Analysis of who takes part  Redesign of consultation and more use of focus groups and community groups
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	2020	Redesign of consultation content

**Public  
Appendix Seven**

Improve post implementation monitoring of impact	<p>Departments to carry out post implementation monitoring and use to feed into future decisions</p> <p>Development of post implementation customer surveys/ consultation.</p>	<p>Improvement and Scrutiny</p> <p>Policy and Research/ Departments</p>	2020	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.	<p>Continue to develop customer segmentation, service user, and customer satisfaction and performance data.</p> <p>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.</p>	<p>Departments</p> <p>Policy &amp; Research</p> <p>Human Resources</p>	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.

## **Decision-making processes**

**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: 14 January 2020.**

**Author of report: Senior Policy officer, Equalities**

**Audience for report e.g. Cabinet/ date: 23 January 2020.**

**Web location of report:**

**Outcome from report being considered**

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

**Updated by:**

**Date:**

**Agenda Item 9(d)**

**DERBYSHIRE COUNTY COUNCIL**

**COUNCIL**

**5 February 2020**

**Report of the Director of Finance & ICT**

**CAPITAL PROGRAMME APPROVALS, TREASURY MANAGEMENT AND  
CAPITAL STRATEGY**

**1 Purpose of the Report**

To obtain approval for proposals relating to the capital starts programme for 2020-21 and the Treasury Management, Investment and Capital Strategies.

**2 Information and Analysis**

In line with previous years, the proposed new Capital Starts Programme for 2020-21 has been evaluated and it is recommended to proceed with new borrowing of £35.420m (excluding invest to save schemes). The detailed proposals are set out in Appendix 1 of this report.

The Treasury Management Strategy Report for 2020-21 (Appendix 2) sets out the Council's management of its cash flow, borrowing and investments and the management of its associated risks.

The Investment Strategy Report for 2020-21 (Appendix 3) deals with the management of the Council's balances and reserves, managing the balance between risk and return.

The Capital Strategy (Appendix 4) for 2020-21 provides a high level overview of how capital expenditure and capital financing contribute to the provision of local public services.

**3 Considerations**

In preparing the report the relevance of the following factors has been considered: financial, legal, human resources, environmental, social value, property and transport.

## **4 Background Papers**

Local Government Act 2003; Prudential Code 2017; Treasury Management in the Public Services; Capital Accounting Working Papers.

## **5 Officer's Recommendations**

That Council:

- 5.1 approves the 2020-21 Capital Starts Programme set out in Appendix 1;
- 5.2 adopts the Treasury Management Policy set out in Appendix 2;
- 5.3 adopts the Investment Strategy set out in Appendix 3; and
- 5.4 adopts the Capital Strategy set out in Appendix 4.

PETER HANDFORD

Director of Finance & ICT

## Appendix 1

**CAPITAL PROGRAMME 2020-21**

The proposed new starts programme for 2020-21, along with funding streams, as shown in Table 1, has been evaluated and it is recommended to proceed with new borrowing of £35.420m (excluding invest to save schemes). More details on each individual scheme are set out below.

Schemes are funded from a combination of Government grants, capital receipts, use of reserves and contributions from revenue budgets. Capital receipts are normally used to support the overall programme. In cases where a new project is directly dependent on the disposal of an existing asset, for example, the replacement of a school, then the receipt from the disposal of the 'old' asset can be earmarked to fund the replacement.

The Capital Programme remains affected by the downward pressure on the Council's finances. The main limiting factor on the Council's ability to undertake capital expenditure 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, which is now mainly through capital grants. Because of this, there has previously been a limit on new borrowing of no more than £15m. However, this year, due to the increasing pressures being placed on school places and infrastructure, borrowing has been increased to ensure that the Council meets its statutory obligations and in turn assists in delivering the Strategic plan.

The Council will receive estimated Government grants of just under £65m to address key issues in highways and maintenance, develop integrated transport schemes and address the most immediate condition problems in schools. Funding is requested to cover the funding gaps for a New Care Home and Extra Housing Scheme on the Bennerley site and to assist in the building of new schools in response to major housing developments.

There are bids to assist in delivering the Government's target of helping to alleviate historical flooding to properties and to ensure that the Council's Waterbodies, for example ponds, lakes, reservoirs and canals, are adequately maintained.

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 envisages borrowing £2m per year.

Table 1 Capital Programme Bids 2020-21

## Funding Streams

	Grant	Capital receipts	Borrowing	Invest to Save	Total
	£m	£m	£m	£m	£m
<b>Children's Services</b>					
Basic Need	6.283				6.283
Children's Homes			0.250		0.250
Devolved Formula Capital	1.953				1.953
Glossopdale School Expansion	2.345		1.655		4.000
Newhall Junior School			2.000		2.000
Schools Access Initiative			0.400		0.400
Schools Condition Allowance	7.682				7.682
Capital Support for New Schools	2.000		4.000		6.000
<b>Adult Care</b>					
Disable Facilities Grant Adaptations	6.960		4.000		10.960
Bennerley Avenue Site	15.000		15.000		30.000
<b>Communities, Commissioning and Policy</b>					
Fire Risk Schemes			0.650		0.650
Kitchen Ventilation Schemes			0.500		0.500
Risk Management			0.130		0.130
SAP Hana				2.000	2.000
Replacement of ICT Hardware			2.000		2.000
<b>Environment, Transport and Economy</b>					
Derelict Land Reclamation	0.117		0.135		0.252
Local Transport Plan	22.098				22.098
Corporate Vehicle Replacement Programme				2.512	2.512
Elvaston Castle Defective Structures			0.500		0.500
Flood Alleviation Schemes	0.195				0.195
Waste Management Accounting System			0.200		0.200
Risks in Association with Water Bodies			1.000		1.000
Infrastructure Support		4.700	3.000		7.700
<b>TOTAL</b>	<b>64.633</b>	<b>4.700</b>	<b>35.420</b>	<b>4.512</b>	<b>109.265</b>



## Summary of Individual Schemes

### Childrens Services

#### Basic Need £6.283m

The Department for Education (DfE) grant allocation for Basic Need schemes is to provide additional school places in areas of population growth. Feasibility studies have been undertaken based on an analysis of pupil projections. A priority list of potential projects is being finalised.

#### Children's Homes £0.250m

The Council is a Corporate Parent to children in care and is required to provide suitable and homely accommodation for children in the Council's Children's Homes. The Homes are subject to inspection by Ofsted and should the accommodation not meet the quality standards there is a risk of the Homes failing inspection.

#### Devolved Formula Capital (DFC) £1.953m

The Council receives an annual allocation of devolved capital from the DfE. This capital grant gives all schools money to invest in their buildings, grounds and ICT equipment in order to improve educational standards. DFC must only be used for capital purposes, such as funding new buildings and facilities, ICT equipment, capital repairs and refurbishment in accordance with priorities set by each school and in line with the asset management plan (AMP) for the school.

#### Glossopdale School Expansion £4.000m

Glossopdale School is a new school that was designed for 1200 pupils but the core facilities were built for 1440 in anticipation of further expansion relating to housing growth in the town. The housing growth has come forward faster than anticipated and the percentage of normal area pupils preferring to be educated at Glossopdale has increased by 12% between 2017 and 2019. In 2018 and 2019 the school was oversubscribed and with the pupils likely to be generated by the housing, this trend is due to continue. There is a strong desire for pupils to remain in the town and this has generated the need for the early expansion of the school.

#### Newhall Junior School £2.000m

Newhall Junior School is classed as a building at risk and is a high priority. The roof, which contains asbestos, requires replacement as a matter of urgency, however, given the presence of asbestos, the project is likely to involve the temporary re-location of the school whilst the work is carried out.

### **Schools Access Initiative £0.400m**

This is a long standing initiative which helps the Council to comply with the Equality Act. The highly sensitive ongoing works ensure vulnerable children can access mainstream education.

### **School Condition Allowance £7.682m**

This is DfE grant funding to cover the cost of upgrading and maintaining the condition of school accommodation to suit the needs of education in Derbyshire. 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 of £150 million. Projects funded on school buildings where the condition is poor include re-roofing, replacement windows and doors, re-heating and re-wiring. A priority list of potential projects will be finalised once the actual grant figure is known.

### **Capital Support for New Schools £6.000m**

New schools established in response to major housing developments will open as academies. Whilst the developments are expected to fund the capital costs of the new schools, there can be shortfalls given the protracted timescales between the original agreement and the delivery of the housing. This funding will be used, if required, to supplement the Section 106 contributions to allow the schools to be delivered and meet the authority's statutory duty to provide sufficient school places in the County.

## **Adult Care**

### **Disabled Facilities Grant £10.960m**

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, grant application is deemed 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, is required to consider providing financial assistance where the applicant cannot meet some or all of the cost of the adaptation.

### **Bennerley Avenue Site £30.000m**

On 11 September 2019 Cabinet approved the development of a new Care Home and Extra Care Housing Scheme on Bennerley Avenue, Cotmanhay including the use of a non-Derbyshire County Council Framework for the procurement of a construction contract. Detailed planning approval for the scheme is due to be determined early in 2020, with a tender to award a construction contract expected to be complete by April 2020 with completion of the whole scheme by Summer 2022. The home will replace the nearby Hazelwood Care Home. The home will have 40 beds with the capability of being extended to an 80 bed home in the future, should the need arise.

## **Commissioning, Communities and Policy**

### **Fire Risk Schemes £0.650m**

Under The Regulatory Reform (Fire Safety) Order 2005 the Council is required to undertake fire risk assessments on its building stock. 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 and so on. Assessments are carried out on an ongoing basis, agreed with the Fire 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 £0.500m**

The Council is under a statutory duty to provide safe premises from which it can deliver its services and its employees can work. Part of this involves compliance with gas safety regulations and ensuring safe kitchens for staff and service users in schools, residential premises and other Council premises that have catering kitchens. This funding is required to enable the continuation of a planned programme of works to improve and upgrade gas ventilation systems in Council owned schools, residential premises and other premises that have catering kitchens and also to establish a contingency pot to fund emergency works where premises are in danger of imminent closure because of non-compliance with gas safety regulations.

## **Risk Management £0.130m**

To provide funding that will actively reduce risk and to increase the understanding of risk across all departments within the Council and therefore provide a long term cost saving by reducing the risk of injury; improve staff absence following incidents; reduce the risk of damage to our properties; assist with risk related improvements that impact upon adult care and children's homes that impact upon their classification and support risk reduction methodologies that will minimise reputational damage to Derbyshire and therefore support visitor growth.

## **SAP Hana £2.000m**

SAP ECC is the Council's core financial, HR and payroll system and is fundamental to the continued operations of the Council. The current version of SAP ECC was implemented in April 2010. SAP recently announced that it will withdraw support from some of its products in 2025, including the version of SAP used by the Council. Additionally, the infrastructure that supports SAP ECC requires replacement in 2022 to maintain the existing SAP ECC system. A new version of SAP ECC is available, known as SAP S/4 and is supported beyond 2035. This bid is to facilitate the upgrade to the S/4 in timely manner that coincides with the already required infrastructure upgrades in 2022 and meets the needs of the Council and ICT Strategy. SAP S/4 provides enhanced analytics, reporting and the opportunity to streamline business processes driving savings from across the Council.

## **Replacement of ICT Hardware £2.000m**

The ICT Service maintains a five year plan which details the desktop equipment and other major ICT infrastructure components that need replacing. This includes users' laptops and PCs, components and utilities that support the Data Centre and Converged Infrastructure and Core VSS Network and Network Cabinet replacement to maintain a physically secure network.

Laptops and PCs are replaced on a five year cycle to ensure they are capable of running the latest software and meet the demands of service users. All other components are centralised and represent critical elements of the Council's ICT Infrastructure. The ICT infrastructure underpins the delivery of front line services through the direct provision of ICT, such as IT equipment and connectivity in libraries and the ICT backbone to support large systems for practitioners, such as the Adult Care and Children's Services case management system and the SAP platform that provides the Council's core financial systems.

The ICT Service has identified a range of major infrastructure components that will need replacing over the next five years.

## **Economy, Transport and Environment**

### **Derelict Land Reclamation £0.252m**

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 this will continue with further bids, working together with 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 a Memorandum of Understanding which, together with significant capital investment from the Chesterfield Canal Trust, all contributes to the ongoing restoration programme.

### **Local Transport Plan £22.098m**

The Local Transport Plan capital programme supports a number of Council plan priorities, but is fundamental to the maintenance of the highway, towards which the majority of the available capital funding is dedicated. The programme also supports preparation and local contributions towards major projects including the A61 Growth Corridor, a programme of road safety and traffic management engineering schemes, and others to provide infrastructure encouraging the use of public transport, walking and cycling.

### **Corporate Vehicle Replacement Programme £2.512m**

The Vehicle Replacement Programme is developed on the age factor and mechanical condition of each vehicle within the fleet. The average age of each vehicle to be replaced is ten years. The investment will assist in bringing the Council's vehicle fleet to a standard that minimises inefficient maintenance and operational costs with the benefits of making best use of their new technologies.

Due to the length of the lead time for ordering winter maintenance vehicles, approval is required in 2020-21 to be able to place orders in readiness for the 2021 winter season. For specialist vehicles such as gritters and snow ploughs the lead time for their manufacture can be twelve months.

### **Elvaston Castle Defective Structures £0.500m**

These buildings and structures are in the midst of a busy country park and are Grade II listed. The Council has an obligation to keep them in good repair. All require urgent work to comply with this requirement.

Some of the buildings are badly eroded and there are concerns about their stability, for example walls could collapse. As these areas are subject to high volumes of traffic, they could pose a danger to the public, with the potential for risk of injury. Work is required on the early 19<sup>th</sup> Century pump house, Castle Courtyard arch and the North and South Walls of the Old English Garden.

### **Flood Alleviation Schemes £0.195m**

This scheme is to help reduce historical flooding to properties in Bonsall Village, Hogshaw Brook Catchment (Buxton), Eyam and Stoney Middleton and Oak Close Castle Gresley.

It will reduce the risk of flooding to fifteen residential properties and four commercial properties in Bonsall Village, 190 + properties in the Lightwood Road area of Buxton, 50 residential properties in Eyam and Stoney Middleton and nineteen residential properties in the Castle Gresley area.

It will also assist in delivering the Government's target (still to be determined from 2021 onwards) of further reducing flood risk to properties nationally. It is envisaged that the scheme is to be funded entirely from external Grant funding.

### **Waste Management Accounting System £0.200m**

The County Council has legislative obligations to manage the treatment and disposal of household waste collected by the eight District and Borough Councils across Derbyshire. It achieves this through a number of contracts with external contractors.

The existing Waste Management System is fifteen years old and is based on a Microsoft Access database. Support for Microsoft Access 2010 will cease in October 2020, at which time security updates will no longer be available, leaving the system potentially vulnerable. Internally ICT Services are similarly unable to support the existing system.

ICT Services have reviewed the existing Waste Management System and determined that, should a new system be required to be provided in-house, a complete rewrite would be required and consume considerable resources. It has been concluded that, due to the age of the existing Waste Management System, future maintenance and lack of in-house resources, a new accounting system needs to be procured in order to ensure the continued efficient management of financial accounts for current and future waste management contracts.

## **Risks in Association with Water Bodies £1.000m**

The Countryside Service manages waterbodies on behalf of the Council, including ponds, lakes, reservoirs and canals. A number of the waterbodies are in a poor state, have no regular management or maintenance budget attributed to them and require repair or upgrade as a result of regulatory change or because of changes in landscape use and climate events not anticipated when constructed. In some cases assets have been 'inherited' by the Countryside Service without formal handover and confirmation of fitness for purpose, with no allocation made for their on-going maintenance costs. The water assets require an on-going inspection, maintenance and compliance regime. The Council is the Navigation Authority for the canals, and the Responsible Body for some of the impounded reservoirs, under specific legislation. The other ponds and water bodies are managed as assets in the same way as any other Countryside site, under a prioritisation structure relating to risk and other elements of site status.

## **Infrastructure Support £7.700m**

This funding supports the immediate delivery of three important regeneration projects, through the provision of enabling transport infrastructure, addressing access and off-site impacts. In the absence of this direct financial support these projects would impact heavily on highways and transport capital programmes and the Council's ability to discharge statutory duties on road safety and maintenance and to address its own Climate and Carbon Reduction Manifesto.

## Treasury Management Strategy Report 2020-21

### 1) Introduction

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.

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.

Investments held for service purposes or for commercial profit are considered in the Investment Strategy.

### 2) External Context

**Economic background:** The UK's progress negotiating its exit from the European Union (EU), together with its future trading arrangements, will continue to be a major influence on the Council's Treasury Management Strategy for 2020-21.

UK Consumer Price Inflation (CPI) was 1.7% year on year in September 2019, unchanged from the previous month. Core inflation, which excludes the more volatile components, rose to 1.7%, from 1.5% in August 2019. The most recent labour market data for the three months to August 2019 showed the unemployment rate was 3.9%, whilst the employment rate was 75.9%, just below recent record-breaking highs. The headline 3-month average annual growth rate for pay was 3.8% in August 2019, as wages continued to rise steadily. In real terms, after adjusting for inflation, pay growth increased by 1.9%.

UK GDP growth rose by 0.3% in the third quarter of 2019, from a fall of 0.2% in the previous three months. The annual rate fell further below its trend rate, to 1.0%, from 1.2%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as EU exit-related uncertainties dissipate. It is expected



that this will provide a boost to business investment, helping GDP reach a forecast 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

The Bank of England maintained its Bank Rate at 0.75% in November 2019, following a 7-2 vote by the Monetary Policy Committee (MPC). Despite keeping rates on hold, MPC members did confirm that if EU exit uncertainty extends for longer than predicted, or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the MPC may now be less convinced of the need to increase rates, even if there is an EU exit deal.

Growth in Europe remains soft, driven by a weakening German economy, which saw GDP fall by -0.1% in Q2, with a technical recession expected in Q3 (two successive quarters of negative growth). Euro zone inflation was 0.8% year on year in September 2019, well below the European Central Bank's (ECB) target of 'below, but close to 2%', leading to the ECB holding the main interest rate at 0%, whilst cutting the deposit facility rate to -0.5%. In addition to maintaining interest rates at ultra-low levels, the ECB announced it would recommence its quantitative easing programme from November 2019.

In the US, the Federal Reserve began easing monetary policy again in 2019, as a pre-emptive strike against slowing global and US economic growth, on the back of the ongoing trade war with China. At its last meeting the Fed cut rates to range from 1.50-1.75%. Financial markets expect further loosening of monetary policy in 2020. US GDP annualised growth slowed in Q3 to 1.9%, from 2.0% in Q2.

**Credit outlook:** Credit conditions for larger UK banks have remained relatively benign over the past year. The UK's departure from the EU was delayed three times in 2019 and whilst there remains some concern over a global economic slowdown, this has yet to manifest in any credit issues for banks. Meanwhile, the post financial crisis banking reform is now largely complete, with the new ring-fenced banks embedded in the market (the big four UK banking groups divided their retail and investment banking divisions into separate legal entities under ring-fencing legislation).

Looking forward, the potential for a "no-deal" EU exit and/or a global recession remain the major risks facing banks and building societies in 2020-21 and a cautious approach to bank deposits remains advisable.

**Interest rate forecast:** The Council's Treasury Management Adviser, Arlingclose, is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly the need for greater clarity on EU exit and the continuing global economic slowdown. The Bank of England, having previously indicated that interest rates may need to rise if an EU exit agreement was reached, stated in its November 2019 Monetary Policy Report

and in its Bank Rate decision (7-2 vote to hold rates), that the MPC now believes this is less likely, even in the event of a deal.

Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected, based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40%, respectively, over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

For the purpose of setting the budget, it has been assumed that new Treasury Management investments will be made at an average rate of 1% over 1 year, and that new long-term loans will be borrowed at an average rate of 3.21% based upon an average term of 18 years.

### 3) Local Context

On 31 December 2019, the Council held £318.974m of borrowing and £236.088m of investments. This is set out in further detail at Appendix B. Forecast changes in these sums are shown in the balance sheet analysis in Table 1 below.

**Table 1: Balance sheet summary and forecast**

	<b>31.3.19</b>	<b>31.3.20</b>	<b>31.3.21</b>	<b>31.3.22</b>	<b>31.3.23</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Forecast</b>	<b>Forecast</b>	<b>Forecast</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund CFR	487.050	558.110	618.340	647.430	647.150
Less: Other debt liabilities *	-72.982	-68.874	-73.541	-68.174	-62.579
<b>Loans CFR</b>	<b>414.068</b>	<b>489.236</b>	<b>544.799</b>	<b>579.256</b>	<b>584.571</b>
Less: External borrowing **	-313.124	-277.474	-272.899	-272.899	-265.579
<b>Internal borrowing</b>	<b>100.944</b>	<b>211.762</b>	<b>271.900</b>	<b>306.357</b>	<b>318.992</b>
Less: Usable reserves	-338.293	-257.428	-211.531	-190.286	-176.195
Less: Working capital	-36.435	-36.435	-36.435	-36.435	-36.435
<b>New borrowing (or Treasury investments)</b>	<b>-273.784</b>	<b>-82.101</b>	<b>23.934</b>	<b>79.636</b>	<b>106.362</b>

\* finance leases, PFI liabilities and transferred debt that form part of the Council's total debt. As a result of the adoption of the new accounting standard IFRS 16 Leases, 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.

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.

The Council has an increasing CFR because of its capital programme. Investments are forecast to fall to £80.000m as capital receipts are used to finance capital expenditure and reserves are used to finance the Revenue Budget.

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 2020-21.

#### 4) **Borrowing Strategy**

The Council currently holds £390.674m of debt, an increase of £35.832m 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 borrow up to £106.035m in 2020-21. The Council may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £847.000m.

**Objectives:** 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:** 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 (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 2020-21 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board (PWLB) but the government increased PWLB rates by 1% in October 2019, making it a relatively expensive option. The Council will now look to borrow any 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.

Alternatively, the Council may arrange forward starting loans during 2020-21, 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.

In addition, the Council may borrow further short-term loans to cover unplanned cash flow shortages.

**Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- PWLB and any successor body;
- 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; and
- D2N2 Local Economic Partnership

**Other sources of debt finance:** 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:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local

authorities. This will be 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:** The Council holds £5m 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. £5m of these LOBOs have options during 2020-21, 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 £5m.

**Short-term and variable rate loans:** 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.

**Debt rescheduling:** 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) Investment Strategy

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 investment balance has ranged between £236.088m and £402.998m. A report is expected to be taken to the March 2020 Cabinet meeting seeking approval for the Council to pay three years of pension contributions to the Pension Fund in advance, rather than on a month by month basis. These balances may fall significantly in 2020-21 if approval is granted and the decision is taken to proceed but should result in a significant budget saving.

**Objectives:** The CIPFA Code requires the Council to invest its 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:** If the UK enters into a recession in 2020-21, there is a small chance that the Bank of England could 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. This situation already exists in many other European countries. 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:** 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 will represent a continuation of the new strategy first adopted in 2015-16.

The remainder of the Council's surplus cash is currently invested in short term Local Authority loans, short-term unsecured bank deposits, certificates of deposit and money market funds.

**Business models:** 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:** The Council may invest its surplus funds with any of the counterparty types in Tables 2a and 2b below, subject to the cash limits (per counterparty) and the time limits shown.

**Table 2a: Approved investment counterparties and limits (County Fund)**

<b>Credit Rating</b>	<b>Banks Unsecured</b>	<b>Banks Secured</b>	<b>Government</b>	<b>Corporates</b>	<b>Registered Providers</b>
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£30m 5 years	£30m 20 years	£30m 50 years	£10m 20 years	£10m 20 years
AA+	£30m 5 years	£30m 10 years	£30m 25 years	£10m 10 years	£10m 10 years
AA	£30m 4 years	£30m 5 years	£30m 15 years	£10m 5 years	£10m 10 years
AA-	£30m 3 years	£30m 4 years	£30m 10 years	£10m 4 years	£10m 10 years
A+	£30m 2 years	£30m 3 years	£30m 5 years	£10m 3 years	£10m 5 years
A	£30m 13 months	£30m 2 years	£30m 5 years	£10m 2 years	£10m 5 years
A-	£30m 6 months	£30m 13 months	£30m 5 years	£10m 13 months	£10m 5 years
<b>Other Bodies (Non-Corporate)</b>		Individual Cabinet Approval			
<b>Strategic Pooled funds and real estate investment trusts (REIT)</b>		£30m per fund or trust			
<b>Money Market Funds</b>		£30m per fund			

**Table 2b: Approved investment counterparties and limits (Pension Fund)**

The Pension Fund uses cash for liquidity rather than investment return, hence it has shorter duration and fewer counterparty options than the County Fund.

A report is expected to be taken to the March 2020 Cabinet meeting to seek approval for the Council paying pension contributions to the Pension Fund in advance. If approval is granted, these advanced pension contributions will substantially increase the cash balances of the Pension Fund, pending a suitable investment opportunity. It is therefore requested that the limits on Banks are increased from £10m to £30m and on Local Authorities are increased from £20m to £30m with effect from 1 April 2020.

Credit Rating	Banks Unsecured	Banks Secured	Government
UK Govt	n/a	n/a	£ Unlimited 13 months
AAA	£30m 13 months	£30m 13 months	£30m 13 months
AA+	£30m 13 months	£30m 13 months	£30m 13 months
AA	£30m 13 months	£30m 13 months	£30m 13 months
AA-	£30m 13 months	£30m 13 months	£30m 13 months
A+	£30m 13 months	£30m 13 months	£30m 13 months
A	£30m 13 months	£30m 13 months	£30m 13 months
A-	£30m 6 months	£30m 13 months	£30m 13 months
Money Market Funds (MMF)	£30m per fund		

**Operational bank accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below:

**County Fund:** It is requested the existing additional overnight limit of £30m is maintained.

**D2N2:** It is requested the existing overnight limit of £10m is maintained.

**Derbyshire Developments Ltd:** It is requested the existing overnight limit of £0.1m is maintained.

**Pension Fund:** It is requested the existing additional overnight limit of £20m is increased to £30m.



**Pension Fund Currency Accounts US\$/€:** It is requested that additional limits of US\$1,000,000 and €1,000,000 are maintained for lower value currency receipts. Any receipts above these sums will be cleared to Nil by the following working day.

**Pension Fund Custodian Accounts:**

Northern Trust (In House Account): It is requested the existing limit of £30m is maintained.

Northern Trust (Wellington): It is requested the existing limit of 5% of assets under management (approximately £30m US\$ equivalent) is maintained.

BNP Paribas: It is requested a limit of £1m for the previous custodian is retained for receipt of outstanding tax claim rebates.

BNY Mellon: It is requested a limit of £1m for the former custodian is retained for the receipt of outstanding tax claim rebates.

**LGPS Central:**

The Derbyshire Pension Fund joined the Local Government Pension Scheme (LGPS) Central Pool from 1 April 2018.

DCC Pension Fund re LGPS Central Trading Account: It is requested that a cash limit of 0.5% of assets under management (approximately £25m) is approved.

**Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. 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.

**Banks 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.

**Banks secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency and means that they 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 to

determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

**Government:** Loans, 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 may be made in unlimited amounts for up to 50 years.

**Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.

**Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

**Non-Corporates:** Loans to unrated companies will only be made following appropriate due diligence which may include an external credit assessment prior to Cabinet approval.

**Pooled funds:** Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds 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.

**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. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

**Risk assessment and credit ratings:** 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; and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") 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:** 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.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, 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 via the Debt Management Office or invested in Government Treasury Bills for example, or with other Local Authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

**Investment limits (County Fund):** The Council's Total Useable Reserves available to cover investment losses are forecast to be £283.605m at 31 March 2020. 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 £30 million and capitalised interest. A group of banks under the same ownership will be treated as a single organisation for limit purposes. 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.

**Investment limits (Pension Fund):** The Pension Fund's cash balance is forecast to be £299.559m at 31 March 2020. 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, Northern Trust (custodian) or Lloyds Bank operational bank accounts as previously detailed) will be £30m and capitalised interest. A group of banks under the same ownership will be treated as a single organisation for limit purposes. 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.

**Liquidity management:** 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.

**Table 3a: Investment limits (County Fund)**

	<b>Cash limit</b>
UK Central Government	Unlimited
Other bodies with specific Cabinet approval	Individual Cabinet Approval
Any single organisation or group of organisations under the same ownership (except for the UK Central Government or organisations with specific Cabinet approval)	£30m each
Negotiable instruments held in a broker's nominee account	£100m per broker
Operational Bank Account	£30m additional
Any group of pooled funds under the same management	£30m per manager
Foreign countries	£30m per country
Registered providers and registered social landlords	£50m in total
Unsecured investments with building societies	£100m in total
Money market funds	£300m in total
Real estate investment trusts	£50m in total

**Table 3b: Investment limits (Pension Fund)**

	<b>Cash limit</b>
Any single organisation or group of organisations under the same ownership, except the UK Central Government	£30m each
UK Central Government	Unlimited
Operational Bank Account	£30m additional
Any group of pooled funds under the same management	£30m per manager
Negotiable instruments held in a broker's nominee account	£200m per broker
Foreign countries	£30m per country
Unsecured investments with building societies	£100m in total
Money market funds	£300m in total

## 6) Treasury Management Indicators

The Council measures and manages its exposures to Treasury Management risks using the following indicators.

**Security:** 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 applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating:	
County Fund	A
Pension Fund	A

**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 three month period, without additional borrowing.

Liquidity risk indicator	Target
County Fund:	
Total cash available within 1 month	£10m
Pension Fund:	
Total cash available within 1 month	£60m

**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.

Liquidity risk indicator	Target
County Fund:	
Total sum borrowed in past 3 months without prior notice	£30m

The County Fund can use either Liquidity risk indicator as appropriate.

The Pension fund must use Liquidity risk indicator (Option 1) as it does not borrow.

**Interest rate exposures:** 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:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£-1.11m
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£1.11m

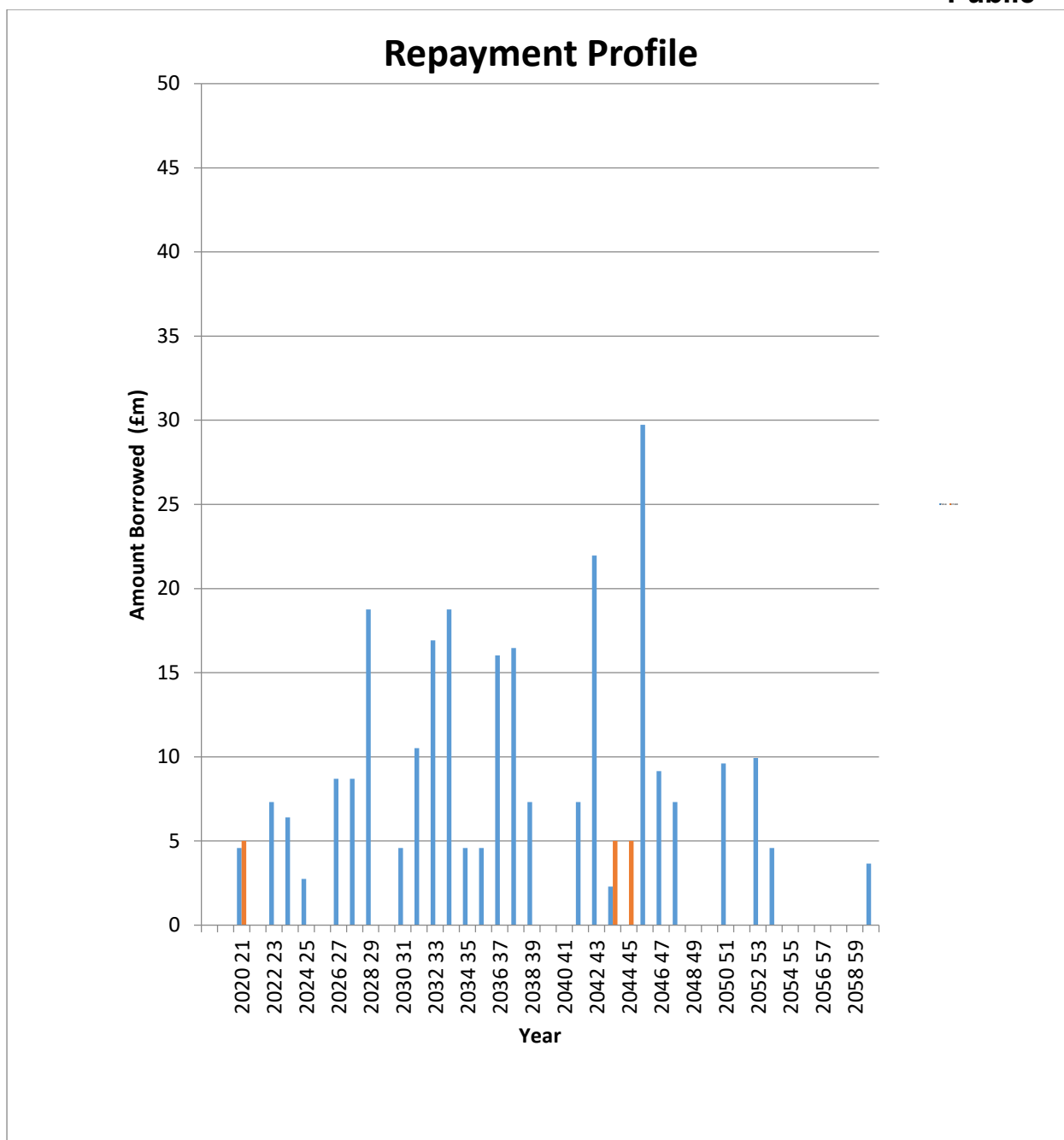
The impact of a change in interest rates is calculated on the assumption that the borrowing for Advanced Pension Contributions varies from current rates. The revenue impact of a 1% fall in rates assumes negative interest rates. The calculation is based on an average short-term borrowing balance of £111m.

**Maturity structure of borrowing:** 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:

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%	0%

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. All LOBO option dates are potential repayment dates.

The Council's maturity repayment profile at 31 March 2020 is shown below. A good spread of maturities is desirable. The average redemption is £6.937m per year over the next 40 years. The maximum redemption is £29.738m in 2045-46. The average duration of all the Council's loans is approximately 18 years. Any new borrowing would be targeted for maturity in years with nil/low repayments.



**Principal sums invested for periods longer than a year:** 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:

Price risk indicator	2019-20	2020-21	2021-22
Limit on principal invested beyond each year end (including strategic pooled funds & non-treasury investments)	£150m	£125m	£100m



## Related Matters

The CIPFA Code requires the Council to include the following in its Treasury Management Strategy.

**Financial Derivatives:** 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).

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.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

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:** 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 Director of Finance & ICT believes this to be the most appropriate status.

## Financial Implications

The budget for investment income in 2020-21 is £2.800m, based on an average investment portfolio of £70m at an interest rate of 4%. The budget for debt interest paid in 2020-21 is £14.001m, based on an average debt portfolio of £388.474m at an average interest rate of 3.60%. If actual levels of

investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

### Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance & ICT, having consulted the Cabinet Member for Council Services, 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.

<b>Alternative</b>	<b>Impact on income and expenditure</b>	<b>Impact on risk management</b>
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 – Arlingclose Economic and Interest Rate Forecast January 2020**

- The global economy is entering a period of slower growth in response to political issues. The UK economy continues to experience slower growth due to both EU exit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations are low.
- Some improvement in global economic data and a more positive outlook for US/China trade negotiations has prompted worst case economic scenario's to be pared back.
- The new Conservative UK government will progress with achieving EU exit on 31 January 2020. The more stable political environment will prompt a partial return in business and household confidence in the short term, but the subsequent limited EU exit transitional period, which the government is seeking to enforce, will create additional economic uncertainty.
- UK economic growth has stalled in Q4 2019. Inflation is running below target at 1.5%. The inflationary consequences of the relatively tight labour market have yet to manifest, while slower global growth should reduce the prospect of externally driven pressure, although escalating geopolitical turmoil could continue to push up oil prices.
- The first few months of 2020 will indicate whether the economy benefits from restored confidence. The Government will undertake substantial fiscal easing in 2020-21, which should help support growth in the event of a downturn in private sector activity.
- The weak outlook for the UK economy and current low inflation have placed pressure on the MPC to loosen monetary policy. Two MPC members voted for an immediate cut in the last two MPC meetings of 2019. The evolution of the economic data and political moves over the next few months will inform policy but upside risks to the Bank Rate are very limited.
- Inflation is running below target at 1.7%. While the tight labour market risks medium-term domestically-driven inflationary pressure, slower global growth should reduce the prospect of externally driven pressure, although political turmoil could push up oil prices.
- Central bank actions and escalating geopolitical risks will produce volatility in financial markets, including bond markets.

**Forecast:**

- Arlingclose has maintained their Bank Rate forecast at 0.75% for the foreseeable future. Substantial risks to this forecast remain, arising primarily from the government's policy around EU exit and the transitional period.
- Arlingclose judges that the risks are weighted to the downside.
- Gilt yields remain low due to the soft UK and global economic outlooks. US monetary policy and UK government spending will be key influences alongside UK monetary policy.

- Arlingclose expects gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Average
<b>Official Bank Rate</b>														
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	<b>0.21</b>
Arlingclose Central Case	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	<b>-0.73</b>
<b>3-month money market rate</b>														
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	<b>0.25</b>
Arlingclose Central Case	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	<b>-0.73</b>
<b>1yr money market rate</b>														
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.30	0.30	0.30	0.30	<b>0.23</b>
Arlingclose Central Case	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>
Downside risk	-0.30	-0.50	-0.55	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	<b>-0.60</b>
<b>5yr gilt yield</b>														
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45	<b>0.37</b>
Arlingclose Central Case	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.55</b>	<b>0.60</b>	<b>0.60</b>	<b>0.60</b>	<b>0.60</b>	<b>0.60</b>	<b>0.60</b>	<b>0.60</b>	<b>0.60</b>	<b>0.60</b>	<b>0.57</b>
Downside risk	-0.35	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	<b>-0.56</b>
<b>10yr gilt yield</b>														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	<b>0.37</b>
Arlingclose Central Case	<b>0.75</b>	<b>0.75</b>	<b>0.80</b>	<b>0.80</b>	<b>0.85</b>	<b>0.85</b>	<b>0.90</b>	<b>0.90</b>	<b>0.95</b>	<b>0.95</b>	<b>1.00</b>	<b>1.00</b>	<b>1.00</b>	<b>0.88</b>
Downside risk	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	<b>-0.45</b>
<b>20yr gilt yield</b>														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	<b>0.37</b>
Arlingclose Central Case	<b>1.20</b>	<b>1.20</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.40</b>	<b>1.40</b>	<b>1.30</b>
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	<b>-0.45</b>
<b>50yr gilt yield</b>														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	<b>0.37</b>
Arlingclose Central Case	<b>1.20</b>	<b>1.20</b>	<b>1.25</b>	<b>1.25</b>	<b>1.25</b>	<b>1.30</b>	<b>1.30</b>	<b>1.30</b>	<b>1.35</b>	<b>1.35</b>	<b>1.35</b>	<b>1.40</b>	<b>1.40</b>	<b>1.30</b>
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	<b>-0.45</b>

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 1.80%

PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

## Appendix B – Existing Investment and Debt Portfolio Position

	31 Dec 2019 Actual Portfolio £m	31 Dec 2019 Average Rate %
<b>External Borrowing:</b>		
Public Works Loan Board	262.474	4.56
Local authorities	30.000	0.86
Loans from banks	15.000	4.63
Other loans (D2N2)	11.500	0.75
<b>Total External Borrowing</b>	<b>318.974</b>	<b>4.08</b>
<b>Other long term liabilities</b>		
PFI	63.710	
Finance Leases	5.009	
Transferred Debt	0.155	
<b>Total Other Long Term Liabilities</b>	<b>68.874</b>	
<b>Total Gross External Debt</b>	<b>387.848</b>	
<b>Treasury Investments:</b>		
Banks & building societies	66.398	1.12
Government (incl. local authorities)	78.510	1.32
Money Market Funds	10.000	0.73
<b>Total Deposits:</b>	<b>154.908</b>	<b>1.20</b>
Bonds	5.032	3.27
Equities UK	9.142	9.59
Equities Global	5.292	2.83
Multi Asset	25.690	3.36
Property	24.134	4.33
<b>Total Strategic Pooled Funds</b>	<b>69.290</b>	<b>4.58</b>
<b>Total Treasury Investments</b>	<b>224.198</b>	<b>2.24</b>
<b>Net Debt</b>	<b>163.650</b>	

## Investment Strategy Report 2020-21

### Introduction

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).

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

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 £80m and £213m during the 2020-21 financial year.

**Contribution:** The contribution that these investments make to the objectives of the Council is to support effective Treasury Management activities.

**Further details:** Full details of the Council's policies and its plan for 2020-21 for Treasury Management investments are covered in the Treasury Management Strategy, available here:

### Service Investments: Loans

**Contribution:** The Council lends money to its subsidiaries, local regeneration partners, to stimulate local economic growth.

£0.500m - Derbyshire Developments Ltd – to provide local housing solutions for local people. Contribution of £0.025m per annum.

£11.390m - Buxton Crescent & Thermal Spa Co Ltd – to regenerate Buxton Crescent by redeveloping a derelict Grade I listed building at Buxton Crescent

into a spa hotel. This will boost the economy and tourism in Buxton and the High Peak area. Contribution of £0.530k per annum when completed.

**Security:** 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:

Each loan requires individual Cabinet approval.

**Table 1: Loans for service purposes in £ millions**

Category of borrower	31 March 2019 actual			2020-21
	Balance owing £m	Loss allowance £m	Net figure in accounts £m	Approved Limit £m
Subsidiaries	0.500	0.034	0.466	0.500
Regeneration	7.408	0.496	6.912	11.390
<b>TOTAL</b>	<b>7.908</b>	<b>0.530</b>	<b>7.378</b>	<b>11.890</b>

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.

**Risk assessment:** The Council assesses the risk of loss before entering into and whilst holding service loans by:

Derbyshire Developments Ltd – the Council provided a working capital facility for start- up funding to enable recruitment of staff to identify surplus Council land that were potential sites for residential housing development. Derbyshire Developments Ltd is a wholly owned subsidiary of Derbyshire County Council. The Director of Finance & ICT and the Director of Property were both appointed as company directors to facilitate close financial control and robust project monitoring. The loan meets State Aid requirements.

Derbyshire Developments Ltd - The risk of loss based upon an Arlingclose non-rated corporate estimate of 6.7% on the current loan amount outstanding of £0.500m, is £0.034m.

Buxton Crescent & Thermal Spa Co Ltd – the Council agreed a development loan to renovate and refurbish the Grade 1 listed building at The Crescent Buxton into a 5\* luxury hotel and spa. The development would regenerate Buxton Crescent and provide a welcome boost to the local economy and tourism.

Buxton Crescent & Thermal Spa Co Ltd submit a monthly utilisation request for funding based on works completed. The Council employs an expert to provide an independent view and to investigate and confirm the value of the works done. The expert's report is submitted to the Director of Property for approval and to authorise Technical Finance to make the loan payment. The loan meets Sate Aid requirements.

Buxton Crescent & Thermal Spa Co Ltd - The risk of loss based upon an Arlingclose non-rated corporate estimate of 6.7%, on the current loan amount outstanding of £7.408m, is £0.496m.

### **Loan Commitments and Financial Guarantees**

Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness.

### **Capacity, Skills and Culture**

**Elected members and statutory officers:** Elected members receive periodic training from the Director of Finance & ICT on Treasury Management (including non-treasury investments).

The Director of Finance & ICT holds semi-annual meeting with the Council's Treasury Management advisors to discuss Treasury Management Strategy options.

**Commercial deals:** The Director of Finance & ICT and the Treasury Management Accountant are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate.

**Corporate governance:** The Council's corporate governance arrangements are fully detailed in the Treasury Management Manual.



## 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.

**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**

<b>Total investment exposure</b>	<b>31.03.2019 Actual £m</b>	<b>31.03.2020 Forecast £m</b>	<b>31.03.2021 Forecast £m</b>
Treasury management investments	273.782	160.176	95.976
Service investments: Loans	7.908	11.890	11.890
<b>TOTAL INVESTMENTS</b>	<b>281.690</b>	<b>172.066</b>	<b>107.866</b>
Commitments to lend	3.982	0.000	0.000
<b>TOTAL EXPOSURE</b>	<b>285.672</b>	<b>172.066</b>	<b>107.866</b>

**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**

<b>Investments funded by borrowing</b>	<b>31.03.2019 Actual £m</b>	<b>31.03.2020 Forecast £m</b>	<b>31.03.2021 Forecast £m</b>
<b>TOTAL FUNDED BY BORROWING</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

**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)**

<b>Investments net rate of return</b>	<b>2018-19 Actual %</b>	<b>2019-20 Forecast %</b>	<b>2020-21 Forecast %</b>
Treasury management investments (excluding *)	1.10	1.15	1.00
*Strategic Pooled Funds	4.95	4.58	4.58
Service Investments: Loans	4.72	4.70	4.70
<b>ALL INVESTMENTS</b>	<b>2.15</b>	<b>2.73</b>	<b>3.74</b>

**Table 5: Other investment indicators**

<b>Indicator</b>	<b>2018-19 Actual</b>	<b>2019-20 Forecast</b>	<b>2020-21 Forecast</b>
Debt to net service expenditure ratio	1:1.61	1:1.82	1:1.85
Service Loans income to net service expenditure ratio	1:2146	1:982	1:903

## Appendix 4

### Capital Strategy

- 1 Purpose and Aims
- 2 Objectives of strategy
- 3 Key projects
- 4 Approach to capital investment
- 5 Commercial activity and investment property
- 6 Loans
- 7 Governance arrangements
- 8 Funding streams
- 9 Key strategies impacting on the Capital Strategy
- 10 Prudential Indicators
- 11 Knowledge and skills

## 1 Purpose and Aims

The Prudential Code for Capital Finance in Local Authorities was updated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in December 2017. The framework established by the Prudential Code supports local strategic planning, local asset management planning and proper option appraisal.

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.

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.

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.

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; and
- Treasury Management

## 2 Objectives of the Strategy

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. Work efficiently and effectively
2. Unlock economic growth and access to economic opportunities
3. Invest in employment and skill
4. Repair and improve the condition of Derbyshire roads
5. Improve accessibility in rural and vulnerable communities
6. Improve social care
7. Transform services for people with learning difficulties
8. Keeping children and adults safe
9. Be a good corporate parent for children in our care

10. Help children and young people get the best start
11. Encourage healthy lifestyles
12. Champion local communities
13. Support local library services
14. Protect local people and communities
15. Promote Derbyshire as a global cultural and tourist destination
16. Protect and enhance the natural environment

### **3 Key Projects**

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
- Supported the development of a network of electric vehicle charging points across the county
- Created an innovation park on the former Coalite site in Bolsover
- 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

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 Buxton Crescent
- Delivery of the schools capital programme
- Smarter working projects

### **4 Approach to Capital Investment**

Derbyshire County 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**

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.

The Council does not currently borrow to fund these type of activities.

## **6 Loans**

The Council has discretion to make loans for a number of reasons, primarily for economic development. These loans are treated as capital expenditure.

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.

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.

For further details, refer to the Investment Strategy above.

## **7 Governance Arrangements**

### **Capital Programme Approvals**

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**

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**

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.

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**

The three key strategies in place that will significantly influence the Council's Capital Programme over the medium term:

### **(a) Property Asset Management Framework**

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.

The aim of the strategy is to give clarity to the way we manage our assets, including:



- The organisational arrangements for asset management including policies 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**

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**

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. 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
- Mobile and Agile Workforce
- Digital by Default
- Workforce ICT Competencies
- Corporate and Business systems
- ICT Infrastructure Delivery
- Responsible Data management

### **(c) Highways Infrastructure Asset Management Strategy**

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.

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.

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)

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 2020-21 Prudential Indicators for Capital Finance**

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

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.

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.”

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

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.

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.

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**

This indicator identifies the trend in the cost of capital against the net revenue stream, based on the Capital Programme.

	<b>2018-19 Actual £m</b>	<b>2019-20 Estimate £m</b>	<b>2020-21 Estimate £m</b>	<b>2021-22 Estimate £m</b>	<b>2022-23 Estimate £m</b>
<b>Financing costs of CFR</b>	<b>38.23</b>	<b>41.47</b>	<b>47.01</b>	<b>52.08</b>	<b>55.71</b>
<b>Net Revenue stream including DSG</b>	<b>912.29</b>	<b>873.23</b>	<b>924.11</b>	<b>929.16</b>	<b>943.31</b>
<b>Percentage</b>	<b>4.19%</b>	<b>4.75%</b>	<b>5.09%</b>	<b>5.60%</b>	<b>5.91%</b>
<b>Net Revenue stream excluding DSG</b>	<b>533.53</b>	<b>494.47</b>	<b>545.35</b>	<b>550.40</b>	<b>564.55</b>
<b>Percentage</b>	<b>7.17%</b>	<b>8.39%</b>	<b>8.62%</b>	<b>9.46%</b>	<b>9.87%</b>

## **Prudence and Sustainability**

The Prudential Code requires that the Council shall ensure that all of its capital expenditure, investments and borrowing decisions are prudent and sustainable.

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.

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.

As part of the Prudential Code arrangements the authority needs to calculate the Capital Financing Requirement. This figure covers capital expenditure which has not yet been permanently financed through the revenue account.

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**

The relevant figures from the 2018-19 Accounts are as follows.

	<b>2018-19 Actual £m</b>	<b>2019-20 Estimate £m</b>	<b>2020-21 Estimate £m</b>	<b>2021-22 Estimate £m</b>	<b>2022-23 Estimate £m</b>
<b>Capital Expenditure</b>	<b>96.13</b>	<b>174.22</b>	<b>207.47</b>	<b>97.57</b>	<b>50.60</b>
<b>Funding Sources:</b>					
Borrowing	35.80	81.85	74.26	42.96	23.33
Capital receipts	5.42	17.14	6.51	8.55	0.00
Capital grants	54.91	54.86	118.95	43.68	25.26
Revenue	0.00	20.37	7.75	2.38	2.01
<b>Total CFR at year end</b>	<b>487.05</b>	<b>558.11</b>	<b>618.34</b>	<b>647.43</b>	<b>647.15</b>
Net movement in CFR	31.14	71.07	60.23	29.09	-0.28
Minimum Revenue Provision	4.66	10.79	14.03	13.87	23.61
PFI & Leases in CFR	75.45	71.70	67.75	63.59	59.20
PFI & Leases in MRP	3.75	3.95	4.16	4.39	4.64

As such there is a requirement to ensure that net debt (the sum of borrowing and other long-term liabilities, net of investments) in 2020-21 does not, except in the short term, exceed £618.340m (i.e. the estimated CFR for 2020-21).

### External Debt

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.

Operational Boundary – have to be set for both borrowing and long term liabilities.

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.

Authorised Limit – this higher measure, is the upper limit on the level of gross indebtedness which must not be breached without Council approval.

The Operational Boundary for external debt for the next three years is built up from the existing level of external borrowing, which was £313.124m and the

level of relevant liabilities (including finance lease liabilities), which was £72.982m, on the Balance Sheet at 31 March 2019.

The Authorised Limit for 2020-21 is to be £847m and the Operational Boundary is to be £816m.

**Table 3 – Authorised Limit for External Debt**

	<b>2019-20 Estimate £m</b>	<b>2020-21 Estimate £m</b>	<b>2021-22 Estimate £m</b>
<b>Authorised limit for external debt</b>	<b>655</b>	<b>847</b>	<b>824</b>
<b>Operational boundary for external debt</b>	<b>625</b>	<b>816</b>	<b>791</b>
<b>Borrowing</b>	<b>277</b>	<b>273</b>	<b>273</b>
<b>PFI liabilities</b>	<b>69</b>	<b>74</b>	<b>68</b>
<b>Total</b>	<b>346</b>	<b>347</b>	<b>341</b>

## **11 Knowledge and Skills**

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 Treasury Management Advisers. 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.

**PUBLIC**

**Agenda Item 9e**

**Derbyshire County Council**

**Council**

**5 February 2020**

**Report of the Executive Director Commissioning, Communities & Policy**

**Pay Policy Statement 2020**

**1. Purpose of the report**

To approve the Pay Policy Statement (attached at Appendix 1) for publication on the Council's website on 1 April 2020.

**2. Information and Analysis**

Since 2012 the Council has published an annual Pay Policy Statement in accordance with Section 38 of the Localism Act 2011 setting out the Council's policies on pay and conditions for its most senior employees (defined as 'chief officers' in the Act) and employees. Teachers and staff employed in local authority schools are not covered by the Act.

The Pay Policy Statement sets out the methods by which salaries of all employees are determined, the detail and level of remuneration of its most senior employees (chief officers), the definition of the Council's lowest paid employees and the pay multiple (ratio) between the salary of the highest paid employee and the median full time equivalent salary in the Council. The Council's pay multiple is 6.7:1

The Act defines chief officers as:

- Head of Paid Service
- Monitoring Officer
- Statutory Chief Officer
- Non-Statutory Officer
- Deputy Chief Officer

Any amendments to the policy, other than minor updates to reflect the 2020/21 pay agreement will require the approval of Full Council.

**3. Legal Considerations**

The requirement to publish a Pay Policy Statement and the information which must be included within the Statement is set out in section 38 of the Localism Act 2011. Section 43 specifies the officers who are considered to be chief officers for the purposes of the Statement.

In accordance with section 39 of the Localism Act, the Pay Policy Statement must be approved by a resolution of the authority before it comes into force and the Statement must be approved before the end of the 31<sup>st</sup> March immediately preceding the financial year to which it relates.

#### **4. Other Considerations**

In preparing this report the relevance of the following factors have been considered: HR, finance, prevention of crime and disorder, equality and diversity, environmental, health, property, social value and transport.

#### **5. Background Papers**

Background papers are held by the Director of Organisation Development and Policy.

#### **6. Officers' Recommendation**

That Council approves the attached Pay Policy Statement for the financial year commencing 1 April 2019 and agrees that the Statement should be published on the website.

**Emma Alexander**  
**Executive Director Commissioning, Communities & Policy**





# **Derbyshire County Council**

## **Pay Policy Statement**



**April 2020**

## 1. Introduction

The Council is committed to fairness and transparency of pay in employment.

This Pay Policy Statement sets out the Council's policy on pay for senior managers and employees for 2020-21 and is in accordance with the requirements of section 38 of the Localism Act 2011 and Guidance and Supplementary Guidance issued by the Department for Communities and Local Government in February 2012 and February 2013. For the purposes of this statement, senior managers means 'chief officers' as defined by section 43 of the Localism Act 2011. The posts falling within the statutory definition are set out at Appendix 1.

Under the Local Government Transparency Code 2015 additional organisational information is required to be published annually on the website. This consists of third tier organisation charts, senior salaries information, including functional responsibilities, budget amounts and numbers of staff responsible for, together with details of trade union facility time. Current organisational data and trade union information is available under open data on the website at [derbyshire.gov.uk/council/performance/open-data-transparency](http://derbyshire.gov.uk/council/performance/open-data-transparency)

This Pay Policy Statement was approved by Full Council on 5 February 2020 and comes into force on 1 April 2020.

Full Council will approve the appointment of the Head of Paid Service and Executive Directors following the recommendation of such an appointment by a Panel formed from the Appointments and Conditions of Service Committee together with any appointments above £100k.

Any amendments to the policy, other than minor updates to reflect the 2020/21 pay agreement will require the approval of Full Council.

## 2. Scope

The statement applies to all Council employees, excluding teachers and staff of local authority schools.

## 3. About the Council

For 2020-21 the Council has a net budget requirement of £560.2m and will use these funds to provide approximately 796,000 residents with essential local services. By 31 March 2025 the Council needs to save £65.3m due to reductions in Government grants, inflation and greater demands on areas of the budget for Adult Social Care, vulnerable children and waste disposal.

As £18.8m savings are planned in 2020-21 it is important that services provide excellent value for money and make the best use of our resources.

The Council has 13,231 appointments across four departments. Four Executive Directors, together with the Director of Finance & ICT, Director of Public Health, Director of Legal Services and Director of Organisation Development & Policy form

the Council's Corporate Management Team leading the work that provides services across Derbyshire.

#### 4. Pay arrangements

The Council uses the Hay Job Evaluation Scheme to evaluate the elements of each job to provide an individual score line and total points score. The Council's pay structure (published on the website at [derbyshire.gov.uk/working-for-us/pay-particulars/salary-scales](http://derbyshire.gov.uk/working-for-us/pay-particulars/salary-scales)) is aligned to the Hay Scheme's points bandings and applies across the whole workforce (with the exception of Soulbury, Further Education Lecturers, Apprentices and centrally employed Teaching and Headteacher posts). Further information on the Hay scheme, including the elements assessed, is available on our website at [derbyshire.gov.uk/working-for-us/careers-and-work-experience/job-families/job-evaluation](http://derbyshire.gov.uk/working-for-us/careers-and-work-experience/job-families/job-evaluation).

The Council has agreed to apply market rates to address recruitment and retention difficulties where these arise subject to strict criteria and approval through the Appointments and Conditions of Service Committee. Full details are set out in the Council's Market Supplement Policy on the website at [add link when policy published].

Performance related pay and bonuses, including lease cars, are not part of pay within the Council.

#### 5. Chief Officers' Remuneration

The grade and salary range of Executive Directors and statutory chief officers is set out below. *Senior Salaries shown reflect the 2019/20 salary rates and are subject to change reflecting the 2020/21 JNC pay agreement.*

Job Title	Grade	Salary range 2019/20
Executive Directors: <ul style="list-style-type: none"><li>Adult Social Care &amp; Health (<i>Statutory Chief Officer</i>)</li><li>Children's Services (<i>Statutory Chief Officer</i>)</li><li>Commissioning, Communities &amp; Policy (<i>Head of Paid Service</i>)</li><li>Economy, Transport &amp; Environment (<i>Non Statutory Chief Officer</i>)</li></ul>	20	£114,714-£126,185
Director of Public Health ( <i>Statutory Chief Officer</i> ) Director of Finance & ICT ( <i>Statutory Chief Finance Officer</i> ) Director of Legal Services ( <i>Monitoring Officer</i> )	18	£89,929-£98,924

Additional information on chief officer salaries is published in the Local Government Transparency Code data at [senior salaries](#) and salary scales at [salary-scales](#)

#### 6. Lowest Paid Employee

Pay point 3 on the Derbyshire Pay and Grading Structure in Grade 1/2 (2019/20), £17,363 (£9.00/hr), is the salary that is defined as the lowest within the Council.

The Council employs apprentices who are not included within the definition of 'lowest paid employees' as they are employed on temporary contracts and paid the national minimum wage for their age rate.

## **7. Pay Multiple**

In accordance with the Hutton Review of Fair Pay in the Public Sector and the requirements of the Local Government Transparency Code 2015, based on the 2019/20 pay structure, the pay multiple between the median salary (£18,794) and the highest salary (£126,185) is a ratio of 6.7:1.

## **8. Starting Pay**

All employees, including senior managers, will normally be appointed to the minimum point of the pay grade for the job.

In certain cases it may be appropriate to appoint to a higher point in the pay grade. This may arise when, for example, the preferred candidate for the job is, or has been, in receipt of a salary at a higher level than the grade minimum, or has undertaken an extended period of acting up duties within the job.

## **9. Pay Progression**

Employees on Grades 1/2 to 4 are on single pay points. Employees on Grade 5 and above receive annual increments until the top of their salary grade has been reached. The first increment is paid when the employee has been in post for 12 months.

## **10. National Pay Agreement**

The Derbyshire Pay and Grading Structure is adjusted by any 'cost of living' increase agreed nationally by the relevant National Joint Committee. If the national agreement is not a flat rate increase, application will reflect the national agreement and read across to the Derbyshire Pay and Grading Structure. The statement will be updated once relevant pay agreements are finalised.

## **11. Terms and Conditions**

All employees are covered by the Derbyshire Package terms and conditions of service available on the website at [derbyshire.gov.uk/working-for-us/jobs/our-terms-and-conditions](http://derbyshire.gov.uk/working-for-us/jobs/our-terms-and-conditions). Other conditions, such as disciplinary procedures and pay awards are negotiated by the National Joint Council for Local Government Services for employees up to Grade 16 and the Joint Negotiating Committee for Chief Officers of Local Authorities for senior managers Grade 17 and above.

## **12. Protection of Earnings Policy**

The Council's policy on Protection of Earnings applies to all employees of the Council and is available on the website at [derbyshire.gov.uk/working-for-us/leaving-us/redundancy](http://derbyshire.gov.uk/working-for-us/leaving-us/redundancy)

The period of pay protection is for a maximum of two years from the date of the change of basic pay.

### **13. Termination of employment**

No additional payments are made to any employee of the Council, including senior managers, at their point of leaving the employment of the Council, except in circumstances of redundancy and that is in accordance with the Council's published policy statements.

Voluntary severance packages costing the Council over £100k, inclusive of pension shortfall and redundancy costs, will be subject to approval of full Council.

### **14. Local Government Pension Scheme**

The Council is part of the Local Government Pension Scheme which provides pension benefits to eligible employees. Further details are available on the website at: [derbyshirepensionfund.org.uk/about-the-fund/about-the-lgps](http://derbyshirepensionfund.org.uk/about-the-fund/about-the-lgps)

The Council exercises the various discretions provided by the Local Government Pension Scheme which can be accessed on the website at [derbyshire.gov.uk/working-for-us/pensions](http://derbyshire.gov.uk/working-for-us/pensions)

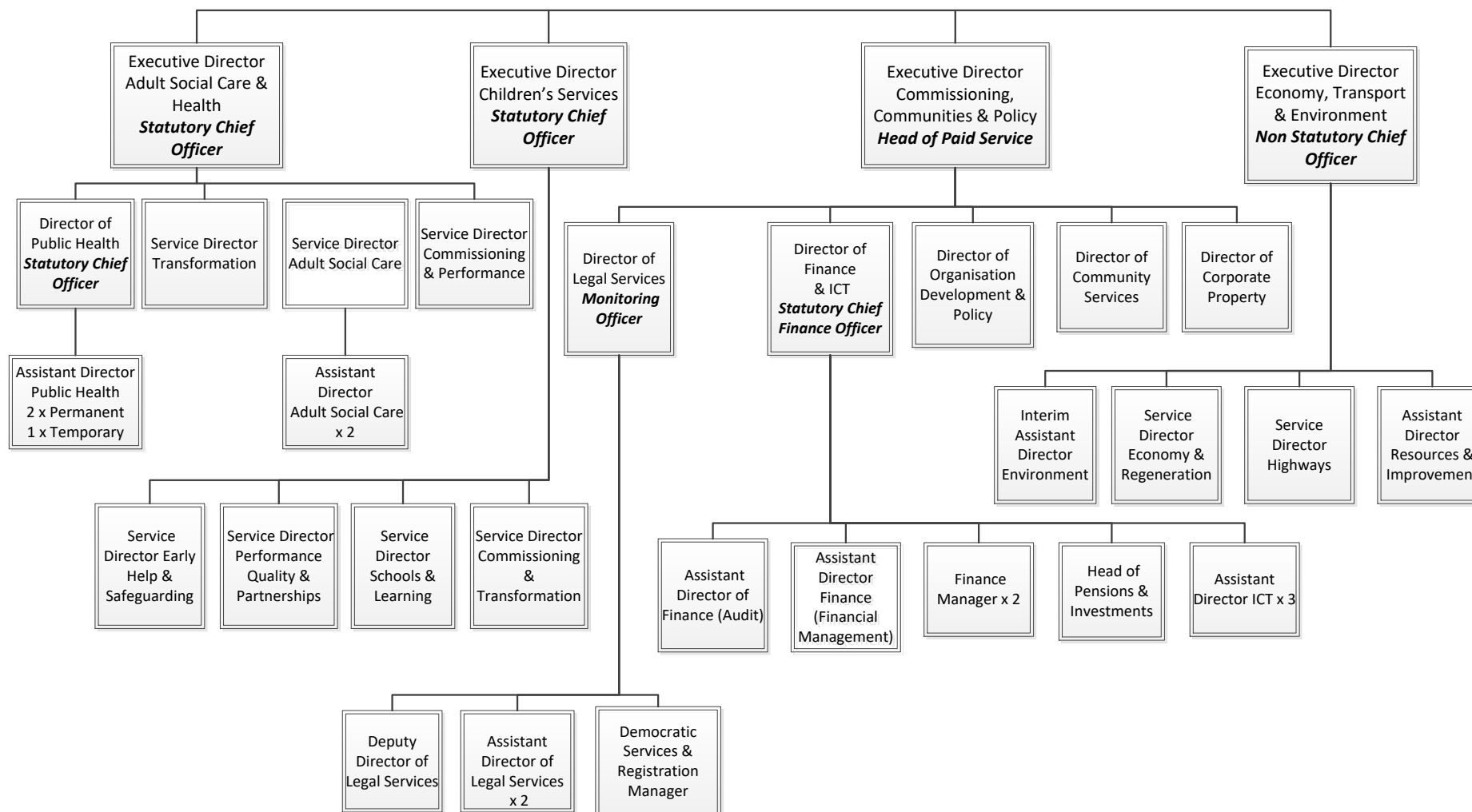
### **15. Acting Up**

A temporary payment may be made for covering part of another job or taking on extra responsibilities. Further details are available in the Fixed-Term Guide on the website at [derbyshire.gov.uk/working-for-us/employment-policies/recruitment-and-contractual-arrangements/fixed-term-employees](http://derbyshire.gov.uk/working-for-us/employment-policies/recruitment-and-contractual-arrangements/fixed-term-employees)

### **16. Gender Pay Gap**

In accordance with the Gender Pay Gap legislation which came into force on 31 March 2017, employers with at least 250 employees are required to publish their gender pay gap information on 31 March each year. The Council's gender pay gap is published annually on the Council's website at [derbyshire.gov.uk/working-for-us/equal-opportunities/gender-pay-gap](http://derbyshire.gov.uk/working-for-us/equal-opportunities/gender-pay-gap) and also externally on the Government's Gender Pay Gap website [gender-pay-gap.service.gov.uk](http://gender-pay-gap.service.gov.uk).

## Appendix 1 – Senior Management Structure



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**Agenda Item No.9 (f)**

**DERBYSHIRE COUNTY COUNCIL**

**COUNCIL**

**5 February 2020**

**Report of the Executive Director for  
Commissioning, Communities and Policy**

**CHANGES TO COMMITTEE MEMBERSHIP**

**1. Purpose of the Report**

To seek approval to changes to the membership of the Council's Committees.

**2. Information and Analysis**

Following the sad death of Councillor Alison Fox, vacancies currently exist on two of the Council's Committees. It is proposed therefore that appointments be made to those Committees as detailed below:

Improvement and Scrutiny Committee - Resources - Councillor C Short  
Governance, Ethics and Standards – Councillor N Atkin

**3. Legal Considerations**

The appointment of Members to Council Committees is a function of Full Council as set out in the Constitution.

**4. Other Considerations**

In preparing this report the relevance of the following factors has been considered: financial, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

**5. Officer's Recommendation**

That Council approves the appointment of Councillor C Short to the Improvement and Scrutiny Committee – Resources and Councillor N Atkin to the Governance, Ethics and Standards Committee.

**EMMA ALEXANDER**  
Executive Director for Commissioning, Communities and Policy

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