

Public Document Pack



Helen Barrington
Director of Legal and
Democratic Services
County Hall
Matlock
Derbyshire
DE4 3AG

Extension 38327
Direct Dial 01629 538327
Ask for Roy Ackrill

PUBLIC

To: Members of Cabinet

Wednesday, 13 January 2021

Dear Councillor,

Please attend a meeting of the **Cabinet** to be held at **2.00 pm** on **Thursday, 21 January 2021.** This meeting will be held virtually. As a member of the public you can view the meeting via the County Council's website. The website will provide details of how to access the meeting, the agenda for which is set out below.

Yours faithfully

A handwritten signature in black ink that reads 'Helen E. Barrington'.

Helen Barrington
Director of Legal and Democratic Services

A G E N D A

PART I - NON-EXEMPT ITEMS

1. Apologies for Absence
2. To receive declarations of interest (if any)
3. To consider Minority Group Leader questions (if any)

To consider the reports of the Director of Finance & ICT as follows:

- 4 (a) Reserves Position
- 4 (b) Budget Consultation Results
- 4 (c) Revenue Budget Report 2021-22
- 4 (d) Capital Programme Approvals, Treasury Management and Capital Strategy

To consider the report of the Executive Director Children's Services as follows:

- 5. School Block Funding Settlement 2021-22

Agenda Item No 4(a)

DERBYSHIRE COUNTY COUNCIL

CABINET

21 January 2021

Report of the Director of Finance & ICT

RESERVES POSITION

(STRATEGIC LEADERSHIP, CULTURE AND TOURISM)

1 Purpose of the Report

To note the current and forecast positions for both General and Earmarked Reserves and to approve the Reserves Policy. This report should be read alongside the following reports to this meeting: the Budget Consultation Results Report for 2021-22, the Revenue Budget Report 2021-22 and the Capital Programme Approvals, Treasury Management and Capital Strategies for 2021-22 Report.

2 Information and Analysis

Reserves Policy

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

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

- The requirement to set a balanced budget as detailed in Section 43 of the Local Government Finance Act 1992.
- The Chief Finance Officer's (Director of Finance & ICT) duty to report on the robustness of estimates and adequacy of reserves when the Council is considering its budget requirement as set out in Section 27 of the Local Government Act 2003.
- Legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the Chief Finance Officer has responsibility for the administration of those affairs as set out in Section 151 of the Local Government Act 1972.

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

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

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

General Reserve

The Council's General Reserve position was last reported to Cabinet on 30 July 2020, as part of the Revenue Outturn Report 2019-20. The level of General Reserve projections have been updated as part of the updated Five Year Financial Plan 2021-22 to 2025-26, which is included in the Revenue Budget Report 2021-22, also for consideration at this Cabinet meeting. The General Reserve balance is forecast to be between £10m and £24m over the medium term.

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

Earmarked Reserves

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

Earmarked Reserves totalling £229.138m were held at 1 April 2020. Of this total, £91.314m (40%) is available to support future spending. Details of the balances are categorised in accordance with the Reserves Policy below.

	Grants	Committed Liabilities	Funding Capital	Other	Not Controlled by Council	Total
Portfolio	£m	£m	£m	£m	£m	£m
AC	0.046	3.807	30.000	0.000	0.000	33.853
CGR	0.000	0.581	0.000	0.114	0.000	0.695
CS	5.263	26.975	0.000	75.293	23.372	130.903
HC	7.747	0.079	0.040	0.258	2.142	10.266
HTI	1.266	1.800	0.758	12.647	0.767	17.238
SLCT	0.368	1.581	0.000	1.488	0.865	4.302
YP	4.843	1.626	0.000	1.513	0.002	7.984
Total	19.533	36.449	30.798	91.313	27.148	205.241
Schools	0.000	0.000	0.000	0.000	23.897	23.897
Total	19.533	36.449	30.798	91.313	51.045	229.138

AC	= Adult Care
CGR	= Clean Growth and Regeneration
CS	= Corporate Services
HC	= Health and Communities
HTI	= Highways, Transport and Infrastructure
SLCT	= Strategic Leadership, Culture and Tourism
YP	= Young People

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

Loan Modification Gains/Losses (£26.124m held at 1 April 2020; Corporate Services; Committed Liabilities) – held to meet the cost of higher interest charges arising on restructured loans which were remeasured when International Financial Reporting Standard 9 was adopted.

Revenue Contributions to Capital Expenditure (£28.295m held at 1 April 2020; Corporate Services; Other) – £1.612m is held to fund future capital expenditure. The balance of £26.683m has arisen as a consequence of the Council's strategic decision to fund its capital expenditure in 2018-19 and 2019-20 from additional borrowing rather than its revenue budget and is held to support the management of revenue budgets over the medium term. The Revenue Budget Report 2020-21 approved the use of one-off support for the revenue budget of £1.000m from this balance and it will again be used for one-off support for the revenue budget in 2021-22, as noted in the Revenue Budget Report 2021-22. Further contributions to this Earmarked Reserve, in the region of £2m, should be possible in 2021-22.

Economy Transport and Environment (ETE) Prior Year Underspends (£9.810m held at 1 April 2020; Highways Transport and Infrastructure; Other) – held to finance anticipated overspends in the ETE budget because of a lag

in the delivery of budget savings. These are expected to arise whilst delivering change in a managed way, to ensure that front line services are not unduly disrupted. It is forecast that this balance will be used by 31 March 2024.

Public Health (£7.424m held at 1 April 2020; Health and Communities; Grants) – the carried forward balance of the ring-fenced Public Health Grant.

Planned Building Maintenance (£5.275m held at 1 April 2020; Corporate Services, Other) – there are a number of building projects that are funded from this budget. Cabinet agree a schedule to be funded from this budget.

Older People's Housing Strategy Reserve (£30.000m held at 1 April 2020; Adult Care; Funding Capital Project) – revenue contributions to capital expenditure, held to fund capital investment in Older People's housing. If required, this capital investment could alternatively be funded from additional borrowing and the money utilised instead to ensure that the Council's General Reserve position remains at a reasonable, risk-assessed level.

Insurance and Risk Management (£20.085m held at 1 April 2020; Corporate Services; Not Controlled by Council) – the Council keeps its payments to external insurance companies to a minimum by self-insuring much of its insurable risk. To cover self-insured risk, a contribution in lieu of premium is paid into an insurance fund, which comprises this reserve to cover expected liabilities and an insurance provision to cover incurred liabilities. Every four years an actuary performs an independent evaluation of the fund balance and the level of contributions. The last actuarial evaluation, completed in May 2018, confirmed that the total of this reserve and the insurance provision was adequate to meet current and anticipated liabilities.

Budget Management (£16.431m held at 1 April 2020; Corporate Services; Other) - to support the management of revenue budgets over the medium term. The Revenue Budget Report 2020-21 approved the use of one-off revenue support of £13.816m from this balance. The use of the remaining balance has been forecast in the Revenue Budget Report 2021-22.

The Council's Earmarked Reserve balances were reviewed during Autumn 2020. Departments have agreed to release £9.212m from balances, which will be utilised to support the Council in achieving a balanced budget over the medium term. This amount will initially be held in the Budget Management Earmarked Reserve, but the balance of that reserve, including this transferred balance, is expected to be fully used in supporting one off expenditure in the Revenue Budget Report 2021-22, as explained above. Details of the balances to be released are shown in Appendix One.

It is also proposed to establish an earmarked reserve to support the Thriving Communities project and to transfer £0.167m to this reserve from the Derbyshire Challenge Fund.

The table below summarises the forecast movement in Earmarked Reserves from the date of the review to 31 March 2021.

Portfolio	Reserves Brought Forward at 01.04.2020	Planned Net Contribution /(Use) 2020-21	Amounts to be Released to Budget Management Reserve	Forecast Reserves Carried Forward at 31.03.2021
	£m	£m	£m	£m
AC	33.853	(3.853)	0.000	30.000
CGR	0.695	(0.556)	0.000	0.139
CS	130.903	(20.588)	(9.107)	101.208
HC	10.265	(0.265)	0.000	10.000
HTI	17.238	1.337	(0.080)	18.495
SLCT	4.303	(1.303)	0.000	3.000
YP	7.984	(1.258)	(0.025)	6.701
Total	205.240	(26.486)	(9.212)	169.542
Schools	23.897	0.000	0.000	23.897
Total	229.138	(26.486)	(9.212)	193.440

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

	Grants	Committed Liabilities	Funding Capital	Other	Not Controlled by Council	Total
	£m	£m	£m	£m	£m	£m
31.03.2020	19.534	66.448	0.798	91.313	27.148	205.241
31.03.2021	13.812	62.441	0.546	66.948	25.796	169.543
31.03.2022	9.487	40.564	0.170	46.459	23.838	120.518
31.03.2023	7.497	24.249	0.015	37.493	22.105	91.359
31.03.2024	6.246	22.973	0.010	33.110	20.426	82.765

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 electronically by Technical Section, Room 137, County Hall.

6 Key Decision

No.

7 Is it necessary to waive the call-in period?

No.

8 Officer's Recommendations

That Cabinet:

- (i) notes the current position on Earmarked Reserves;
- (ii) notes the details of the balances to be released from Earmarked Reserve balances;
- (iii) approves the allocation of £9.212m Earmarked Reserves released to the Budget Management Earmarked Reserve.
- (iv) approves the transfer of £0.167m from the Derbyshire Challenge Fund to a newly established earmarked reserve to support the Thriving Communities project.

PETER HANDFORD

Director of Finance & ICT

APPENDIX ONE

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

Portfolio	Reserve	AC £m	CS £m	EDR £m	HC £m	HTI £m	SLCT £m	YP £m	Total £m
CS	Business Rates Relief Grant		5.000						5.000
CS	Equal Pay		0.277						0.277
CS	Business Rates Appeals		0.330						0.330
CS	Uninsured Financial Loss		3.500						3.500
HTI	PSA1 Reward Grant					0.080			0.080
YP	Assisted Boarding							0.025	0.025
Total		0.000	9.107	0.000	0.000	0.080	0.000	0.025	9.212

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

This page is intentionally left blank

Agenda Item No 4(b)

DERBYSHIRE COUNTY COUNCIL

CABINET

21 January 2021

Report of the Director of Finance & ICT

BUDGET CONSULTATION RESULTS
(STRATEGIC LEADERSHIP, CULTURE AND TOURISM)

1 Purpose of the Report

To enable Cabinet to consider the outcome of the Council's budget consultation exercises in formulating its budgetary proposals to Full Council regarding the Revenue Budget for 2021-22.

This report should be read alongside the following reports to this meeting: the Reserves Position Report, the Revenue Budget Report 2021-22 and the Capital Programme Approvals, Treasury Management and Capital Strategies for 2021-22 Report.

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 2021-22 the Council devised a "Your Council, Your Voice 2020" survey. As in 2020-21, this was an in-depth survey, combining both budget and residents' consultations, to provide even more useful information than in surveys before 2020-21. The headline findings from the survey are being used to refresh the Council Plan for 2021-22 and the budget consultation elements are reported on here. Plans are being formulated to undertake further analysis to support wider strategy development across the Council and engagement with residents and local communities.

Online Survey

The online survey combined both budget and residents' consultations and ran for six weeks, from 2 November 2020 to 13 December 2020. Participation in the survey has been encouraged using various means including social media posts on Twitter and Facebook, and a short Facebook advertising campaign which reached 143,000 people. The survey was also publicised in the Council's residents' magazine Derbyshire Now, both the printed and e-version, featured in the Our Derbyshire employee newsletter and the Councillors' briefing Members' News. In addition, approximately 5,800

residents who had previously expressed an interest in being involved in further consultation with the Council were e-mailed the survey directly. A total of 2,101 Derbyshire residents completed the survey. Last year, the Council attracted 3,763 responses to its survey. Although the number of residents completing the survey has reduced, the response remains strong, especially considering the ongoing Covid-19 pandemic.

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

The average age of respondents was 57 years, with the age of respondents ranging from 14 to 92 years old. This compares to an average age of 53 for the 2020-21 consultation. Responses from the over 65 group have increased by seven percentage points compared to the 2020-21 consultation response, but responses from the under 44 age group have declined by seven percentage points. Of those responding, 50% were male and 50% were female, which represents a higher response from Derbyshire's male residents than for the 2020-21 consultation, when 42% were male and 58% were female and is more in line with the gender profile of Derbyshire according to the Office for National Statistics (ONS).

A map showing the Derbyshire location of respondents is attached at Appendix One. If survey response rates were to follow the percentage of population in each district, the Council would expect 9% of respondents to be resident in Derbyshire Dales. The analysis shows that residents from Derbyshire Dales are over-represented in the consultation, as 17% of all respondents live in Derbyshire Dales. High Peak residents are also over-represented (5% higher), whilst those in Erewash and South Derbyshire are under-represented, with figures being 4% and 5% lower respectively. These findings were similar in the 2020-21 consultation.

A total of 16% of respondents identified themselves as having a disability, a similar proportion to the 2020-21 budget consultation. This compares to 20% of the population identified in the 2011 Census who said their day to day activities were limited.

Further demographic analysis is attached for consideration at Appendix Two.

An infographic showing headline results in respect of the Your Council Your Voice 2020 Survey, including the budget consultation questions, has been produced and is attached at Appendix Three.

Within the survey, local people were asked six budget consultation questions to establish their views on what the Council's top and bottom three priority

services should be and why they had chosen these, to rank in order of importance nine options the Council could use to save money or raise additional revenue and whether they had any other suggestions for how the Council could save money or raise additional revenue. Of the six budget consultation questions, five required respondents to select their answers from options given in the consultation and one allowed respondents to comment freely. Fewer responses were received where respondents were asked to comment freely.

In summary, the Covid-19 pandemic has had little impact on respondents' priorities in respect of the services the Council provides and what the Council should do to save money or raise additional revenue. The following views were expressed:

- From a choice of 22 Council services, respondents thought that the top three priorities, with the most popular listed first, should be: 'highways services including planning and maintenance' (selected by 35% of respondents as being in their top three priority services), 'waste and recycling centres' (25%) and 'environmental policy including flooding and climate change' (24%). 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' (2%), then 'day care or residential care for older adults' (3%) – this is identical to the 2020-21 budget consultation.
- The top Council service priority selected by both males and females is 'highways services including planning and maintenance', although 44% of males, compared to 26% of females, chose this service priority. The second most popular service priority for females is 'environmental policy including flooding and climate change' but for males it is 'waste and recycling centres'. The third most popular service priority for females is 'support for older adults' but for males it is 'economic development and regeneration'.
- The most important reason for choosing the top Council service priorities in the survey was 'important to you or your family' (59%), followed by 'need to protect and support vulnerable people' (48%) and then 'importance of road and public transport issues' (35%).
- From the same choice of 22 Council services, the priorities which respondents thought should be at the bottom, with the ones most frequently selected first, are: 'museums, heritage and arts services' (selected by 40% of respondents as being in their bottom three priority services), followed by 'grants and aid to voluntary groups' (32%), then 'adult community education' (27%). 'Museums, heritage and arts services' and 'grants and aid to voluntary groups' are in the same positions as in the 2020-21 budget consultation but the third placed 'adult community education' has replaced 'libraries', now in fifth place. These "bottom priority" services were not all present in the least frequently selected from

the same list requiring respondents to select their “top three priorities” question. The least selected service as a top priority was ‘fostering and adoption services’ (2%), followed by ‘adult community education’ (2%), then ‘trading standards’ (3%) – these are the same three as in the 2020-21 budget consultation.

- The bottom two Council service priorities above were selected most by both males and females. However, the third most selected bottom Council service priority is ‘adult community education’ for females and ‘welfare rights advice’ for males.
- The most important reason for choosing the bottom Council service priorities in the survey was ‘other services are more important’ (50%), followed by ‘difficult to choose’ (37%) and then ‘not relevant or important to you or your family’ (29%).
- Respondents identified the most important of nine options the Council could use to save money or raise additional revenue as ‘work with other councils to deliver shared services’, followed by ‘use other ways of delivering services such as local trusts or other ‘not for profit’ partnerships’, then ‘put more services on-line’. Males and females agreed on the most important option but their second and third place selections were reversed, with males selecting ‘put more service on-line’ more often. This top three is identical to the 2020-21 budget consultation.
- The least important of the nine options to save money or raise additional revenue, as ranked by both male and female respondents, is ‘increase Council Tax’, followed by ‘increase charges for services supplied to the public’, then ‘maintain services but do less frequently or reduce level of service’. This order is identical to the 2020-21 budget consultation.
- Most people (1,454 respondents) did not make any suggestions on alternative ways for saving money or raising additional revenue. Examples of comments and suggestions received include:
 - “If the services provided are necessary, they have to be paid for, and a modest rise in Council Tax would be OK”.
 - “Improve the quality and control of contracted services to get better value for money”.
 - “Concentrate on core business, vulnerable adults and children and transport/highways”.
 - “Bring your staff in to line with the private sector regarding sickness and time off”.
 - “Consolidate the resources utilised across the County. Have one county wide authority”.

Focus Groups

It was agreed, as part of the approach, that reports of headline survey findings be reported to the Council’s Corporate Management Team (CMT), with significant emerging issues becoming the subject of virtual focus groups carried out during the survey period.

Following a successful pilot focus group involving six Derbyshire residents, a further five focus groups were held, including one with members of the Black Minority Ethnic Forum (BME) Forum. Between six and ten residents signed up for each, with the final session taking place on 8 December 2020, five days before the survey closed on 13 December 2020. The average age of those attending was 62 years; the youngest person was 42 and the oldest was 74. Participants were split 45% female and 55% male.

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

An infographic summarising key outcomes and demographic information from the focus groups has been produced and is included at Appendix Four, together with a map showing the location of respondents.

The key issues and findings from the groups include:

- Confirmation from residents that the selection of their top three priorities is primarily driven by individual use and/or need for a particular service.
- There was general agreement that the top three priorities emerging overall reflect participants' own views.
- Direct experience of a service, customer service and experiences with those delivering the service is key to determining satisfaction with the Council overall.
- There is little concern about who provides a particular service, provided it is delivered effectively and efficiently.
- Residents would like to receive more information on how the Council spends its money on particular services, to judge whether the Council provides value for money.
- There is general consensus that residents would find more information about the Council's performance interesting and useful in determining their views on satisfaction and value for money.
- There was wide understanding that Elected Members and Senior Officers have to balance many competing issues when making decisions, however residents would like more openness and transparency on how decisions are reached and why, particularly in terms of the weight given to residents' views.

Feedback has started to identify a number of potential areas for action, particularly around the provision of financial and performance information, the provision of feedback on how residents' views, obtained through consultation, have been used in decision making and the strong impact of Elected Member and staff interaction with residents.

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

Other Consultation

The Council's Constitution provides that the Improvement and Scrutiny Committee should also be notified of the budget proposals. The Director of Finance & ICT has engaged with the Committee regularly throughout the year, with particular emphasis on the September and December meetings in relation to the budget for 2021-22. The December meeting was dedicated solely to discussion around the forthcoming budget and was attended by the Council Leader as well as the Director of Finance & ICT. At both the September and December meetings there were numerous comments, questions and views expressed by members of the Committee. The comments were around the following broad issues:

- Financial resilience and the ability to balance the budget;
- How working from home may have affected performance and achievement of objectives;
- Processes to identify pressures and risks;
- How to test the reasonableness of assumptions;
- What are the level of reserves and how robust are they;
- How reliant are we on the Spending Review outcome;
- The potential cost and timing of the health consequences, both directly and indirectly, of Covid-19;
- The likelihood that funding from Government will be sufficient to meet the cost incurred.

The trade unions were consulted at the Corporate Joint Committee held earlier on 21 January 2021. A verbal update will be provided at the Full Council meeting on 3 February 2021.

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 3 February 2021.

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 2021-22.

5 Equality and Diversity Considerations

Members are invited to have regard to the advice contained in the Revenue Budget Report 2021-22.

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 electronically by Technical Section, Room 137, County Hall.

8 Key Decision

No.

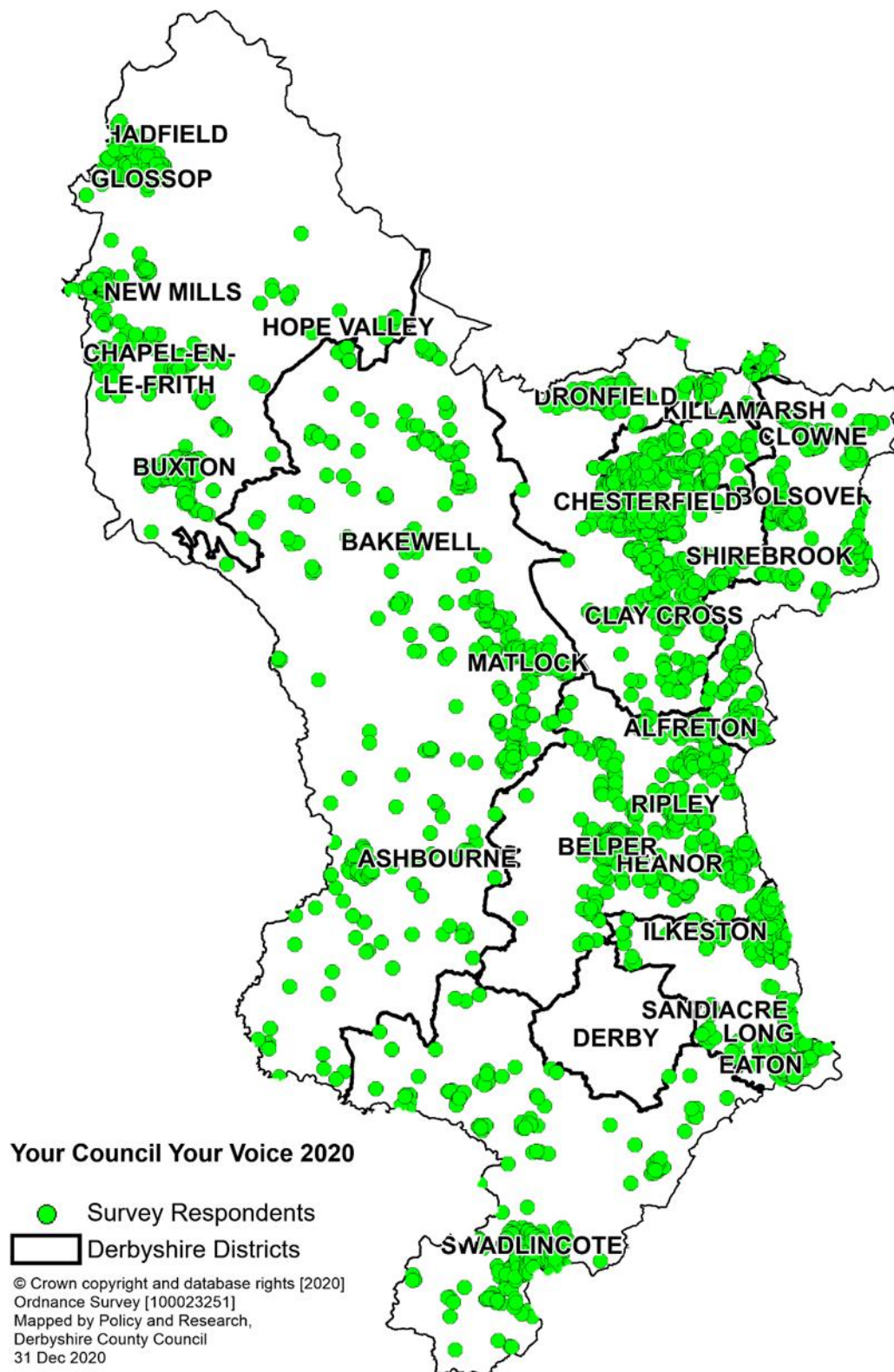
9 Officer's Recommendation

That the views of the consultation respondents are taken into account by Cabinet in formulating its proposals to Full Council regarding the Revenue Budget for 2021-22.

PETER HANDFORD

Director of Finance & ICT

Map - Location of Your Council Your Voice 2020 Survey Respondents



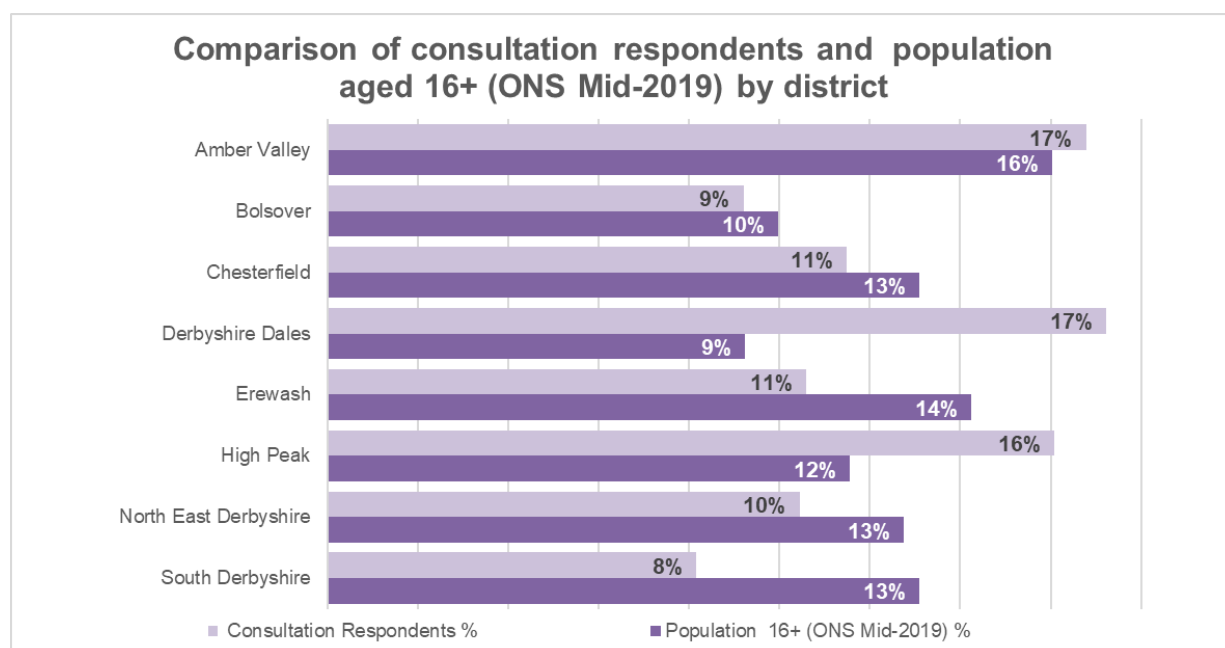
Demographic Profile of Budget Consultation Respondents

A total of 2,169 people responded to the consultation, but the analysis included in this report looks at the analysis of 2,101 respondents. This excludes the responses of 9 people who lived outside Derbyshire and those of 52 who submitted multiple entries. The total number of respondents will vary for individual questions as not all respondents answered all of the questions. A small number of paper questionnaires were posted out to residents, but none were returned.

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 2019.

Location

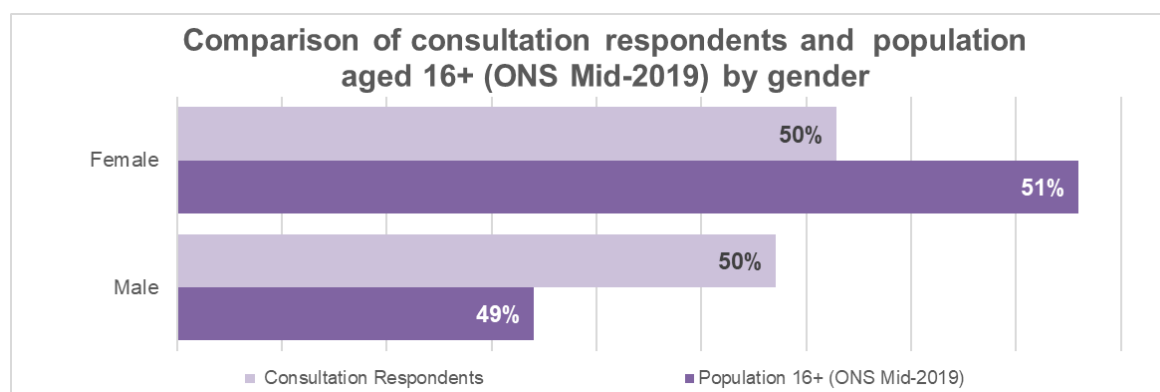
District	Consultation Respondents		Population 16+ (ONS Mid-2019)		Difference (Respondents - Population)	
	Number	%	Number	%		
Amber Valley	339	17%	106,603	16%	0.8%	↑
Bolsover	186	9%	66,277	10%	-0.8%	↓
Chesterfield	232	11%	87,043	13%	-1.6%	↓
Derbyshire Dales	348	17%	61,490	9%	8.0%	↑
Erewash	214	11%	94,721	14%	-3.7%	↓
High Peak	325	16%	76,866	12%	4.5%	↑
North East Derbyshire	211	10%	84,857	13%	-2.3%	↓
South Derbyshire	165	8%	87,110	13%	-4.9%	↓
Total	2,020	100%	664,967	100%		



Gender

The gender and age profile of respondents have also been compared to the profile of all residents as given by the mid-2019 ONS population estimates.

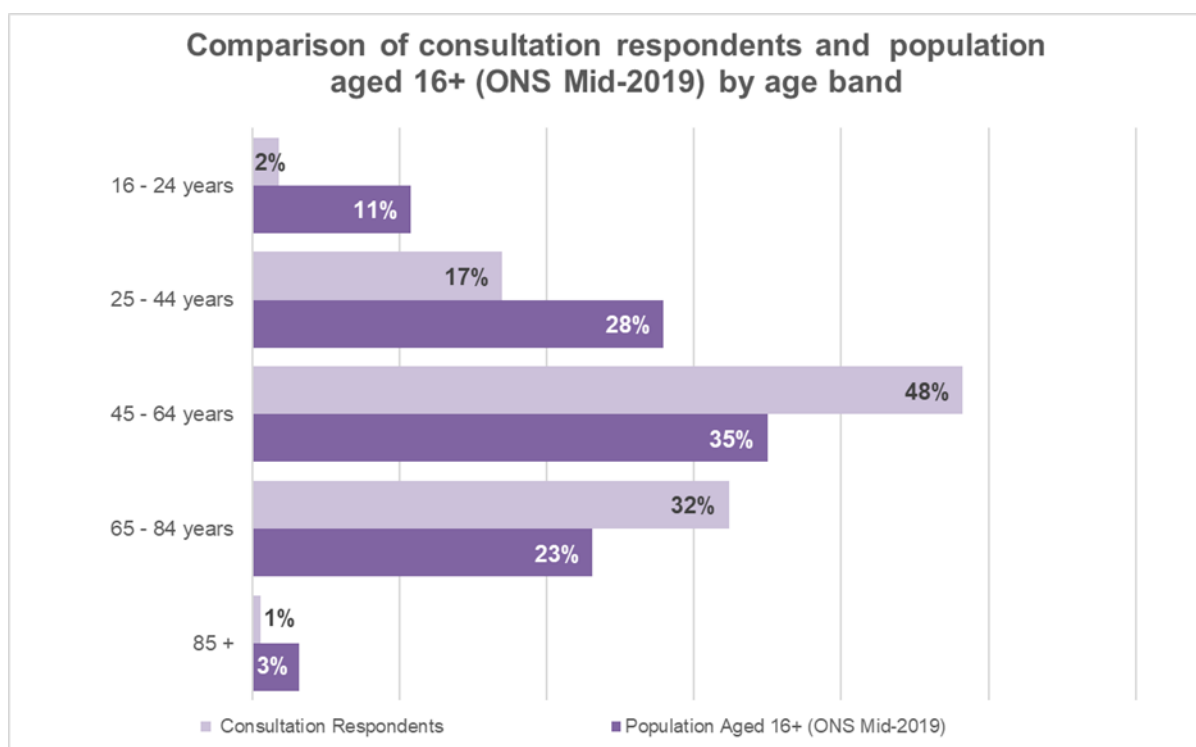
Gender	Consultation Respondents		Population 16+ (ONS Mid-2019)		Difference (Respondents - Population)	
	Number	%	Number	%		
Female	1,044	50%	341,126	51%	-1.2%	↓
Male	1,038	50%	323,841	49%	1.2%	↑
Total	2,082	100%	664,967	100%		



Age

Age Band	Consultation Respondents		Population Aged 16+ (ONS Mid-2019)		Difference (Respondents - Population)	
	Number	%	Number	%		
16 - 24 years	37	2%	71,680	11%	-9%	↓
25 - 44 years	349	17%	185,650	28%	-10.9%	↓
45 - 64 years	991	48%	232,681	35%	13.3%	↑
65 - 84 years	665	32%	153,660	23%	9.3%	↑
85 +	12	1%	21,296	3%	-2.6%	↓
Total 16 or over	2,054	100%	664,967	100%		

The average age of respondents was 57 years.



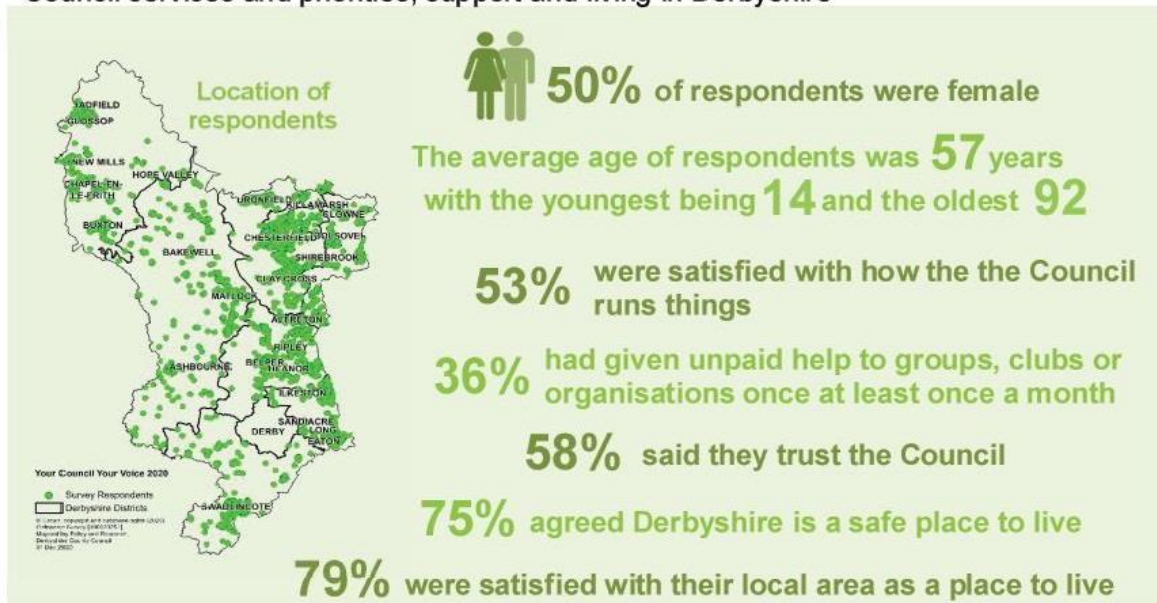
Disability

Do you consider yourself disabled?	Consultation Respondents	
	Number	%
Yes	322	16%
No	1,722	84%
Total	2,044	100%

Infographic – Your Council Your Voice 2020 Survey Summary Results

Your Council Your Voice Headline Results 2020

2,101 residents responded to the survey which asked for views on a range of Council services and priorities, support and living in Derbyshire



Percentage of residents who agreed that the Council:



Percentage who were satisfied or dissatisfied with services:

highest satisfaction levels:



highest dissatisfaction levels:



Policy & Research - January 2021

Source: Derbyshire County Council Your Council Your Voice Survey 2020



Infographic – Your Council Your Voice 2020 Focus Groups Summary

Derbyshire Budget Consultation Online Focus Groups November/December 2020



22 residents took part in **5** online focus groups



12 of those taking part were male and **10** female

The average age of those attending was **62** years, the youngest person was **40** and the oldest **74**

£ What does 'Value for Money' mean?

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

Budget information



Performance levels



Services provided



👍 What influences levels of satisfaction?

personal experience
response time
transparency
handling of complaint
performance
councillor contact
beaurocracy
communications
ease of contact
honesty
customer care
openness
feedback
outcomes
information

⚖️ Why are services selected as priorities?

The top 3 priorities from the survey are:



Highway services



Waste & recycling centres



Environmental policy inc.
flooding & climate change

Why?

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

Priorities may vary depending on:

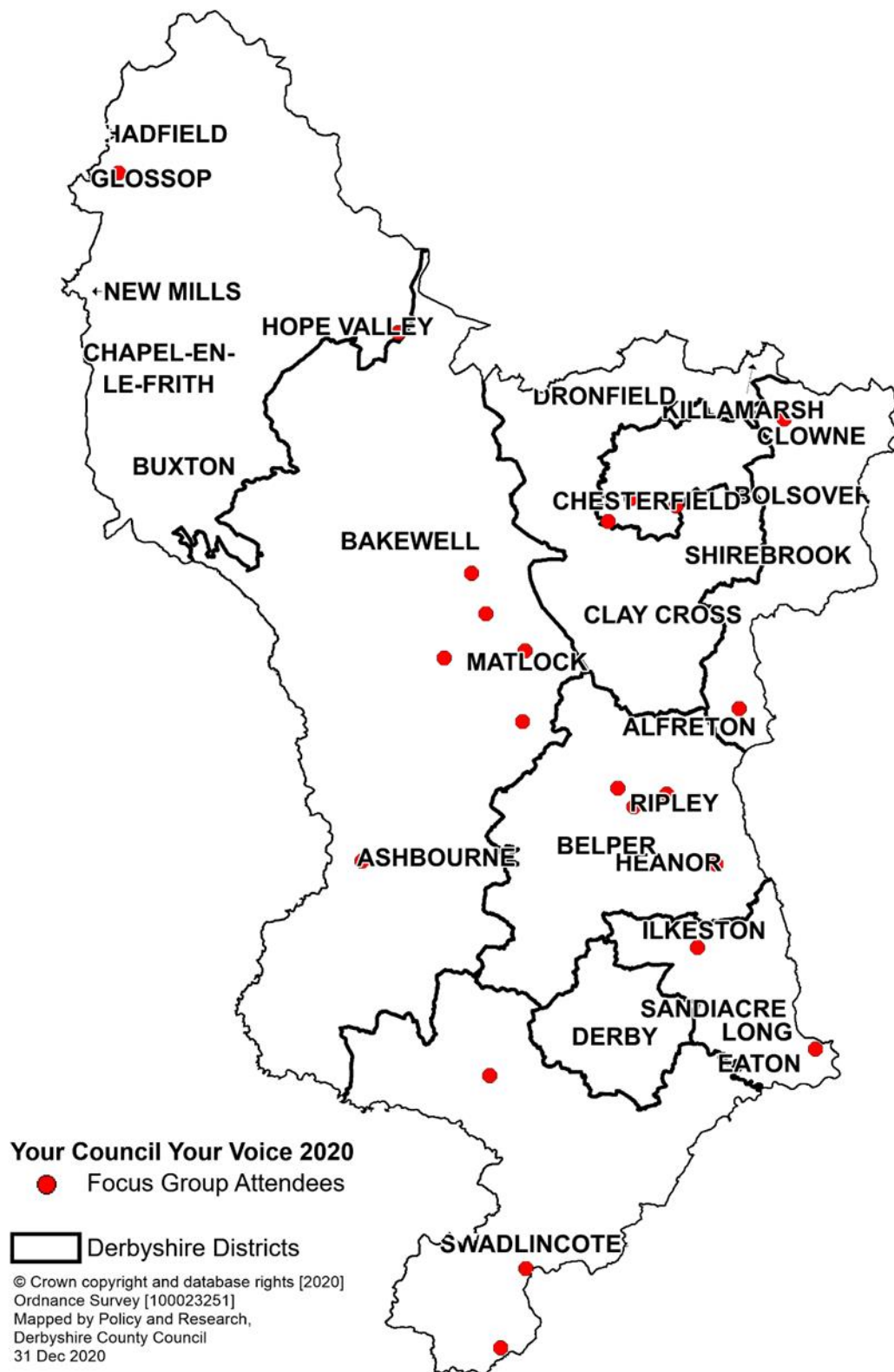
Where people are in their life
How people are answering the survey
Lack of understanding of services/information

Policy & Research - January 2021

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



Map – Location of Your Council Your Voice 2020 Focus Groups Attendees



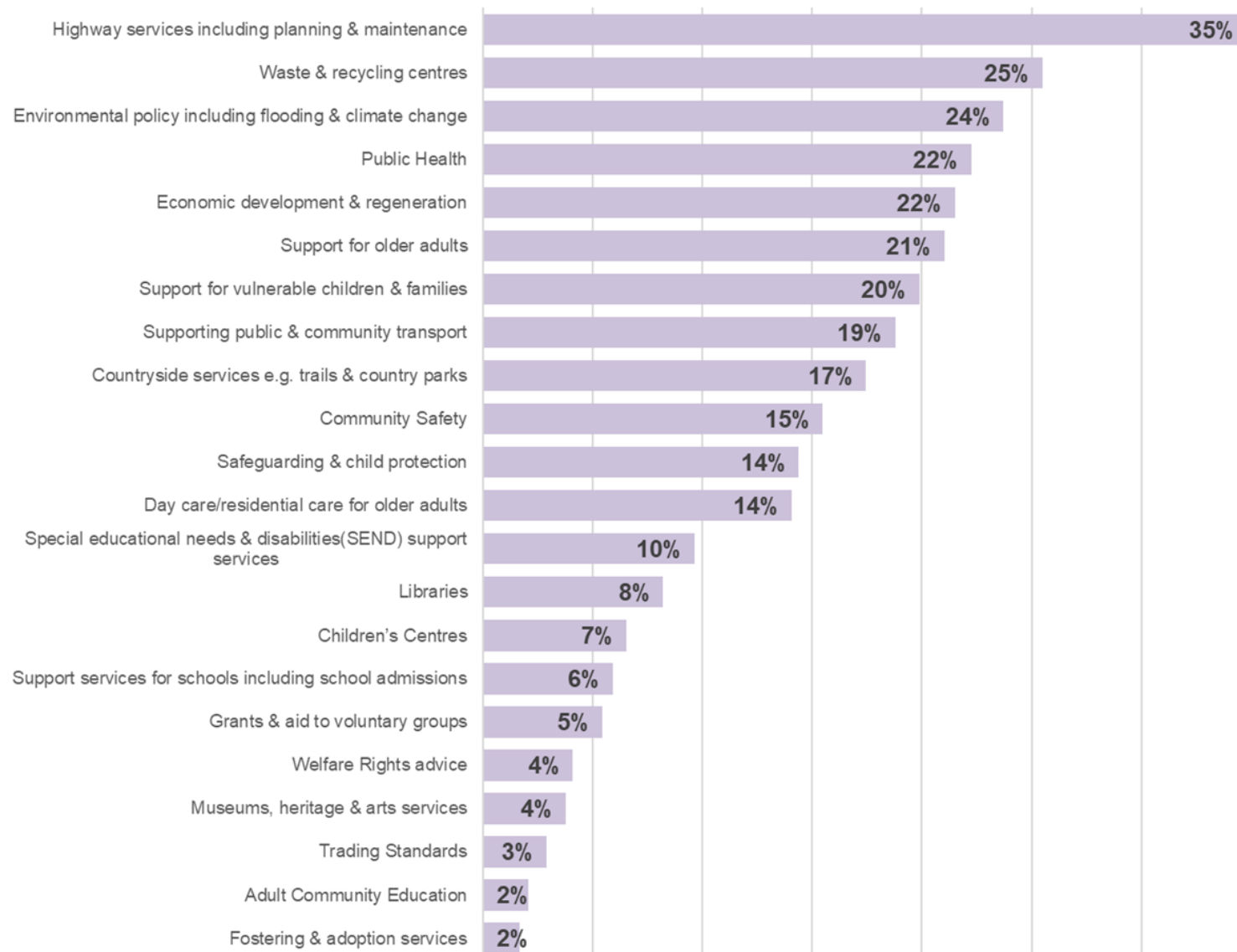
Budget Consultation - Analysis of Consultation Responses

All Derbyshire Residents

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

From the list of services below provided by Derbyshire County Council please select your <u>top three</u> priorities:			
Priority	Consultation responses		
	Number	%	Rank
Highway services including planning & maintenance	728	35%	1
Waste & recycling centres	533	25%	2
Environmental policy including flooding & climate change	496	24%	3
Public Health	465	22%	4
Economic development & regeneration	450	22%	5
Support for older adults	440	21%	6
Support for vulnerable children & families	416	20%	7
Supporting public & community transport	393	19%	8
Countryside services e.g. trails & country parks	365	17%	9
Community Safety	324	15%	10
Safeguarding & child protection	301	14%	11
Day care/residential care for older adults	294	14%	12
Special educational needs & disabilities(SEND) support services	202	10%	13
Libraries	172	8%	14
Children's Centres	137	7%	15
Support services for schools including school admissions	124	6%	16
Grants & aid to voluntary groups	114	5%	17
Welfare Rights advice	86	4%	18
Museums, heritage & arts services	79	4%	19
Trading Standards	61	3%	20
Adult Community Education	43	2%	21
Fostering & adoption services	35	2%	22
Total	6,258	299%	
NB. The responses sum to approximately 300% as each respondent was asked to choose three options			

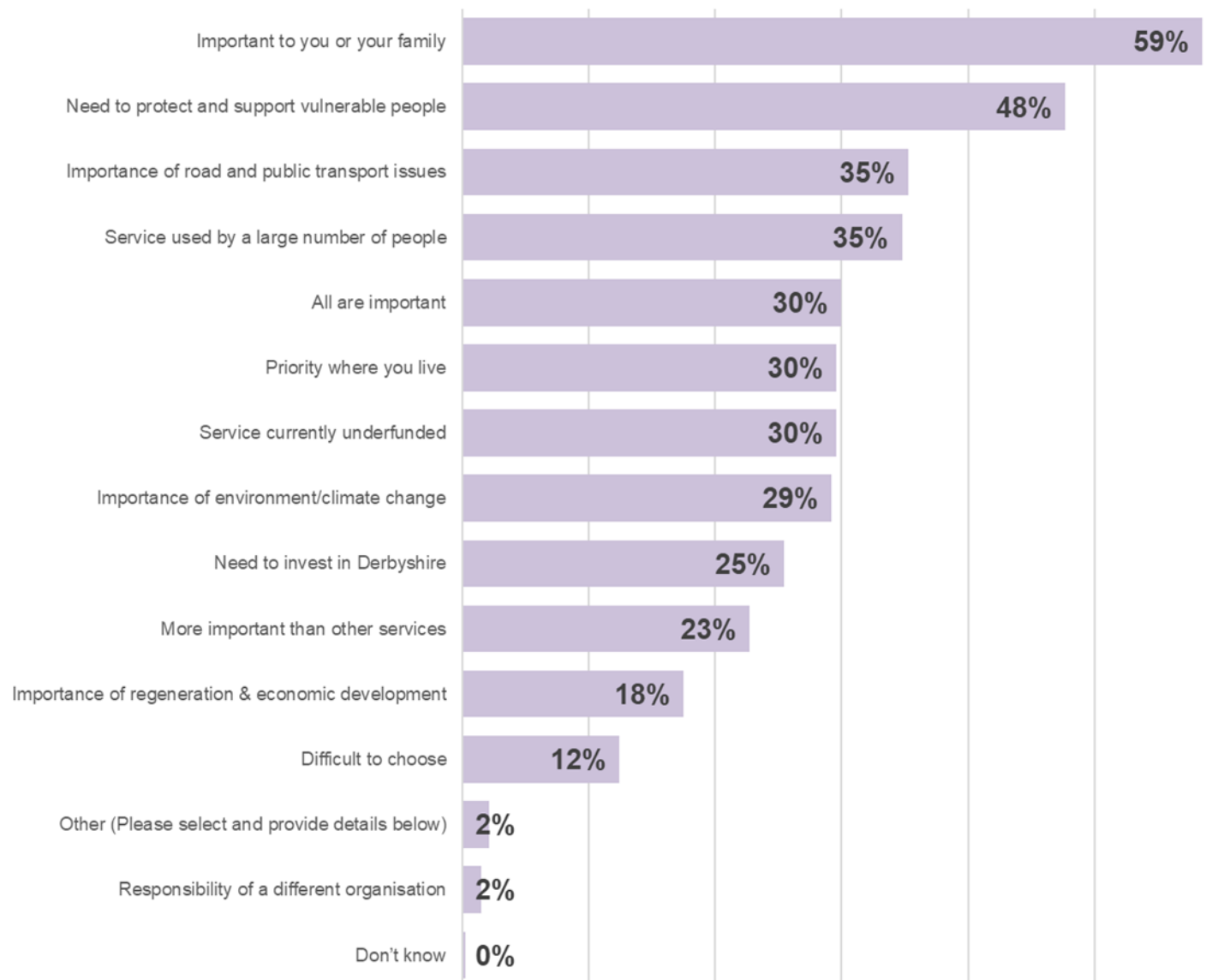
**From the list of services below provided by Derbyshire County Council
please select your top three priorities**



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

Why have you chosen these services as your top three priorities:			
	Consultation responses		
	Number	%	Rank
Important to you or your family	1,215	59%	1
Need to protect and support vulnerable people	990	48%	2
Importance of road and public transport issues	733	35%	3
Service used by a large number of people	722	35%	4
All are important	623	30%	5
Priority where you live	614	30%	6
Service currently underfunded	614	30%	7
Importance of environment/climate change	606	29%	8
Need to invest in Derbyshire	529	25%	9
More important than other services	472	23%	10
Importance of regeneration & economic development	364	18%	11
Difficult to choose	258	12%	12
Other (Please select and provide details below)	45	2%	13
Responsibility of a different organisation	32	2%	14
Don't know	6	0%	15

Why have you chosen these as your top three priorities?



Only 2% of respondents (45) chose "Other" as an option, twelve of the comments duplicated the question options, the remaining have been grouped into a range of topics including:

- Important for mental health and wellbeing (6)
- Support the children and young people of Derbyshire (5)
- Covid-19 related (5)

Examples of comments include:

- "Countryside / trails are important for mental and physical health"
- "Future global challenges that will directly affect us here in Derbyshire"
- "Covid has clearly shown we can't trust central government to manage Test Track & Trace.....we need an effective Public Health service run locally"
- "Not enough investment in public health as the Covid-19 pandemic has highlighted"
- "I would like to see something about looking out for the local residents of Derbyshire. Services are important, but I think more emphasis should be given to residents rather than visitors. I think Covid-19 has shown this to be true as more & more people came into the Peak District"
- "Whilst all areas need to be funded, I feel that the three I selected should get a bigger slice of the pie"
- "Need to support Derbyshire's heritage by supporting museums"
- "Priorities have changed due to Covid"
- "I feel that my three choices would help to maintain a safe and prosperous community for all"
- "Investment in these areas will generate wealth and therefore the Council's income and its ability to fund all the other sectors"
- "Combating the climate and ecological emergency is of overriding importance. After Covid, people need new, green, sustainable jobs"
- "Anything which helps children gain a better future is so important"
- "Many of these are interdependent, for example I believe that climate change is the biggest issue for the next few decades and transport, regeneration and new models of economic 'success' all underpin this. If we don't get this one right, and quickly, we are compounding problems for the future"
- "Services for teenagers in Derbyshire is now very underfunded and Covid has not helped young people. Mental health problems will have escalated now and youth centres are now not available in many areas of the county. Young people need the care and support of youth workers more than ever"
- "These are the Cinderella services that make life in Derbyshire so much better but if they weren't funded by the Council they would disappear"
- "I would like to see greater funding and consideration to cycle ways in Derbyshire and green transport in general. Cycling is so underrated as it is green, healthy and cost effective for people. I would like to see

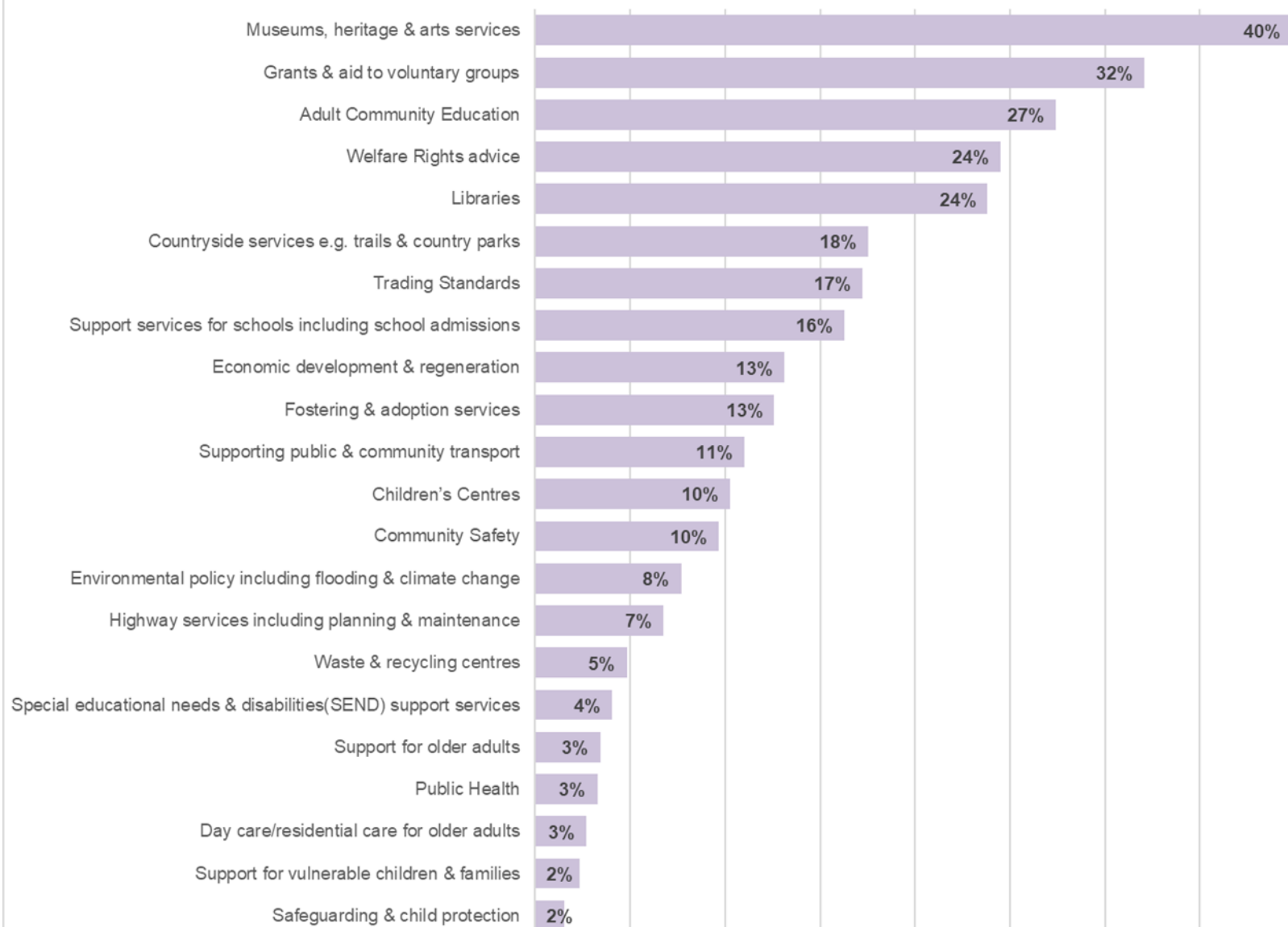
Derbyshire lead the way re cycling which would also promote tourism.
Just do it!"

- "The most vulnerable if old or young must be supported"
- "These surveys are always too simplistic. All things the Council does are important and affect wellbeing"
- "All services listed and provided by the Council are important dependant on who you are and what issues you have to deal with in everyday life. All services currently provided are what makes Derbyshire such a decent place to live in"

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

Priority	Consultation Responses		
	Number	%	Rank
Museums, heritage & arts services	766	40%	1
Grants & aid to voluntary groups	617	32%	2
Adult Community Education	527	27%	3
Welfare Rights advice	471	24%	4
Libraries	458	24%	5
Countryside services e.g. trails & country parks	337	18%	6
Trading Standards	331	17%	7
Support services for schools including school admissions	313	16%	8
Economic development & regeneration	252	13%	9
Fostering & adoption services	242	13%	10
Supporting public & community transport	212	11%	11
Children's Centres	197	10%	12
Community Safety	186	10%	13
Environmental policy including flooding & climate change	148	8%	14
Highway services including planning & maintenance	130	7%	15
Waste & recycling centres	93	5%	16
Special educational needs & disabilities(SEND) support services	78	4%	17
Support for older adults	66	3%	18
Public Health	63	3%	19
Day care/residential care for older adults	52	3%	20
Support for vulnerable children & families	45	2%	21
Safeguarding & child protection	29	2%	22
Total	5,613	292%	
NB. The responses sum to approximately 300% as each respondent was asked to choose three options			

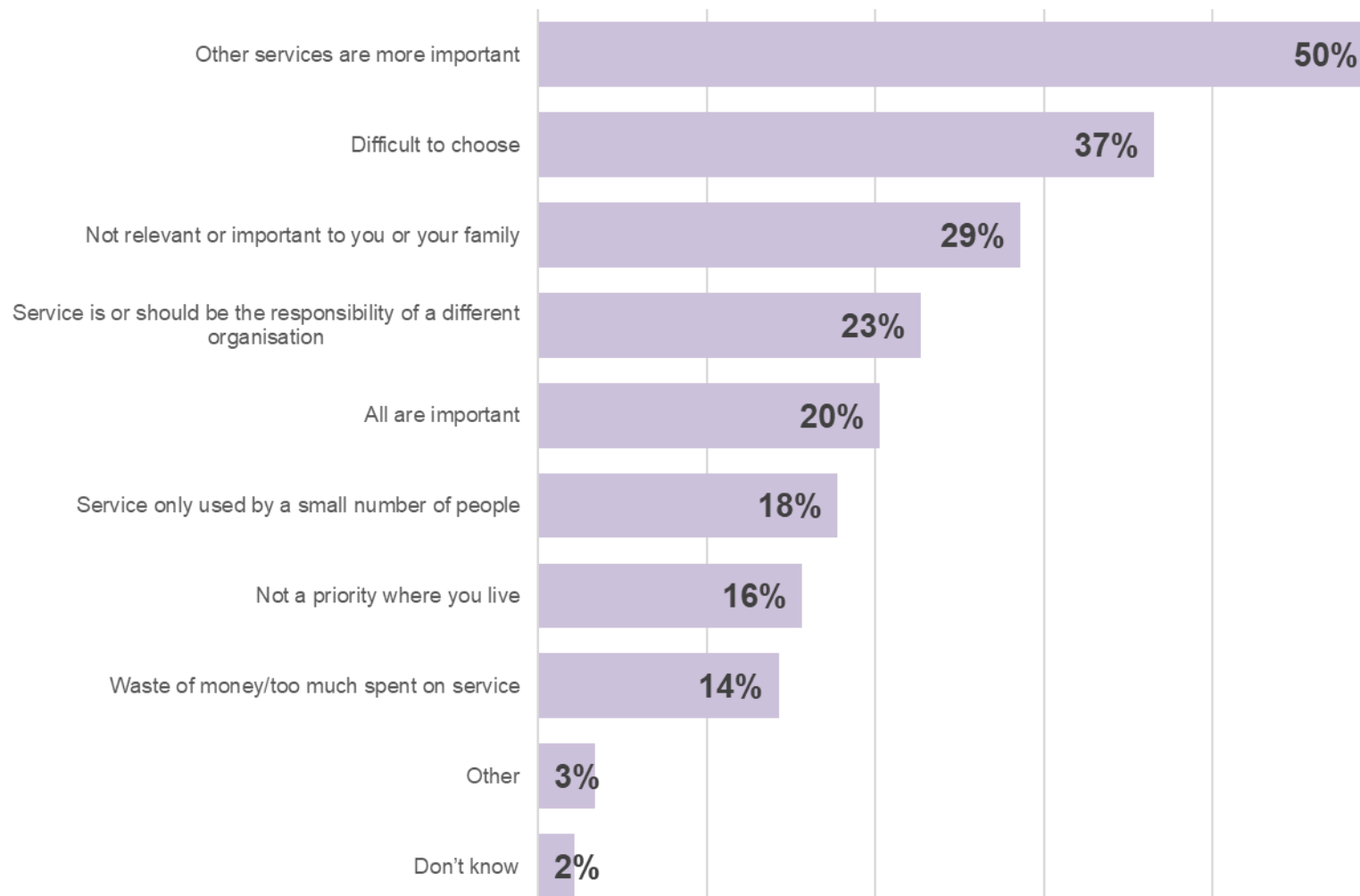
**From the list of services below provided by Derbyshire County Council please
select your bottom three priorities**



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

Why have you chosen these services as your bottom three priorities:			
	Consultation responses		
	Number	%	Rank
Other services are more important	1,019	50%	1
Difficult to choose	751	37%	2
Not relevant or important to you or your family	588	29%	3
Service is or should be the responsibility of a different organisation	467	23%	4
All are important	417	20%	5
Service only used by a small number of people	365	18%	6
Not a priority where you live	322	16%	7
Waste of money/too much spent on service	293	14%	8
Other	69	3%	9
Don't know	44	2%	10

Why have you chosen these as your bottom three priorities?



3% of respondents (69) chose "Other" as an option, the details provided by these respondents has been summarised into a range of topics including:










- All services are important (18)
- Could be done private or by voluntary/charity sector (8)
- Only made the choice because they had to (6)

Examples of comments include:

- "These places should not be being used during a global pandemic"
- "All services are important. It is not right that a shortage of funding should penalise any"
- "Could be done by a private company rather than council"
- "Libraries, almost obsolete & used by a minority. Museums / Arts are nice to have not essential"
- "With the Covid-19 virus I realise that your priorities need to change in order to help those affected"
- "Already getting enough support"
- "Difficult to place 3 services as low priority since within each service there will be elements of low priority"
- "Libraries and museums are important, but not a priority during Covid"
- "At a time of budget cuts, and reduced Council income streams, I believe other areas are more vital"
- "Adult education courses are available online and may therefore be considered a lower priority"
- "I guess the least important are the ones that affect fewest people"
- "Other places are available to go for the same advice or service"
- "I had to choose the three least important, but they are still important!!!"
- "I could not rule out any of the services, they are all important to some people in Derbyshire"
- "Other sources of grant funding are available"
- "Think all areas are important but libraries and museums should be funded by charitable funding"
- "Some can seek grants/alternative funding"
- "Set a needs Budget – no to cuts"
- "If you're asking us to decide which of the parts of your job you aren't going to do, I'm not playing"

Please rank the following options that the Council could use to save money or raise additional revenue from 1 to 9 in order of importance.

(Please rank the option you consider most important as 1, the second most important as 2 through to the least important option as 9)

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

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

Most people (1,454) did not make any suggestions on alternative ways for saving money or raising additional revenue. An additional 9 people referred to services that were provided by district/borough councils or other organisations such as police or health. A further 100 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 (148) - including reducing the number, pay, sick leave and pensions of managers and staff and increasing productivity
- Increasing funding (39) by various ways including lobbying Government, local income tax, council tax and lottery funding
- Council workers work from home / Have meetings online - sell off buildings, save building costs, environmental reasons (28)

Examples of comments include:

- "Less management and red tape would save quite a lot of money and streamline the Council"
- "Consolidate the resources utilised across the County. Have one County-wide authority."
- "Improve the quality and control of contracted services to get better value for money"
- "Concentrate on core business, vulnerable adults and children and transport/highways"
- "Save revenue by improving procurement"
- "I feel it is essential that the Council explores amalgamating all the local authority areas within the county"
- "Share with other providers across public sector"
- "Should look to work more closely with other East Midlands Counties. Also look at new technology."
- "Look at earlier intervention as well as permanent solutions- e.g. adoption rather than fostering"
- "Set up a voluntary organisation to plug the gaps in services i.e. ask the public to become involved"
- "Demand more funding from central Government"
- "Use more renewable energy, make more services available online".
- "Make a small charge, i.e. 50p or £1 per visit to Council refuse sites"
- "More working from home to save on heating and maintenance of offices"
- "Use local suppliers, contractors within Derbyshire thus recirculating the Derbyshire £"

- “Smarter working with community agencies who are providing such valuable services”
- “Reduce 'red-tape'... simplify procedures”
- “Allow more flexible working for staff moving forward so that buildings can be sold”
- “Reduce concessions on bus fares. I think a charge of 50p per journey would be better”
- “Manage your staff and functions more like a business, less waste less dead wood”
- “Encourage more voluntary action, e.g. countryside services, support for older adults”
- “Definitely look at providing services to other authorities in order to obtain efficiencies/income”
- “Sometimes long-time investment saves money in future, money makes money”
- “Reduce number of committees and associated meetings. Continue with virtual meetings when essential”
- “Petition central Government to provide an increase in funding, access to grants etc”
- “Amalgamate with district and borough councils. Most people don't know who provides their services”
- “Turn streetlights off or down after 9pm, particularly in side roads as most in bed by then”
- “Increase working from home and sell Council properties to release capital and revenue”
- “Reduce bureaucracy and be more cost effective. Stop trying to be a business you are a service”
- “Become a bit more business oriented and get some advice from the private sector”
- “Culture change amongst staff. Efficient ways of working. Departments within the Council working together”
- “Once the Covid-19 pandemic is over, continue to allow staff to work from home where possible”
- “Potholes in roads repaired in a more permanent way rather than just filling them with tarmac”
“Think quality on contracts/repairs/procurement - the cheapest is not always 'Best Value'”
“Could you collaborate with other councils on purchasing services, items and sharing expertise”

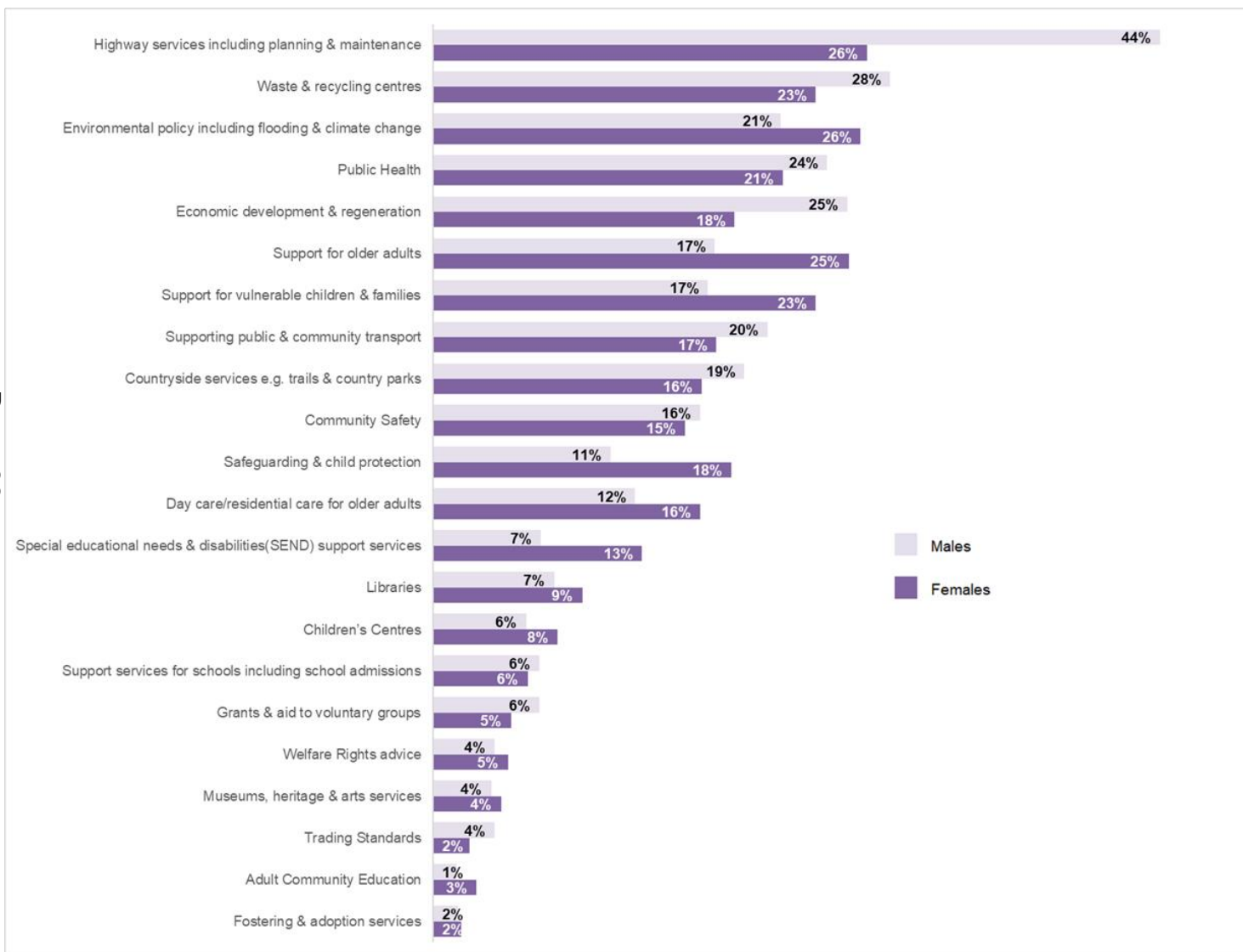
Analysis of Consultation Responses – By Gender

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 including planning & maintenance	447	44%	272	26%	728	35%
Waste & recycling centres	281	28%	240	23%	533	25%
Environmental policy including flooding & climate change	214	21%	268	26%	496	24%
Public Health	243	24%	219	21%	465	22%
Economic development & regeneration	255	25%	189	18%	450	22%
Support for older adults	173	17%	261	25%	440	21%
Support for vulnerable children & families	169	17%	240	23%	416	20%
Supporting public & community transport	206	20%	178	17%	393	19%
Countryside services e.g. trails & country parks	192	19%	168	16%	365	18%
Community Safety	164	16%	158	15%	324	16%
Safeguarding & child protection	109	11%	187	18%	301	15%
Day care/residential care for older adults	124	12%	167	16%	294	14%
Special educational needs & disabilities(SEND) support services	66	7%	131	13%	202	10%
Libraries	74	7%	93	9%	172	8%
Children's Centres	57	6%	78	8%	137	7%
Support services for schools including school admissions	65	6%	59	6%	124	6%
Grants & aid to voluntary groups	65	6%	49	5%	114	6%
Welfare Rights advice	38	4%	47	5%	86	4%
Museums, heritage & arts services	36	4%	43	4%	79	4%
Trading Standards	38	4%	23	2%	61	3%
Adult Community Education	14	1%	27	3%	43	2%
Fostering & adoption services	15	2%	18	2%	35	2%
Total	3,045	299%	3,115	300%	6,258	299%

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:

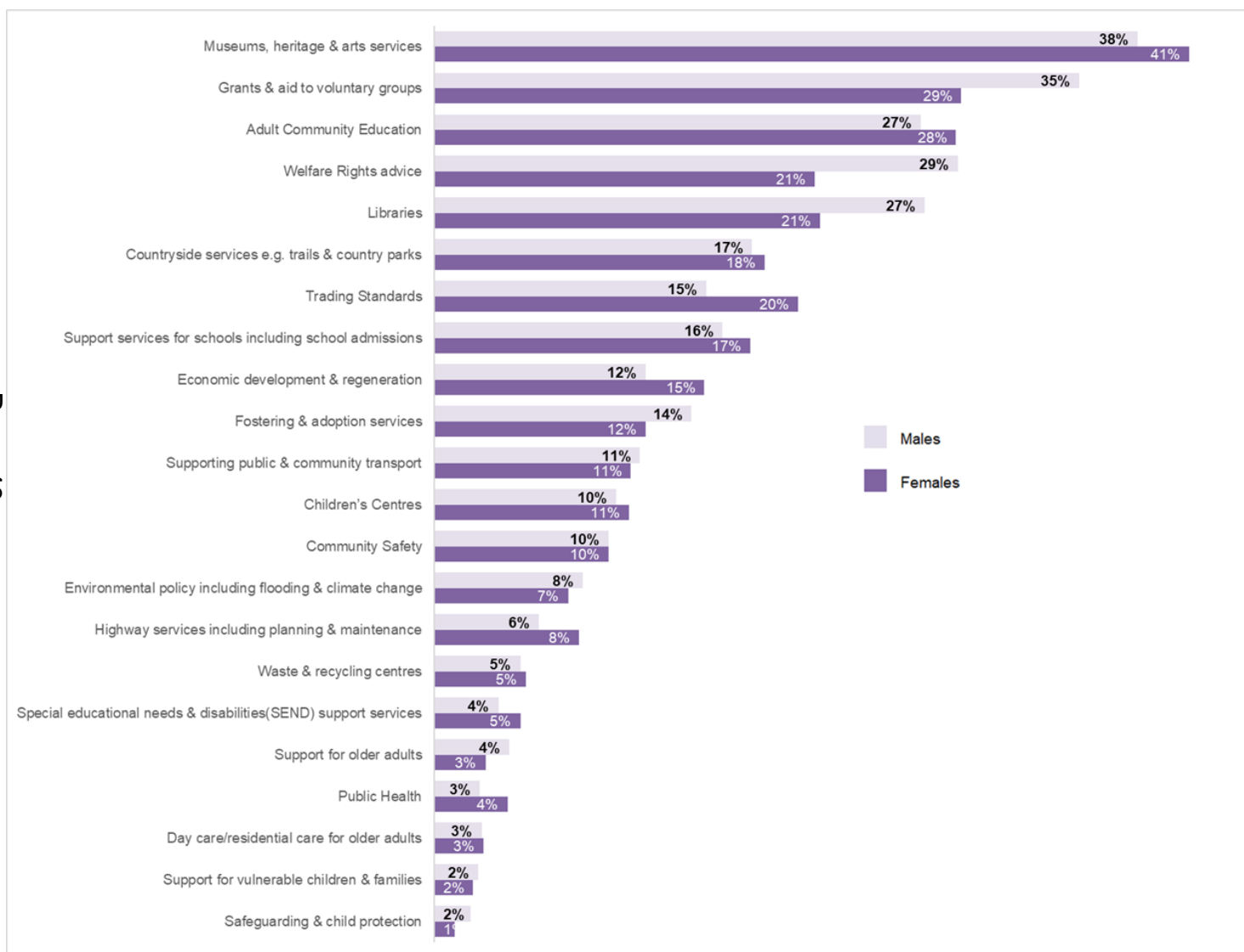


From the list of services below provided by Derbyshire County Council please select your bottom three priorities:

Priority	Consultation Responses - By Gender					
	Males		Females		All respondents	
	Number	Percentage	Number	Percentage	Number	Percentage
Museums, heritage & arts services	366	38%	387	41%	766	40%
Grants & aid to voluntary groups	335	35%	270	29%	617	32%
Adult Community Education	253	27%	267	28%	527	27%
Welfare Rights advice	272	29%	195	21%	471	24%
Libraries	255	27%	198	21%	458	24%
Countryside services e.g. trails & country parks	165	17%	169	18%	337	18%
Trading Standards	141	15%	186	20%	331	17%
Support services for schools including school admissions	150	16%	162	17%	313	16%
Economic development & regeneration	110	12%	138	15%	252	13%
Fostering & adoption services	134	14%	108	12%	242	13%
Supporting public & community transport	107	11%	101	11%	212	11%
Children's Centres	95	10%	100	11%	197	10%
Community Safety	91	10%	89	10%	186	10%
Environmental policy including flooding & climate change	77	8%	69	7%	148	8%
Highway services including planning & maintenance	54	6%	74	8%	130	7%
Waste & recycling centres	45	5%	47	5%	93	5%
Special educational needs & disabilities(SEND) support services	33	4%	44	5%	78	4%
Support for older adults	39	4%	26	3%	66	3%
Public Health	24	3%	38	4%	63	3%
Day care/residential care for older adults	25	3%	25	3%	52	3%
Support for vulnerable children & families	23	2%	20	2%	45	2%
Safeguarding & child protection	19	2%	10	1%	29	2%
Total	2,813	295%	2,723	290%	5,613	292%

NB. The responses sum to approximately 300% as each respondent was asked to choose three options

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 <i>(Please rank the option you consider most important as 1, the second as 2 through to the least important option as 9)</i>			
	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	3	2	2
Reduce the number of properties the Council owns	5	4	4
Use Council assets to win business from the private sector	6	5	5
Reduce or stop delivery of less important services	4	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 – All Derbyshire Respondents By Age Group

From the list of services below provided by Derbyshire County Council please select your <u>top three</u> priorities:												
Priority	Consultation Responses - By Age Band											
	16 - 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
Highway services including planning & maintenance	10	28%	100	29%	338	35%	250	38%	2	17%	728	35%
Waste & recycling centres	8	22%	65	19%	257	26%	183	28%	4	33%	533	25%
Environmental policy including flooding & climate change	13	36%	92	27%	228	23%	142	22%	3	25%	496	24%
Public Health	6	17%	68	20%	216	22%	165	25%	3	25%	465	22%
Economic development & regeneration	15	42%	83	24%	208	21%	131	20%	2	17%	450	22%
Support for older adults	1	3%	53	15%	219	22%	153	23%	3	25%	440	21%
Support for vulnerable children & families	9	25%	71	21%	214	22%	109	17%	1	8%	416	20%
Supporting public & community transport	10	28%	55	16%	150	15%	161	25%	4	33%	393	19%
Countryside services e.g. trails & country parks	7	19%	85	25%	165	17%	97	15%	1	8%	365	17%
Community Safety	4	11%	57	17%	147	15%	103	16%	2	17%	324	15%
Safeguarding & child protection	6	17%	68	20%	146	15%	74	11%	0	0%	301	14%
Day care/residential care for older adults	2	6%	34	10%	146	15%	99	15%	3	25%	294	14%
Special educational needs & disabilities(SEND) support services	3	8%	38	11%	100	10%	58	9%	0	0%	202	10%
Libraries	2	6%	24	7%	73	7%	65	10%	2	17%	172	8%
Children's Centres	2	6%	42	12%	68	7%	24	4%	1	8%	137	7%
Support services for schools including school admissions	0	0%	22	6%	60	6%	39	6%	1	8%	124	6%
Grants & aid to voluntary groups	4	11%	22	6%	46	5%	37	6%	1	8%	114	5%
Welfare Rights advice	1	3%	17	5%	41	4%	24	4%	0	0%	86	4%
Museums, heritage & arts services	2	6%	16	5%	40	4%	18	3%	1	8%	79	4%
Trading Standards	1	3%	3	1%	31	3%	21	3%	2	17%	61	3%
Adult Community Education	0	0%	11	3%	22	2%	9	1%	0	0%	43	2%
Fostering & adoption services	2	6%	10	3%	17	2%	4	1%	0	0%	35	2%
Total	108	300%	1,036	300%	2,932	299%	1,966	299%	36	300%	6,258	299%

NB. The responses sum to approximately 300% as each respondent was asked to choose three options

From the list of services below provided by Derbyshire County Council please select your <u>bottom three</u> priorities:												
Priority	Consultation Responses - By Age Band											
	16 - 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
Museums, heritage & arts services	17	50%	138	42%	351	39%	235	38%	4	36%	766	40%
Grants & aid to voluntary groups	6	18%	98	30%	260	29%	229	37%	7	64%	617	32%
Adult Community Education	6	18%	67	21%	236	26%	203	33%	4	36%	527	27%
Welfare Rights advice	8	24%	68	21%	204	23%	176	29%	4	36%	471	24%
Libraries	8	24%	82	25%	234	26%	124	20%	1	9%	458	24%
Countryside services e.g. trails & country parks	3	9%	59	18%	146	16%	123	20%	3	27%	337	18%
Trading Standards	7	21%	90	28%	150	17%	75	12%	0	0%	331	17%
Support services for schools including school admissions	4	12%	50	15%	144	16%	108	18%	1	9%	313	16%
Economic development & regeneration	3	9%	40	12%	126	14%	71	12%	1	9%	252	13%
Fostering & adoption services	4	12%	21	6%	123	14%	89	15%	2	18%	242	13%
Supporting public & community transport	3	9%	48	15%	105	12%	49	8%	0	0%	212	11%
Children's Centres	1	3%	30	9%	106	12%	57	9%	0	0%	197	10%
Community Safety	3	9%	25	8%	78	9%	72	12%	0	0%	186	10%
Environmental policy including flooding & climate change	6	18%	28	9%	69	8%	39	6%	1	9%	148	8%
Highway services including planning & maintenance	5	15%	28	9%	61	7%	29	5%	1	9%	130	7%
Waste & recycling centres	2	6%	21	6%	47	5%	21	3%	0	0%	93	5%
Special educational needs & disabilities(SEND) support services	3	9%	19	6%	34	4%	22	4%	0	0%	78	4%
Support for older adults	5	15%	17	5%	27	3%	15	3%	1	9%	66	3%
Public Health	1	3%	10	3%	33	4%	17	3%	1	9%	63	3%
Day care/residential care for older adults	3	9%	14	4%	24	3%	10	2%	1	9%	52	3%
Support for vulnerable children & families	1	3%	7	2%	25	3%	12	2%	0	0%	45	2%
Safeguarding & child protection	0	0%	2	1%	16	2%	10	2%	1	9%	29	2%
Total	99	291%	962	294%	2,599	291%	1,786	292%	33	300%	5,613	292%
NB. The responses sum to approximately 300% as each respondent was asked to choose three options												

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

DERBYSHIRE COUNTY COUNCIL

CABINET

21 January 2021

Report of the Director of Finance & ICT

REVENUE BUDGET REPORT 2021-22
(STRATEGIC LEADERSHIP, CULTURE AND TOURISM)

1 Purpose of the Report

To make proposals to Full Council regarding the Revenue Budget and Council Tax for 2021-22. This report should be read alongside the following reports to this Council meeting: the Budget Consultation Results Report for 2021-22, the Reserves Position Report and the Capital Programme Approvals, Treasury Management and Capital Strategies for 2021-22 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 2021. Information relating to the funding and income streams to the Council are set out in Appendix One. The report commences with details of the in-year position, including the impact of Covid-19, details of the Spending Review 2020 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.

2(a) Budget 2020-21

The Revenue Budget 2020-21 is set in the context of the current in-year financial position. The forecast outturn for 2020-21 as at Quarter 2 (30 September 2020), compared to controllable budget, was reported to Cabinet on 10 December 2020 and is summarised below. The Covid-19 pandemic is having a significant impact on the Council's 2020-21 forecast outturn.

An overall Council underspend of £9.617m is forecast, after accounting for £45.037m of Ministry of Housing Communities & Local Government (MHCLG) Covid-19 emergency grant funding awarded and additional income of

£4.853m compensation for lost sales, fees and charges income estimated to be claimable under the Government scheme announced on 2 July 2020.

Additionally, the Council has received £38.023m of ringfenced Covid-19 specific funding against Covid-19 related costs forecast to be incurred in 2020-21. The overall underspend for 2020-21 is being achieved, in part, through the use of these and other one-off funding measures and underspends on corporately held budgets, as there continues to be immense pressure on all demand led services, in particular those around services to children.

A Council portfolio overspend of £11.835m is forecast, after the use of the un-ringfenced and specific Covid-19 grant funding for Covid-19 related costs forecast to be incurred in 2020-21.

	Budget	Covid	Adjusted Budget	Forecast Actuals	Projected Outturn	Variance
	£m	£m	£m	£m	£m	%
Adult Care	263.244	13.866	277.110	279.466	2.356	0.9%
Clean Growth and Regeneration	0.695	0.542	1.237	1.268	0.031	2.5%
Corporate Services	43.445	1.812	45.257	48.968	3.711	8.2%
Health and Communities (exc. Public Health)	4.213	2.474	6.687	5.248	-1.439	-21.5%
Highways, Transport and Infrastructure	74.837	6.015	80.852	82.338	1.486	1.8%
Strategic Leadership, Culture and Tourism	12.209	1.038	13.247	12.476	-0.771	-5.8%
Children's Services	119.205	8.276	127.481	133.942	6.461	5.1%
Portfolio Outturn	517.848	34.023	551.871	563.706	11.835	2.1%
Risk Management	66.487	-34.974	31.513	12.397	-19.116	-60.7%
Debt Charges	34.378	0.000	34.378	32.054	-2.324	-6.8%
Interest and Dividend Income	-6.198	0.552	-5.646	-5.646	0.000	0.0%
Levies and Precepts	0.343	0.000	0.343	0.343	0.000	0.0%
Corporate Adjustments	2.630	0.399	3.029	3.017	-0.012	-0.4%
Council Outturn	615.488	0.000	615.488	605.871	-9.617	-1.6%

Un-ringfenced Covid-19 related costs across the portfolios are forecast to be £34.023m in 2020-21. This is the forecast additional cost and lost income of

the Council's response up to the end of March 2021, including the impact of slippage to the planned programme of savings which cannot yet be implemented as a result. This amount allows for any specific funding to offset the gross Covid-19 related costs which has already been forecast to be allocated to individual portfolios; these amounts are detailed below. Budget of £34.023m will be allocated to portfolios from the Risk Management Budget, where the emergency Covid-19 grant funding and reimbursement for lost income from sales, fees and charges received from Government has been temporarily allocated, to match these costs.

Covid-19 Impacts: 2020-21 Forecast Costs and Additional Income by Portfolio

	Covid-19 Related Costs £m	Less: Specific Funding for Portfolio Covid-19 Costs £m	Use of MHCLG Covid-19 and SFC Grant Funding £m
Adult Care	45.107	-31.241	13.866
Clean Growth and Regeneration	0.542	0.000	0.542
Corporate Services	1.812	0.000	1.812
Health and Communities	7.141	-4.667	2.474
Highways, Transport and Infrastructure	6.615	-0.600	6.015
Strategic Leadership, Culture and Tourism	1.038	0.000	1.038
Children's Services	9.791	-1.515	8.276
Portfolio Outturn	72.046	-38.023	34.023

Any unspent balance of specific Covid-19 grants at the year-end will be earmarked for carry forward to set alongside related Covid-19 costs in 2021-22.

2(b) Spending Round 2020

On 25 November 2020, the Government announced details of the Spending Review 2020 (SR 2020).

The Office of Budget Responsibility (OBR) forecasts that Gross Domestic Product (GDP) will fall by 11.3% in 2020, before returning to growth in 2021. However, the economy is not expected to reach pre-pandemic levels until the end of 2022. By 2025 the economy is forecast to be approximately 3% worse-off than had been predicted before Covid-19. Debt is forecast to rise to 97% of GDP by 2025-26.

The key announcements in SR 2020, relevant to local government, were:

- £1.55bn for Covid-19 pressures to local authorities, with additional financial support, of £4 per head per month, for local authorities facing the highest ongoing Covid-19 restrictions, to support local public health initiatives through the Contain Outbreak Management Fund.
- A decision not to proceed with a reset of business rates baselines in 2021-22, with the continuation of the existing 100 per cent Business Rates Retention pilots for a further year.
- A final report setting out the full conclusions of the Business Rates review will be published in spring 2021.
- A delay of the next revaluation of Business Rates until 2023-24.
- A freeze of the Business Rates Multiplier in 2021-22, saving businesses in England an estimated £575m over the next five years. Local authorities will be fully compensated for this decision. Payment holidays in place for retail, hospitality, leisure and nursery sectors are also leading to reduced Business Rates receipts but again, local authorities are expected to be compensated.
- Proposal to allow up to a further 3% Adult Social Care (ASC) Precept to be levied by social care authorities in 2021-22, in addition to the referendum threshold for general increases in Council Tax remaining at 2%, with the option to defer some of the Adult Social Care increase to 2022-23.
- £670m for Council Tax support to local authorities, with compensation for 75% of Council Tax collection fund deficits due to Covid-19 at January 2021. As previously announced, the remaining deficit can be spread over three years
- Revenue Support Grant to continue, with an inflationary increase.
- £1.41bn additional Social Care Grant from 2020-21 to continue, with an additional £300m for 2021-22.
- Continuation of the £2.1bn improved Better Care Fund, pooled with the NHS to help meet adult social care needs and reduce pressures on the NHS.
- Proposals on the future of the adult social care system will be brought forward next year.
- Public Health Grant will be maintained.
- New Homes Bonus scheme will be maintained for a further year with no new legacy payments. A consultation on the New Homes Bonus is planned, with a view to implementing reform in 2022-23.
- Public sector workers earning less than £24,000 to receive a minimum £250 increase in pay and a 2.2% increase in the National Living Wage announced, from £8.72 to £8.91, with an extension to those aged 23 and over; otherwise a public sector pay freeze is recommended, with the exception of the NHS frontline.
- Reformation of the Public Works Loan Board (PWLB) lending terms, ending the use of the PWLB for investment property bought primarily for yield, with an immediate reduction in the PWLB Standard Rate and

Certainty Rate of 1%. This restriction on property assets has no implications for the Council's planned capital spend or borrowing needs.

- £2.2bn increase in core schools funding in 2021-22
- Additional £291m for further education.
- £220m for the Holiday Activities and Food programme for disadvantaged children in the Easter, Summer and Christmas holidays in 2021, which was previously announced as part of the Winter funding package announced by Government on 8 November 2020.
- £165m for local authorities through the Troubled Families Programme.
- £254m of funding to support rough sleepers and those at risk of homelessness during Covid-19, including £103m announced earlier this year for accommodation and substance misuse.
- Almost £19bn of transport investment in 2021-22, including £1.7bn for local roads maintenance and upgrades.
- Refreshed Green Book guidance on how to assess potential investments, to help achieve the aim of addressing regional imbalances.
- A new Levelling Up Fund, with cross-departmental funding of £4bn available for England, to be used to invest in high value local infrastructure projects making "a visible impact on people and their communities and will support economic recovery". Qualifying projects will be up to £20m, or more by exception, and could include bypasses and other local road schemes, bus lanes, railway station upgrades, upgrading town centres and community infrastructure, and local arts and culture. Projects must be deliverable within this Parliament and have the backing of the local MP. Up to £600m will be available in 2021-22. A prospectus for the fund will be issued and the first round of competitions will be launched in the New Year.
- A new National Infrastructure Strategy (NIS), outlining the longer-term vision for UK infrastructure and plans to create a new infrastructure bank, to catalyse private investment in infrastructure projects.
- £1.2bn to subsidise the rollout of gigabit-capable broadband.
- £260m for transformative digital infrastructure programmes.
- A new 3-year long £2.9bn Restart programme to provide intensive and tailored support to over one million unemployed people. It is unclear as to whether local authorities will be involved in administering this.
- A £500m hardship fund for local authorities to use to discount the Council Tax bills of all working age local Council Tax support claimants by £150.
- Investment of £573m in Disabled Facilities Grants and £71m in the Care and Support Specialised Housing Fund.
- £98m of additional resource funding to enable local authorities to deliver the new duty to support victims of domestic abuse and their children in safe accommodation in England.
- As announced earlier in the year, the Government will not proceed with the implementation of the Review of Relative Needs and

Resources (formerly the Fair Funding Review) and 75% Business Rates Retention in 2021-22. In order to provide further stability, the reset of accumulated business rates growth will not take place in 2021-22.

2(c) Local Government Finance Settlement

Details of the Provisional Local Government Finance Settlement 2021-22 (Provisional Settlement) were published on 17 December 2020. 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 16 January 2021, 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 by early February 2021. This may be after the Council has formally set its budget and Council Tax on 3 February 2021. 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 2020, the headlines from the Provisional Settlement and associated Technical Consultation, and later announcements, are:

- Council Tax precept limits confirmed at a 2% basic referendum 'general' limit plus up to 3% ASC precept, which can be spread over two years.
- Confirmation that Core Spending Power (CSP) increases by an average of 4.5% (£2.2bn in total). This assumes that all authorities levy the maximum 5% Council Tax precept allowed in 2021-22, with no deferral of the ASC precept into 2022-23.
- £300m additional social care funding added to the £1.410bn of Social Care grants which were allocated to local authorities in 2020-21, with the allocation taking account of a local authority's ability to raise additional funding through the ASC precept.
- Publication of the allocations of £1.55bn for additional Covid-19 pressures.
- Publication of further details on the Income Guarantee Scheme, confirming the technical methodology for calculation of 75% of irrecoverable losses in Council Tax and Business Rates income in respect of 2020-21, with expected S31 Grant payments directly to billing and major precepting authorities by January 2022. Consideration will be given as to whether earlier payments may be needed, which would involve a later reconciliation against outturn data.
- Council Tax taxbases have been assumed to increase by an average of the annual growth between 2016-17 and 2020-21. This means MHCLG is not using the Office for Budget Responsibility's (OBR) -0.2% forecast for tax base growth. However, £670m of additional funding, outside of CSP will be distributed in the Local Council Tax Support Scheme

(LCTS) and funding is proposed on the basis of each billing authority's share of the England level working-age LCTS caseload. Indicative allocations and a detailed methodology note have been published.

- The previously announced lower national total for New Homes Bonus in 2021-22, due to no allowance for new legacy payments, has led to £278m of the previous national total of £900m is no longer needed to fund New Homes Bonus in 2021-22. The £278m has been allocated as follows:
 - £150m has been included in the additional £300m for Social Care
 - £111m to a new one-off Lower Tier Fund for districts
 - £4m Rural Service Delivery Grant uplift
 - £13m to fund the increase in the Settlement Funding Assessment (Revenue Support Grant and Business Rates Funding).
- Dedicated Schools Grant (DSG) allocations separately published.
- Department for Health and Social Care's (DHSC) Public Health Grant will continue for 2021-22. Allocations are expected to be published by DHSC in January 2021 and will continue to be ringfenced and at similar levels to 2020-21.

Future Funding Levels

The local government sector is seeking a multi-year settlement beyond 2021-22 to provide funding certainty and stability, similar to the four-year offer made by Government in 2015.

The SR 2020 sets out public spending totals for one year only, in order to prioritise the Government's response to Covid-19 pandemic and focus on supporting jobs. It is now hoped that there will be a comprehensive multi-year Spending Review in 2021. The Council will continue to lobby Government by responding to appropriate consultations in support of both a fair funding and multi-year settlement for the Council.

Settlement Funding Assessment

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

	2020-21 allocations £m	2021-22 allocations £m
Revenue Support Grant	13.738	13.813
Business Rates Top-Up	94.892	94.892
Business Rates – Local*	20.575	17.679
	129.205	126.384

*2020-21 Business Rates – Local - updated for final 2020-21 estimates.

- **Revenue Support Grant**

RSG has increased in line with the Consumer Price Index (CPI) with no change to the distribution of RSG from that used in 2020-21.

- **Business Rates Top-Up**

Business Rates Top-Up has not increased. This is in line with the freeze in the Business Rates multiplier. However, the ‘business rates capping’ grant, has increased to compensate for the under-indexation of the multiplier.

The Government has fixed, in real terms, authorities’ retained business rates baselines until the business rates system is reset, with no alteration of the existing mechanism for determining tariff and top-up payments in 2021-22.

- **Business Rates – Locally Retained**

The figure for Local Business Rates shown in the table above is the Council’s high-level estimate of its Derbyshire business rates income for 2021-22, based on previous years’ income and the assumption that there will be a 1% growth in local business rates in 2021-22 but a deficit on the collection fund of £4.500m as a result of the Covid-19 pandemic, which local authorities are permitted to spread over three years from 2021-22. No business rates estimates for 2021-22 have been received from the billing authorities. Although the billing authorities have until 31 January 2021 to provide the Council with the final estimates for 2021-22 growth to be used in setting the budget, the difficulties for billing authorities of forecasting during the Covid-19 pandemic, along with the time needed to consider the recent announcements at the Provisional Settlement of a Local Income Tax Guarantee Scheme for 2020-21 and a Local Council Tax Support scheme, means that this information will be received later than is usual.

The Council receives 9% of business rates collected locally. A verbal update of the business rates income forecast will be provided at the meeting, when it is expected that some information will have been received. As a result, the

Council's estimate of locally retained business income could change to a greater extent than in a 'normal' year. Any changes to the figure shown in Appendix 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. The Government has committed to reforming NHB, and 2021-22 will be the final year under the current approach, with a new round of reduced allocations.

There has been no change to the payments baseline. As announced in 2020-21, no legacy payments will be made on new allocations from 2020-21 onwards; meaning that the 2020-21 and 2021-22 bonuses are not included in the calculation of payments in 2021-22 and NHB has decreased. Legacy payments will be made on allocations from earlier years as previously announced. For 2021-22 this has left £278m of the £900m top-slice available for reallocation as set out in the earlier summary of key announcements in the Provisional Settlement. The Council's 2021-22 allocation is £1.549m. A consultation document on the future of the NHB, including options for reform, is expected later in the financial year.

General Grant

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

	2020-21	2021-22
	£m	£m
Improved Better Care Fund (iBCF)	34.682	34.682
Business Rates Capping*	7.238	5.881
Social Care Grant	21.941	27.617
Local Council Tax Support***	0	5.997
Local Tax Income Guarantee Scheme for 2020-21****	0	0.900
Independent Living Fund***	2.534	0
Extended Rights to Free Travel*/***	1.169	0
Local Reform and Community Voices Grant*/***	0.520	0
War Pensions Scheme Disregard*/***	0.158	0
Prison Services*/***	0.106	0
Schools Improvement Monitoring Grant*/***	1.085	0
Moderation Phonics Grant*/***	0.034	0
	69.467	75.077

Covid-19 (C-19) Grants:

C-19 Local Authority Support*	45.038	15.337
C-19 Additional Dedicated Home to School Transport**/**/****	1.001	0.250
C-19 Emergency Assistance Food/Essential Supplies*	0.808	0
C-19 Wellbeing for Education Return*	0.141	0
C-19 Clinically Extremely Vulnerable*	0.418	0
C-19 Outbreak Management Fund**/**	9.632	0
C-19 Winter Grant Scheme*	2.181	0
C-19 Sales, Fees and Charges Scheme**/**/****	3.485	0.967
Total	62.704	16.554

* 2020-21 figures updated from Revenue Budget Report following announcement/release of allocations.

** 2020-21 includes forecast amount for grants/funding announced and expected to be received by the end of 2020-21.

*** For 2021-22 awaiting Government information about this grant; where numbers are included it is considered likely that funding will be received at around 2020-21 levels or an indicative allocation has been received.

**** 2021-22 forecast based in information released to date.

- Improved Better Care Fund (iBCF)** – the Comprehensive Spending Review 2015 announced that £1.5bn would be added to the ring-fenced Better Care Fund progressively from 2017-18. This was later increased by £2bn, at the Spring Budget 2017, allocated over a three-year period, reaching £1.837bn in 2019-20 nationally. In 2020-21 the iBCF additionally incorporated £240m of funding allocated as a Winter Pressures Grant in 2019-20, no longer ring-fenced for alleviating NHS winter pressures. For 2021-22, funding has been maintained at 2020-21 cash terms levels (£2.1bn), with the distribution unchanged.
- Business Rates Capping** – compensates authorities by means of Section 31 grants for reductions in business rates income, following decisions by Government to change the rate relief for some organisations in the 2018 Budget and for changes in the uprating of the business rate multiplier from the Retail Price Index (RPI) to the lower CPI. The amount included in the Council's 2021-22 budget calculation is the Council's Provisional Settlement allocation for under-indexing of the business rates multiplier. Business rates discounts for 2021-22 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 2021 to be used in setting the budget. A verbal update of business rates income will be provided at the meeting.
- Social Care Grant** - the £1.71bn Social Care Grant consists of £300m new funding (announced in SR 2020) and direct continuation of the 2020-21 £1.41bn Social Care Grant. 2021-22 new funding allocations have been determined according to the Adult Social Care Relative Needs Formula,

including £240m used to equalise a local authority's ability to raise additional funding through the ASC Precept, at the same level of equalisation as in 2020-21. As a result, the Council receives a higher share of the Social Care Grant, which reflects its low Council Tax taxbase. The whole £1.71bn Social Care Grant is un-ringfenced, with no conditions attached.

- **Local Council Tax Support** – new funding of £670m for 2021-22 provided in recognition of the increased costs of providing local Council Tax support and other help to economically vulnerable households following the pandemic. Essentially this is un-ringfenced compensation for a depleted Council Tax taxbase and to keep Council Tax bills low for those who have been hardest hit by the C-19 pandemic. Broadly, it is expected that funding will meet the additional costs associated with increases in local Council Tax support ('LCTS') caseloads in 2021-22. Decisions on local Council Tax Support Scheme design for 2021-22 will be for billing authorities to take as usual, in consultation with their major precepting authorities and the public. Proposals apportion funding between billing and precepting authorities based on their share of the Council Tax requirement in their area for 2020-21 and indicative allocations have been published. The proposed method, which is the subject of a consultation, would mean that lump sum, upfront payments could be made as early as April 2021.
- **Local Tax Income Guarantee Scheme** – compensation to local authorities for 75% of irrecoverable losses in Council Tax and Business Rates income in respect of 2020-21 (announced in SR 2020). It is proposed that Section 31 grants are paid directly to billing and precepting authorities by January 2022, but further consideration will be given as to whether there might be a need to make payments on account earlier in 2021-22.

For Council Tax, losses in scope of the guarantee will be measured through a comparison of each authority's Council Tax Requirement and its share of an adjusted 'Net Collectable Debit' for 2020-21. This means that the guarantee will predominantly cover expected Council Tax liability at the time of budget setting for 2020-21, which did not materialise. This might be for example due to an increase in local Council Tax support costs or unachieved Council Tax taxbase growth. It is expected that billing authorities continue to pursue outstanding Council Tax debt in the usual way and hence the January 2022 date for payments once the situation on recovery of debt has become clearer.

For Business Rates, income losses in scope of the guarantee will be measured through a comparison of Business Rates income as calculated in the 2020-21 National Non-Domestic Rates ('NNDR') statistical collection

forms 1 (estimated position) and 3 (outturn position), with technical adjustments. These returns are collated by billing authorities.

- **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 but this continued into 2020-21 at a cash flat level. The Provisional Settlement did not announce whether ILF would again be received in 2021-22, and pending receipt of any further information about the continuance of this grant, no grant income has been assumed for 2021-22 and one-off support has been included for Adult Social Care and Health to compensate for this. In the event that the Government confirms continuation of the grant for 2021-22, the one-off support will cease.
- **Other Grants** - pending receipt of grant information, no income amounts for the other grants below have been included in the Council's 2021-22 budget calculation. Departments have been compensated previously, in the base budget, for these grants and hence any receipt will be taken into the Risk Management Budget.
 - **Extended Rights to Free Travel** – funding to support extended rights to free school travel.
 - **Local Reform and Community Voices Grant** – this grant is comprised of funding for Deprivation of Liberty Safeguards, local Healthwatch and Independent Complaints Advisory Services.
 - **War Pensions Scheme Disregard** - compensates authorities for disregarding, for the purposes of social care charging, most payments made under the War Pension Scheme.
 - **Prison Services** – funding for social care in prisons.
- **Schools Improvement Monitoring and Brokering Grant** - funding to monitor performance of maintained schools, broker school improvement provision, and intervene as appropriate. Pending receipt of grant information, no amount of grant income has been included in the Council's 2021-22 budget calculation.
- **C-19 Pandemic Grants** - the Council, like all local authorities, has incurred additional costs as a result of the C-19 pandemic. Grant income has been received from Government in respect of Covid-19 in 2020-21 and the un-ringfenced C-19 Local Authority Support grant will continue into 2021-22. Any unspent balance of C-19 grants at the year-end will be earmarked for carry forward to set alongside the 2021-22 C-19 funding support.

The Sales, Fees and Charges Scheme has also been confirmed as continuing in the first quarter of 2021-22. The existing general principles are proposed for the extension of the scheme, focusing on compensating councils for irrecoverable and unavoidable losses from sales, fees and charges income generated in the delivery of services into the first three months of 2021-22. The intention is to use each council's 2020-21 budgeted income as the baseline from which to assess losses. The Scheme would again feature a 5% deductible rate, whereby councils will absorb losses up to 5% of their planned sales, fees and charges income, with compensation for 75p in every pound of relevant loss thereafter.

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 2021-22 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 2021-22 were published on 17 December 2020. Details of DSG schools block funding will be considered in a separate report to this meeting and the remaining blocks will be considered in February/March 2021.

- **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 2021-22 has yet to be announced in detail, but no increase has been assumed in line with SR 2020. 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 at least 31 March 2022. At some point it is expected that the funding for Public Health will form part of revised funding mechanisms for local authorities following the Fair Funding and Business

Rates Retention Reviews, however these have been delayed because of the impacts of Covid-19.

- **Better Care Fund**

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

The 2021-22 allocation for Derbyshire as a whole has yet to be announced and there is no indication as to whether the National Health Service (NHS) contribution to the Better Care Fund will increase. The 2020-21 allocation of £103.983m was split as follows:

	2020-21 £m
Tameside and Glossop CCG	2.501
Derby and Derbyshire CCG	57.255
CCG Minimum Contribution	59.756
 DCC Additional Contribution	
ICES Equipment	1.647
Disabled Facilities Grant	7.898
Improved Better Care Fund	31.055
Winter Pressures Grant	3.627
	44.227
	103.983

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.

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

The total Council Tax taxbase figure for 2021-22 is provisionally forecast at 252,532.34, based on the number of equivalent Band D properties, a 0.41% 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 £1.398m. This is calculated by multiplying the increase in the number of properties by the Council's Equivalent Band D Council Tax rate in 2020-21. Previous years have seen increases in the taxbase of 1.71%, 1.17% and 1.47%. The taxbase increase for 2021-22 is less than in recent years because of the impact of the Covid-19 pandemic, namely an increase in the number of residents claiming Council Tax benefits. However, support will be received from the Council Tax Support Scheme grant for 2021-22, referred to above. Essentially this is un-ringfenced compensation for a depleted Council Tax taxbase and to keep Council Tax bills low for those who have been hardest hit by the C-19 pandemic. The Five Year Financial Plan (FYFP) assumes a gradual recovery in taxbase increases, phasing out the Council Tax Support Scheme assistance, with a forecast 1.00% increase in 2022-23 and then annual increases of 1.50% thereafter.

Collection Fund

The Covid-19 pandemic has severely impacted the Council Tax collection fund position. The Council Tax collection fund deficit for 2021-22 is estimated at £3.600m, based on an early high-level estimate from billing authorities. The collection fund position reported in the Revenue Budget Report 2020-21 was a surplus of £3.310m.

As with taxbase, the billing authorities have until 31 January 2021 to confirm in writing their Council Tax collection fund positions. The difficulties for billing authorities of forecasting during the Covid-19 pandemic, along with the time needed to consider the recent announcements at the Provisional Settlement of a Local Income Tax Guarantee Scheme for 2020-21 and a Local Council Tax Support scheme, means that this information will be received later than is usual. A verbal update of the Council Tax collection fund position will be provided at the meeting, when it is expected that more information will have been received. As a result, the Council's estimate of Council Tax collection fund position could change more than in a 'normal' year. Any changes to the figure shown in Appendix One will be managed through the Risk Management Budget or Reserves.

The repayment of collection fund deficits arising in 2020-21 will be spread over the next three years rather than the usual period of a year, giving local authorities 'breathing space' in setting budgets for 2021-22. The regulations to implement the collection fund deficit phasing came into force on 1 December 2020.

The Council Tax collection fund deficits for the individual authorities are shown at Appendix Three.

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.

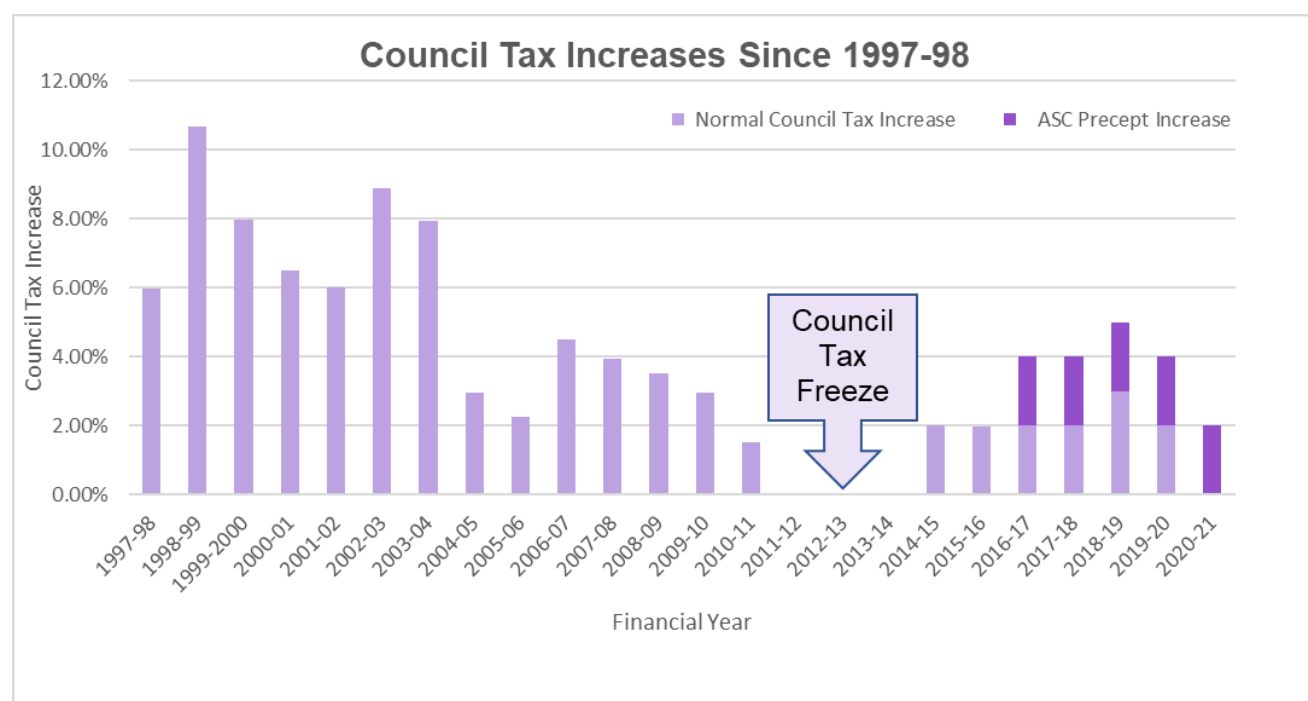
SR 2020 provides county councils with the flexibility to increase Council Tax by up to 2% for general spending. In addition, local authorities with adult social care responsibilities will be able to increase adult social care spending by levying up to a further 3% using the ASC precept. This means that, for the Council, the maximum total Council Tax increase is 5%. In recognition that local authorities might not want to take up the ASC precept flexibility in full next year, some or all of this can be deferred for use in 2022-23. An adult social care authority could, for example, set a 1.5% general spending increase and a 1% ASC precept increase in 2021-22. This would provide the flexibility

to set a 2% ASC precept in 2022-23, on top of any general increase and irrespective of other referendum principles that may apply in 2022-23. Many councils are considering approaches which spread the ASC precept over more than one year, aligned to an increase in general, or 'normal', Council Tax.

Details of any assurance process relating to the use of the ASC Precept in 2021-22 have yet to be issued. As usual, billing authorities will be required to include information on the face of the Council Tax bill, with a narrative statement on the front of the bill highlighting any Council Tax attributable to levying this funding for adult social care, as well as providing further information to the taxpayer. Further information is also required to be included with the Council Tax bill.

Council Tax Increase

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



Since 2016-17 there has been the ability to raise an additional amount of Council Tax specifically to additionally fund adult social care spending. This has added 2% to the referendum limited increase in 2016-17 through to 2020-21. In 2020-21 there was no normal Council Tax increase, just the 2% ASC precept.

In terms of absolute position, the Council's Band D Council Tax level is around the average. This is a measure which does not reflect the actual spread of

housing in an area into the various bands. As Derbyshire is less affluent than many county areas it has around 80% of properties in Bands A, B and C and the average property is in Band B. This means that the mean average Council Tax paid per household is the lowest amongst the fourteen shire county councils who provide the same services as the Council (non-Fire and Rescue Service (FRS) authorities).

Authority	Average Council Tax per dwelling
East Sussex	1,191.20
Devon	1,128.40
Hampshire	1,119.97
North Yorkshire	1,112.58
Kent	1,111.42
Essex	1,106.02
Cambridgeshire	1,099.80
Leicestershire	1,066.52
Nottinghamshire	1,060.68
Worcestershire	1,052.29
Somerset	996.60
Staffordshire	970.46
Lancashire	947.12
Derbyshire	936.07

Local authorities have urged Government to provide additional funding to support vital services, particularly Children's Social Care and Adult Social Care. Additional resources have been allocated to the Council as part of the Government's response. The additional social care funding announced in SR 2019, with a further increase in SR 2020, and the continuation of payment of Revenue Support Grant, has helped to keep general Council Tax low whilst helping to fund the rising costs for social care and other vital front-line services. However, it is clear that Government has a clear and definite expectation that part of the additional pressures in adult care will be funded by levying additional ASC Precept. In 2020-21 every County Council complied with the Government expectation and levied the ASC Precept.

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

The Council's preference is for Government to recognise costs associated with social care through the re-distribution of national taxation. However, the clear expectation from Government is that local taxation is also part of the

solution. Therefore, it is recommended that the Council accepts the need to levy the ASC Precept at 1% for 2021-22 and also to increase basic Council Tax by 1.5%, in recognition of Adult Social Care pressures and the significant increase in general budget pressures the Council is experiencing. This then gives the Council the option of levying the remaining 2% ASC Precept in 2022-23, in addition to any increases permitted by the 2022-23 Referendum Principles, in the expectation that the worst effects of the Covid-19 pandemic will be over and recovery will have begun.

2 (e) Price Increases

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

The total impact of price increases is estimated at £0.046m.

Pay Award

SR 2020 announced that NLW would increase by 2.2% for 2021-22, from £8.72 to £8.91, with an extension to those aged 23 and over, and recommended to local authorities that other employees earning less than £24,000 should receive a minimum £250 increase in pay; otherwise there should be a “pay pause” in 2021-22, with no general increase.

The last Council FYFP assumed a general pay award of 2% for 2021-22. The unions have yet to submit a 2021-22 pay claim to the national employers, which means that local authority negotiations have yet to commence. The submission is not expected until late January/early February 2021. However, it appears realistic, at this stage, to assume that the recommendations of SR 2020 will be adopted. This equates to additional cost of £2.313m, 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 that recommended in SR 2020, the additional cost will have to be found from within existing budgets.

2(f) Corporate Budgets

Contingency Budgets

The overall Contingency Budget includes pay and price inflation elements of £6.426m, detailed below, departmental service pressures of £10.000m to be held over pending further information, as detailed in Appendix Four, reduced by cross-departmental savings in respect of £1.000m, as detailed in Appendix Five, and one-off election costs forecast at £1.500m in respect of the 2021-22

County Council elections, which are held every four years. The total Contingency Budget is £16.926m.

Pay and Price Inflation - £6.426m

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 - £4.113m**

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 2021-22, the NLW will increase by 2.2%, from £8.72 to £8.91, with an extension to those aged 23 and over. This amount is to be held in Contingency budgets until negotiations are complete.

- **Pay Award - £2.313m**

No general increase has been assumed (see section 2 (e) above), however, negotiations are still ongoing.

External Debt Charges and Minimum Revenue Provision - £28.598m

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 reflected in 2021-22.

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

The amount of MRP that has been transferred since 2010-11 to the CAA reserve is in excess of £156.3m, however the actual amount of loan repayments during that time is significantly lower, at £125.3m. With the Council not undertaking any new borrowing within the last eleven 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 reduce by £3.5m in 2021-22. 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 2021-22, 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 - £7.661m

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

Given the uncertainties experienced during 2020 as a result of C-19, it is important, more than ever, to maintain a prudent level of risk management budget to mitigate the risks faced by the Council, details of which are set out later in the report.

Interest Receipts - £4.016m

On 29 January 2020, the Bank of England's Monetary Policy Committee voted to maintain the Bank of England base rate of interest at 0.75%, where it had remained since August 2018. However, at a special meeting on 10 March 2020, the base rate was reduced from 0.75% to 0.25% to counter the "economic shock" resulting from the Covid-19 outbreak. The base rate was further reduced to the current rate of 0.1% on 19 March 2020. 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. The forecast for 2020-21 interest receipts of £5.646m, in the Performance and Budget Monitoring/Forecast Outturn 2020-21 as at 30 September 2020, is not significantly different to receipts budgeted in the Revenue Budget Report 2020-21 (£5.948m, plus an additional income target of £0.250m), benefitting from interest contractually committed before the Covid-19 pandemic and its associated impact on interest rates. However, it is expected that interest receipts beyond 2020-21 will be further reduced and the reduction in budgeted interest receipts reflects this.

2(g) Service Pressures

A number of service pressures have been identified by Departments. Details of Departmental pressures identified for 2021-22 are shown at Appendix Four.

Of the ongoing Departmental service pressures of £22.716m, a total of £12.716m will be allocated to Departmental base budgets and a further £10.000m will be held over in Contingency Budgets, pending further information.

Overall Ongoing Service Pressures of £17.011m include the above Departmental services pressures of £22.716m, less a reduction in Corporate External Debt Charges pressures of £5.000m, use of the Corporate Risk Management Budget of £2.887m, and pressures against the Interest Receipts budget of £2.182m, all referred to in section 2 (f).

One-off support of £16.136m will be funded from reserves.

2(h) Budget Savings Targets

Target savings by the end of 2025-26 are estimated to be £72m, of which £38m 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 £38.234m over the FYFP are shown at Appendix Five. These identified budget savings comprise £35.234m of identified departmental annual budget savings and £3.000m of cross-departmental annual budget savings over the FYFP. Significant budget preparation work has taken place in the last quarter of the 2020 calendar year, including a number of workshops, facilitated by an external advisor, Grant Thornton, with the Council's Corporate Management Team and departmental finance managers. These workshops have helped in identifying some additional savings and have provided stakeholders with a number of financial scenarios over the medium term that attempt to exemplify the potential funding gap the Council faces.

However, overall, there is now a significant shortfall of identified annual budget savings against the £72.614m budget savings target, over the five years of the FYFP. In headline terms the Council has now identified measures which should help achieve 53% of the budget gap over the period of the FYFP. This is a worse position than was reported in the Revenue Budget Report 2020-21, when measures had been identified to meet 80% (all but £12.684m) of the budget gap. Although £4.380m of additional savings have been identified over the four years from 2021-22, referred to above, additional forecast pressures on the budget in these years mean the shortfall has grown by £7.854m over these years. In addition, there is now an expectation that these budget pressures will continue into 2025-26, which is the final year of the FYFP, when a further £13.842m of savings are now forecast as being required. This has meant the shortfall has grown over the course of 2020-21 and is now £34.380m, around £22m higher. There is a clear and significant challenge to identify savings to bridge the remaining savings gap and plan the best approach to achieving those savings over the next few years, if additional funding is not received over and above that forecast. Additional funding may come from further increasing Council Tax in 2022-23 onwards, over and above the 2% increases forecast, up to referendum limits, further Government grants over and above those predicted or from increased business rates growth.

The table below summarises the savings originally identified in last year's Revenue Budget Report for 2021-22, changes made since then to arrive at the revised savings identified by department for 2021-22, and the level of achievement of 2021-22 savings for each department planned for 2021-22 and 2022-23.

	Original* 2021-22 Savings Identified £m	Changes £m	Revised 2021-22 Savings Identified £m	2021-22 Savings Achievable in 2021-22 £m	2021-22 Savings Achievable in 2022-23 £m
Adult Social Care and Health	7.607	0.000	7.607	3.350	4.257
Children's Services	1.972	-1.887	0.085	0.085	0.000
Economy, Transport and Environment	2.013	0.000	2.013	1.783	0.230
Commissioning, Communities and Policy	2.586	0.000	2.586	2.196	0.390
Total	14.178	-1.887	12.291	7.414	4.877

*In last year's Revenue Budget Report for 2021-22

The shortfall in 2021-22 savings achievable in 2021-22 for Economy, Transport and Environment of £0.230m; Commissioning, Communities and Policy of £0.390m and Adult Social Care and Health of £4.257m, which are planned to be achieved in 2022-23, will be met from the Budget Management Earmarked Reserve, as these are a result of the uncertainty over the timing of the savings, not their likelihood of being achieved. This agrees with the principles of meeting savings shortfalls with one-off support as agreed in the Revenue Budget Reports from 2017-18 to 2020-21.

The three departments will still be required to achieve their savings targets but the use of reserves in 2021-22 provides some flexibility to plan and achieve the target in later years. Base budgets will need to be in balance by 1 April 2022.

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

2(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 on certain matters to Council when it is making its statutory calculations required to determine its precept. The Council is required to take the report into account when making the calculations. The report must deal with:

- the robustness of the estimates included in the budget 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 Council to consider the professional advice of the Chief Finance Officer on these two matters.

This report has been drafted with all of these requirements in mind and this section in particular deals with these matters and their connection with matters of risk and uncertainty for the Council.

- **Estimation Processes**

There has been no change to the fundamental methods used in the preparation of the budget, this has ensured that many professional officers from a range of different disciplines are involved in a process which takes into account and evaluates all known facts. This was evidenced in the budget workshops held during Autumn 2020 with Grant Thornton. There continues to be great emphasis on assessing and evaluating all known changes, including pay and price levels, statutory changes and demands for service. None of these matters are omitted from advice to Members. The process is underpinned by the Council's integrated Risk Management Strategy, service improvement and Improvement and Scrutiny deliberations. In particular, emphasis is placed on the ability to maintain and develop services through a five year forward financial planning process linked to agreed Council Plan and Service Plan objectives.

- **Financial Resilience**

The Chartered Institute of Public Finance and Accountancy (CIPFA) has developed its Financial Resilience Index which is a comparative analytical tool to support good financial management, providing a common understanding within a council of its financial position. The index illustrates a range of measures associated with financial risk including reserves balances and social care spend as a proportion of the Council's overall budget. The most recent analysis shows that the Council has a history of managing and maintaining its reserves balances efficiently. Overall, the Council performs in the median range when compared to other County Councils, demonstrating a well-balanced approach to financial management against a backdrop of significant demand pressures and Government funding cuts. Whilst the Financial Resilience Index has yet to be issued this year, it is not expected to show a marked change on that published last year.

- **Financial Management Code**

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

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

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

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

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

A report was presented to Audit Committee on 8 December 2020 which provided an update on the progress made to date in addressing the principles of the Code.

A financial resilience assessment is also required. In producing the assessment, the sensitivity of financial sustainability to alternative plausible scenarios for the key drivers of costs, service demands, and resources will be considered. This will require an analysis of future demand for key services and consideration of alternative options for matching demand to resources. It is anticipated that ongoing work will demonstrate this assessment. It is planned to complete this work in March 2021, following the setting of the Revenue Budget for 2021-22 and ahead of closing the accounts for 2020-21. A short document will be produced, to support External Audit in arriving at their Value for Money opinion.

- **Spending Review 2020**

The Government's commitment to support additional social care funding by providing at least a £1bn Social Care Grant for each year of its term of office is welcome, as is the increase to £1.71bn in SR 2020. However, it is not enough to meet the rising cost pressures experienced by the Council to date and over the medium-term. This report and the response to the Provisional Settlement demonstrate the exceptional demand led pressures experienced by local authorities in recent years. The Fair Funding Review 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.

There is uncertainty around the variables used as part of the budget-setting process for 2021-22, exacerbated by the Covid-19 pandemic. There have been significant financial pressures as a result of the pandemic. However, planning has been based on what is known at this time. Whilst the Spending Review has provided some stability for the next financial year, the longer-term outlook remains unclear. All local authorities in the UK are faced with another period of uncertainty as there has been no indication from Government as to what of the likely parameters on future funding are likely to be and as a consequence what this means for the need for further austerity measures beyond 2021-22.

The Council has had sound financial management arrangements in place for a number of years, supported by a healthy, risk assessed five-year financial planning programme. It is because of these arrangements that the Council has been able to set balanced budgets year-on-year in the past and will be able to do so again for 2021-22. This does not mean that the setting of the 2021-22 revenue budget comes without risks which need to be properly identified and understood. The Council's revenue budget assumptions are predicated on making a 1% ASC Precept increase and a 1.5% general Council Tax increase, meaning a 2.5% Council Tax rise for residents. Setting a low Council Tax will mean that there will be some

difficult choices in respect of 2021-22 priorities, as well as placing greater reliance on one-off funding to manage risks and service pressures. However, those pressures are more manageable if the ASC Council Tax rise is taken in full over the two years indicated by the Government to minimise cost pressures in 2022-23, with the remaining 2% ASC Precept increase available in that year.

- **Pressures**

There is a significant commitment in the Council's 2021-22 revenue budget to provide an additional £26.8m of ongoing funding and £14.6m to support the Council's departmental service pressures:

- £12.7m of ongoing pressures allocated directly to departments and £4.1m of inflation on independent care fees;
- £10.0m of ongoing budget to a non-departmental social care contingency; and
- £9.7m of reserves for one-off departmental pressures and a further £4.9m to give one-off support to departments to meet temporary shortfalls in 2021-22 savings targets due to timing delays.

This commitment includes approximately £8m of ongoing budget growth for children's social care. The Children's Services budget has been under significant financial pressure for several years, despite significant additional ongoing budget increases and one-off funding, in particular aimed at meeting increases in the costs associated with rising numbers of looked after children. However, the fact remains that numbers are still rising, and predictive models currently used indicate a high degree of volatility in those numbers. In response to this, a significant additional sum of £10m has been set aside as a contingency in the 2021-22 revenue budget to address in-year social care pressures. The actual size of the social care contingency will depend on any decisions about Council Tax and any further allocation of S31 grants mentioned earlier in the report.

If current trends continue and the Government fails to provide adequate funding to support this, there will be further pressure on budgets in 2022-23 and in later years. The ability to estimate the value of these pressures or minimise demand is a challenge for the Council but needs clarity over the medium term.

This level of funding is considered to be affordable but with associated risks. In addition to the pressures recognised in the report for funding in 2021-22 there were a significant level of other pressure bids submitted by departments which were not recommended for additional funding and are not covered by contingency funding in the 2021-22 revenue budget. In many cases this reflects uncertainty as to whether these pressures will either arise at all or to the level first indicated by departments.

Consideration was given whether to include a further general contingency pressure, but this has not been possible, based on available funding. If these pressures do occur, the funding would initially come from the Council's General Reserve in 2021-22 but thereafter any such ongoing pressures must be met from additional savings that would need to be allocated to departments on top of those forecast.

The Council has responded to the threat of Climate Change by the issue of a manifesto and the development of measures to address the manifesto's commitments. Funding was made available in the 2020-21 budget to develop a range of measures. Further reports to Cabinet will help set out the steps the Council will take. However, this is an issue that carries a high risk of financial uncertainty over the long term and will require coordinated effort by all public bodies, especially the Government. In the longer term it is hoped that early costs may be offset by future savings in the same way as the Council's successful LED programme for replacement of streetlights has done.

- **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. In recent years any year end overspending has tended to be met from the General Reserve rather than allocated to departments to find in the following year or from within their existing departmental reserves. In 2021-22 the ability to meet such pressures corporately will diminish based on medium term financial forecasts and departments should plan on the basis that they cannot rely on General Reserves to offset year end overspending.

The Council has in place a Reserves Policy which sets out the framework within which decisions will be made regarding the level of reserves. In line

with this framework the balance and level of reserves are regularly monitored to ensure they reflect a level adequate to manage the risks of the Council. This covers both the General Reserve and Earmarked Reserves. Details of the latest review are included in a separate report for consideration at this meeting.

The level of General Reserve available over the next few years is largely dependent on the achievement of the annual budget savings target. There are pressures on demand-led services such as the ageing population, Children's Social Care, the NLW and waste disposal which will also have an impact on the balance if departments overspend. The level of the General Reserve is forecast to be between £10m and £37m over the medium term. Taking account of demand led pressures, any overspends in services over and above those currently projected could see the balance fall as low as £5m on the basis of a further £1m of annual overspends in each year of the forecast. Conversely, the Government may provide further funding for social care, which may reduce the call on the General Reserve to the value of £7m. This provides a worst/best case range of between £5m and £44m. In the Audit Commission's 'Striking a Balance' report published in 2012, the majority of Chief Finance Officers at the national level regarded an amount of between three and five per cent of councils' net spending as a prudent level for risk-based reserves. Over the medium term the Council's forecast figure is between 1.6% and 4.3%.

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

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

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

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 likely to be depleted in 2021-22 and measures will need to be considered to replenish it.

The Council made the strategic decision to fund its capital expenditure in 2018-19 and 2019-20 from additional borrowing, rather than its revenue budget. These revenue contributions are held in an Earmarked Reserve (the Revenue Contributions to Capital Expenditure Earmarked Reserve), which is being held to supplement the use of the General Reserve and support the management of revenue budgets over the medium term. The Revenue Budget Report 2020-21 approved the use of one-off support for the revenue budget from this Earmarked Reserve and it proposed that there is further one-off support for the revenue budget in 2021-22. Further contributions to this Earmarked Reserve, in the region of £2m, should be possible in 2021-22.

Given the challenge of budgetary pressures and risk of savings delay, it is proposed that a one-off amount of £150,000 is allocated from the Council's General Reserve to fund, where there is considered to be merit in doing so, the use of external support to identify potential savings opportunities, by analysing similar councils' comparative spend and outcomes across the provision of services. The detail of the use to which this fund will be allocated will be considered at a future meeting of Corporate Management Team.

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

2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m
24.491	14.841	13.191	12.141	9.591

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

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 2010.

Given the significant uncertainty regarding Covid-19, the EU Exit and local government devolution, together with the wide range of risks outlined below, it is vital that in setting the budget for 2021-22, consideration is also given to the financial years beyond it and the longer term financial sustainability of the Council.

If the Council is to achieve its Council Plan vision, it needs services to be delivered on a stable financial footing. Setting a balanced budget in each year of the FYFP will still require significant savings to be found by departments. The demand pressure work for both Adult's and Children's Services have the potential to realise significant savings, but it should be noted that it will be some years before they are fully achieved. The pandemic has slowed down the Council's savings programme and departments will be playing 'catch-up' in the next financial year whilst battling with delivering new savings proposals identified for 2021-22 and preparing for the far more substantial savings required from 1 April 2022 onwards. These savings can be 'soft landed' to a limited extent, in the short-term, but this means the Council has to make potentially significant calls on reserves to do so, which will reduce flexibility later in the FYFP period.

Over recent years the Government has expected councils to rely more and more on Council Tax and localised Business Rates to fund services. In Spending Review 2020 the Chancellor announced that core spending power was projected to rise by 4.5% in cash terms in 2021-22. However, this increase is largely due to the ability of social care authorities to increase their Council Tax bills by up to 5%.

The additional social care grant funding announced in the Spending Review is welcome and helps to partly support the pressures on these vital services, however, all services will have to find further savings to already stretched budgets.

2020 comes at the end of a decade of austerity for local government. The Council has made well over £300m of savings during this period and whilst remaining committed to delivering value for money services, the ambition of the Council requires a significant period of transition to deliver the Strategic Approach as outlined in the Council Plan. There has to be a recognition that in some cases the Council may not be able to continue some services to the level it would like within the current funding envelope meaning some difficult decisions will be necessary.

Council Tax rises on households, many of which will be struggling as they cope with unemployment and an uncertain future, is a difficult decision. However, it is the single most effective way of providing base budget to support the delivery of services and maintain financial sustainability over the longer term. In the early days of the pandemic billing authorities anticipated that many households would struggle to pay Council Tax bills and there was an expectation that direct debit cancellations would be abundant. This has not transpired. Collection rates are only down by around 1% at present.

2(j) Five Year Financial Plan

The Council's FYFP is reviewed and updated at least annually. It was updated and reported to Cabinet on 11 September 2019 and Council in February 2020. 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.

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

Risks and Uncertainties

- **Achievement of Savings** – there is a reliance on the achievement of a programme of budget savings. Any delays in implementation result in departmental overspends for which reserves must be used. In a

pessimistic General Reserve forecast, the balance is just 1.6% of forecast FYFP spending in 2025-26, which is below the recommended level. Other earmarked reserves available for budget management are also forecast to reduce. The General Reserve needs to be preserved across the medium term to maintain financial sustainability and preserve the ability to soft land budget cuts to a limited extent.

- **Service Pressures** – there is a commitment to support budget growth for children’s social care. However, if current trends continue regarding placements and there is inadequate funding to support this, there will be further pressure on budgets in later years. However, the proposal to consider demand pressures on looked after children has the potential to mitigate some of these financial pressures but they will not be realised in the short-term. Demographic growth continues to affect Adult Social Care costs. Predictions show that the Council will experience further annual growth, with additional annual costs estimated over the period of the FYFP.
- **Economic Climate** – the Covid-19 pandemic has resulted in a significant economic shock, from which it will take some time to recover. Higher unemployment increases demand on local authority services, whilst at the same time there is likely to be a loss of income for discretionary services.
- **Spending Reviews** – the Government has issued single year spending reviews for the last two financial years, which does not help local authorities with medium-term financial planning. Councils need a multi-year settlement that supports both financial and service planning. There is also a risk that the Government’s investment in the Covid-19 pandemic may result in further austerity measures in future years.
- **Fair Funding and Business Rates Reviews** – the reviews have been delayed for a number of years and the planned implementation for April 2021 has been postponed again. A transparent, fair funding system is required, which reflects need. The FYFP is predicated on the basis that mainstream funding continues as it is now.
- **Public Health Grant** – it is disappointing that the Spending Review, nor the announcements alongside the Provisional Settlement, did not include additional funding for Public Health. This runs contrary to addressing the health inequalities exposed by Covid-19 and levelling up communities. There was confirmation that the grant will continue to be maintained and that the Government will set out further significant action that it is taking to improve the population’s health in the coming months, with no clear indication as to what this means

- **Local Government Reorganisation** – the expected Devolution White Paper has been further delayed and there are no firm dates as to when the Government will publish it.
- **Brexit** – whilst a deal has been agreed with the EU there remains uncertainty as to how the agreement will work in practice.
- **Covid-19 Financial Pressures** - the Spending Review and Provisional Settlement confirmed that local authorities would be provided with additional funding in 2021-22. It is hoped that this funding will be sufficient and will be distributed in a manner that reflects the cost pressures faced by individual local authorities. Whilst the roll-out of vaccinations provides hope of a return to some degree of normality next summer, there is the potential for further spikes and subsequent and continuing restrictions as the country moves into and out of winter, particularly in respect of the recently identified and more infectious strains. Doing so may result in additional costs depending on the severity of the restrictions.

Further significant risks are illustrated below.

Local Taxation

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

- **Current national and local economic conditions** - including inflation levels, economic growth rates, interest rates and unemployment levels, impacting on Business Rates, Council Tax and income from fees and charges. Covid-19 is severely affecting the finances of Derbyshire residents and local businesses, although additional support mechanisms have been put in place.
- **Collection of amounts owed** – collection fund deficits for both Council Tax and Business Rates result and increase when there is a reduction in collection rates and this depends on the effectiveness of local borough and district councils, as well as on economic conditions.
- **Business Rates appeals** – exposure to appeals against rate valuations and avoidance of the tax. Whilst some appeals will go in the favour of local authorities, the uncertainty of the outcome and lack of knowledge about the timing of the decision means that councils are forced to accept a significant, unpredictable financial risk, impacting on the availability of funding for services.

- **Business Rates as taxation** – it is presently not known how the Government's commitment to conducting a fundamental review of Business Rates as a tax, engaging with businesses and local authorities might affect the Business Rates Retention system or future Local Government funding arrangements.
- **Future Council Tax levels** - a long-term consensus on future Council tax levels needs to be agreed as part of a strategy for the Council, within the context of forecast Referendum Principles limits.
- **Trading operations** – these have been pursued by departments for several years as a means of balancing budgets. The Covid-19 pandemic has highlighted the reliance of some services on external income from sales, fees and charges. Whilst the Government's scheme has assisted in meeting some of the shortfall, adequate charges should reflect risk to provide security when incomes fall. A thorough review of services and charges must be undertaken in order to minimise risk to the rest of the Council's service delivery.

Service Pressures

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

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

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

Children's Social Care

As an upper tier authority, the Council is responsible for providing children's social care services, 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).

At the start of the current calendar year, Local Government Association research highlighted that the number of children in care had risen by 28% in the past decade. 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 picture is being reflected in Derbyshire. More children have had to be placed with external provides rather than in-house foster carers.

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. There were overspends in the Council's Children's Social Care budget in each of the four years from 2016-17 and an overspend is forecast in 2020-21, despite local investment in the service. 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 when there is already substantial strain placed on the Children's Social Care budget.

The Council, along with many other local authorities in the country, and the Local Government Association, has expressed concern regarding substantial increases in the cost of children's social care, urging Government to provide additional funding for the service. During 2019 the Council spoke to Derbyshire MPs to reiterate the need for Fair Funding and in July 2019 met with the Secretary of State on this matter. A meeting with MHCLG is scheduled for early 2021.

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:

- For 2020-21, the centrally held DSG budgets are forecast to underspend by £0.616m. However, within this total, the main pressure continues to be in respect of High Needs Block budgets which are forecast to overspend by £1.212m. The December 2020 DSG announcement provided for an increase in High Needs funding of £9.195m (11.5%), which should be enough to meet expected costs next year.
- 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 2% and 6.25%. For 2021-22, the increase is 2.2%. This directly impacts on the fees the Council pays to the independent sector. If this level of increase is to continue it will cost the Council up to an additional £13m each year.

Waste

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

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

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

Work had been progressing on the facility to determine its condition and capability, however due to the measures introduced by the UK Government to counter the Covid-19 pandemic, work on site has been affected. This work is also being carried out by Renewi UK Services Ltd and will allow the councils to ascertain what measures need to be in place for the facility to become fully operational.

The councils are in negotiations to pay an "estimated fair value" 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 streetlights has done.

Budget Savings

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

Council Plan Priorities

Council Plan priorities have been considered within the context of budget restraint.

Summary

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

- the increasing likelihood of councils issuing S114 notices allied to the requirements of the Financial Management Code for transparency in the sustainability of individual local authorities;
- the continuing increase in pressures;
- the need to maintain a significant and risk assessed level of reserves over the medium term; and
- the increasing difficulty in making significant and sustainable budget reductions.

The Council has a well-established and robust corporate governance framework. This includes the statutory elements like the post of Monitoring Officer and the Section 151 Officer in addition to the current political arrangements. The impact of Covid-19 will have an effect on financial sustainability and has been considered. That aside, there are no further material issues identified through the Council's Annual Governance Statement process that may significantly impact on the Council's Financial Resilience.

The Council is working with the Local Resilience Forum on Covid-19 recovery. The Council's focus is still firmly on the response activities and the Council is

working with a range of partners locally and regionally on a Covid-19 recovery programme.

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

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

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

Whilst the Council has deployable resources and assets at its disposal in the short to medium term, there remains a risk to its financial sustainability in the longer term from costs associated with Covid-19 and of not achieving substantial budget savings.

The Section 151 Officer has the power to issue a Section 114 notice if there is a significant risk that the Council will not be in a position to deliver a balanced budget by the end of the current financial year. This is an emergency situation where a response is required by legislation. The notice means that no new expenditure is permitted, with the exception of safeguarding vulnerable people and statutory services and continuing to meet existing contract obligations. Despite the current financial pressures there is no intention at this time to issue a Section 114 notice.

It is unclear how much further Government support will be provided to cover the costs resulting from the pandemic; these costs are expected to be well in excess of the support already provided. It is encouraging that a new round of Covid-19 funding has been announced, into 2021-22, as the second wave of

the pandemic is escalating in severity. Although the immediate impact of losses on the Council Tax and Business Rates collection funds has been eased, by allowing these costs to be spread over three years instead of one, the Government's has only committed to reimburse councils for some of these losses. It is also apparent that Government will only provide compensation for some of the Council's lost income from fees and charges. Consideration will be required as to how the Council can react to replace these income streams if they fail to recover to pre-Covid-19 levels.

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

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

Having regard to the Council's arrangements and the factors as highlighted in this report, the Director of Finance & ICT as Section 151 Officer concludes that Derbyshire County Council can set a balanced budget for 2021-22 and across the period of the FYFP and that it remains a going concern, although it will continue to require difficult decisions to be made and strong, robust financial management to continue.

2(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. The responses to that consultation exercise must be conscientiously taken into account when this decision is taken.

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. Due to an oversight in the compilation of the Council's Forward Plan of Reports, the Revenue Budget Report was not identified and published as a key decision with 28 days' notice as it should have been. However, the Chair of the Council's Improvement and Scrutiny Committee has subsequently agreed to the Revenue Budget Report being treated as a key decision.

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 2021-22 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 2021-22. 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 Review 2020.

Provisional Local Government Finance Settlement 2021-22 – Department for Communities and Local Government.

Initial budget Equality Impact Assessment.

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

8 Key Decision

Yes.

9 Is it necessary to waive the call-in period?

Not applicable.

10 Officer's Recommendations

That Cabinet recommends to Council that it:

- (i) Notes the details of the Spending Round 2020 and Provisional Local Government Finance Settlement as outlined in sections 2 (b) and 2 (c).
- (ii) Notes the Government's expectations about Council Tax levels for 2021-22 in section 2 (d).
- (iii) Approves the precepts as outlined in section 2 (d) and Appendix Three.
- (iv) Approves that billing authorities are informed of Council Tax levels arising from the budget proposals as outlined in section 2 (d) and Appendix Three.
- (v) Approves the contingency to cover non-standard inflation as outlined in section 2 (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 2 (g) and Appendix Four.
- (vii) Approves the level and allocation of budget savings as outlined in section 2 (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 2 (i).
- (ix) Notes the details of the Council's consultation activity as outlined in section 2 (k).
- (x) Approves the Council Tax requirement of £348.070m which is calculated as follows:

(xi)

	£
Budget Before Pressures and Budget Reductions	551,867,145
Plus Service Pressures – on-going	19,308,480
Plus Adult Social Care Precept	3,407,520
Plus Service Pressures - one-off	16,136,000
Less Budget Reductions	-13,291,000
Decrease in Debt Charges	-5,000,000
Decrease in Risk Management Budget	-2,887,100
Decrease in Interest Receipts	2,182,000
Net Budget Requirement	571,723,045
Less Top-Up	-94,891,733
Less Business Rates	-17,679,000
Less Revenue Support Grant	-13,813,482
Less New Homes Bonus	-1,548,507
Less General Grant	-69,080,490
Less PFI Grant	-10,503,833
Less Use of Earmarked Reserves	-16,136,000
Balance to be met from Council Tax	348,070,000

- (xii) Approves the allocation of a one-off amount of £50,000 from the Council's General Reserve to fund the use of external support to identify potential savings opportunities by analysing similar councils' comparative spend and outcomes across the provision of services.
- (xiii) Approves the use of the Revenue Contributions to Capital Expenditure Earmarked Reserve to provide one-off support to the 2021-22 Revenue Budget.
- (xiv) 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 2021-22.

PETER HANDFORD

Director of Finance & ICT

**Public
Appendix One**

SERVICE	Adjusted	Funding	Adjusted	Pay and		Ongoing	Adult Social	Budget	Base Budget	One off	Budget
	Base	Changes	after Funding	Price	Base Plus	Pressures	Care Precept	Savings Target	Ongoing	Pressures	2021-22
	£	£	£	£	£	£		£	£	£	£
Adult Social Care and Health	258,663,099	0	258,663,099	1,337	258,664,436	-613,520	3,407,520	-7,607,000	253,851,436	8,291,000	262,142,436
Children's Services	110,901,986	0	110,901,986	3,254	110,905,240	8,000,000	0	-85,000	118,820,240	2,525,000	121,345,240
Economy, Transport and Environment	76,458,720	0	76,458,720	3,944	76,462,664	875,000	0	-2,013,000	75,324,664	3,030,000	78,354,664
Commissioning, Communities and Policy	61,423,093	0	61,423,093	37,189	61,460,282	1,047,000	0	-2,586,000	59,921,282	790,000	60,711,282
Service Totals	507,446,898	0	507,446,898	45,724	507,492,622	9,308,480	3,407,520	-12,291,000	507,917,622	14,636,000	522,553,622
Plus Contingency	0	0	0	6,426,000	6,426,000	10,000,000	0	-1,000,000	15,426,000	1,500,000	16,926,000
Plus External Debt Charges	33,598,480	0	33,598,480	0	33,598,480	-5,000,000	0		28,598,480	0	28,598,480
Plus Risk Management Budget	10,548,043	0	10,548,043	0	10,548,043	-2,887,100	0	0	7,660,943	0	7,660,943
Less Interest Receipts	-6,198,000	0	-6,198,000	0	-6,198,000	2,182,000	0	0	-4,016,000	0	-4,016,000
Net Budget Requirement	545,395,421	0	545,395,421	6,471,724	551,867,145	13,603,380	3,407,520	-13,291,000	555,587,045	16,136,000	571,723,045
FUNDED BY:											
Council Tax	342,663,158	5,406,842	348,070,000	0	348,070,000	0	0	0	348,070,000	0	348,070,000
Top Up	94,891,733	0	94,891,733	0	94,891,733	0	0	0	94,891,733	0	94,891,733
Business Rates	20,067,433	-2,388,433	17,679,000	0	17,679,000	0	0	0	17,679,000	0	17,679,000
Revenue Support Grant	13,737,515	75,967	13,813,482	0	13,813,482	0	0	0	13,813,482	0	13,813,482
New Homes Bonus	2,325,987	-777,480	1,548,507	0	1,548,507	0	0	0	1,548,507	0	1,548,507
General Grant	61,205,762	7,874,728	69,080,490	0	69,080,490	0	0	0	69,080,490	0	69,080,490
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	16,136,000	16,136,000
	545,395,421	10,191,624	555,587,045	0	555,587,045	0	0	0	555,587,045	16,136,000	571,723,045

Response to Provisional Local Government Finance Settlement



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

Peter Handford
Director of Finance & ICT

County Hall
Matlock
Derbyshire DE4 3AH

Telephone (01629) 538950
Ask for: Eleanor Scriven
Our ref: ES/SP
Date: 15 January 2021

Dear Sir/Madam

Provisional Local Government Finance Settlement 2021-22

The Council welcomes the opportunity to respond to the Provisional Local Government Finance Settlement 2021-22, details of which were published on the 17 December 2020. 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 2021-22 includes £150m of new money in respect of a £300m increase in the Social Care Grant, to £1.71bn nationally. In addition, Councils will have the option to raise up to £700m more for adult social care, where needed, through additional Council Tax flexibilities.

However, there remains a substantial unresolved funding gap between the cost of service demand and the resources available.

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 National Living Wage has increased annually by between 4% and 7%. For 2021-22 the increase is lower, at 2.2%. These increases directly impact on the fees the Council pays to the independent sector. If this level of increase is to continue it could cost the Council an additional £13m each year.

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).

At the start of the current calendar year, Local Government Association research highlighted that the number of children in care had risen by 28% in the past decade. 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 picture is being reflected in Derbyshire. More children have had to be placed with external providers rather than in-house foster carers.

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. There were overspends in the Council's Children's Social Care budget in each of the four years from 2016-17 and an overspend is forecast in 2020-21, despite local investment in the service. 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 when there is already substantial strain placed on the Children's Social Care budget.

The Council, along with many other local authorities in the country, and the Local Government Association, has expressed concern regarding substantial increases in the cost of children's social care, urging Government to provide additional funding for the service. During 2019 the Council spoke to Derbyshire MPs to reiterate the need for Fair Funding and in July 2019 met with the Secretary of State on this matter. A meeting with MHCLG is scheduled for early 2021.

The Comprehensive Spending Review 2015 announced that £1.5bn would be added to the ring-fenced Better Care Fund progressively from 2017-18. This was later increased by £2bn, at the Spring Budget 2017, allocated over a three-year period, reaching £1.8bn in 2019-20 nationally. In 2020-21 the iBCF additionally incorporated £240m of funding allocated as a Winter Pressures Grant in 2019-20, no longer ring-fenced for alleviating NHS winter pressures. For 2021-22, funding has been maintained at 2020-21 cash terms levels.

The £1.71bn Social Care Grant in 2021-22 consists of £300m new Social Care Grant and direct continuation of the 2020-21 £1.41bn Social Care Grant. It is imperative that this level of funding for social care continues over the medium to support the financial sustainability of social care services. Without this level of funding, services will be at breaking point. The Council has adopted innovative solutions to the delivery of adult social care services across the county which will realise significant savings over the medium-term. However, the advent of Covid-19 has resulted in delays to the programme. Even with the planned level of savings being achieved, there is still rising demand for services.

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

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

The Council would welcome a multi-year financial settlement to aid medium-term financial planning. A renewed commitment and timeframe for implementation of the Fair Funding Review is needed to ensure that the historic resource equalisation flaws in the current funding methodology are addressed.

The Council therefore welcomes the Government's expression of intent in the Provisional Local Government Finance Settlement 2021-22, once the pandemic is over, to continue to work with local government to understand the lasting impact it has had on both service demands and revenue raising, then to revisit the priorities for reform of the local government finance system, taking account of wider work on the future of the business rates tax and on the Adult Social Care system, with final decisions taken in the context of next year's Spending Review.

Question 1: Do you agree with the Government's proposed methodology for the distribution of Revenue Support Grant in 2021-22?

The Council agrees with the proposed methodology as this provides local authorities with the certainty required for 2021-22 in order to facilitate the setting of budgets within the prescribed timeframes.

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

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

Question 2: Do you agree with the proposed package of council tax referendum principles for 2021-22?

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 3% to support service pressures, in addition to the £300 million of new funding allocated for social care in 2021-22, to a total of £1.71 billion.

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

Question 3: Do you agree with the Government's proposals for the Social Care Grant in 2021-22?

The Council welcomes the Government's decision to again provide additional funding for social care and to increase that funding. However, the Council would reiterate the point made above in that it fails to address the full cost pressures faced by local authorities and therefore it is imperative that 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 4: Do you agree with the Government's proposals for iBCF in 2021-22?

The Council is pleased to see that the improved Better Care Fund allocations will carry forward into 2021-22, however, local authorities will be expecting confirmation of iBCF funding beyond 2021-22, as the decision to cease the funding will have significant consequences on local authority budgets which are already burdened by the rising demand for social care services.

Question 5: Do you agree with the Government's proposals for New Homes Bonus in 2021-22?

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 2021-22 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. Although the Council is disappointed by the previously announced removal of legacy payments on new NHB allocations for 2020-21 and 2021-22, which means that the Council's NHB income has decreased by £0.8m in 2021-22, the Council has benefited from some of the £278m reallocated from the NHB as a result.

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 welcomes the Government's commitment to reforming the NHB, with 2021-22 being the final year under the current approach and looks forward to reviewing the consultation document on the future of the NHB, including options for reform. The Council considers that the funding allocated for the NHB, the £900m top-sliced from RSG at the inception of the NHB, should be allocated on the basis of need.

Question 6: Do you agree with the Government's proposal for a new Lower Tier Services Grant, with a minimum funding floor so that no authority sees an annual reduction in Core Spending Power?

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

Question 7: Do you agree with the Government's proposals for Rural Services Delivery Grant in 2021-22?

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.

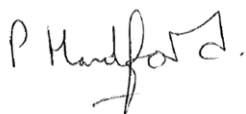
Question 8: Do you have any comments on the Government's plan not to publish Visible Lines?

Visible Lines showed a notional allocation for grants that were rolled into the settlement at previous Spending Reviews, most of them before 2016. As these allocations were entirely notional as the core settlement is not ringfenced and they do not impact on settlement distribution or represent an expectation from Government of local expenditure levels, the Council does not object to the removal of Visible Lines for grants that were rolled in prior to 2016. However, the Council does welcome that consideration will be given to again publishing Visible Lines for the duration of future Spending Reviews if forward profiles are available for grants rolled into the settlement.

Question 9: Do you have any comments on the impact of the proposals for the 2021-22 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%, and for 2021-22 allowing deferral of some or all the maximum 3% ASC Precept, 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. A renewed commitment and timeframe for implementation of the Fair Funding Review is needed to ensure that the historic resource equalisation flaws in the current funding methodology are addressed.

Yours faithfully



Peter Handford
Director of Finance & ICT

Council Tax

Taxbase

	Equivalent Band D Properties 2020-21	Equivalent Band D Properties 2021-22	Change %
Amber Valley	39,909.63	39,643.45	-0.67%
Bolsover	22,169.60	22,026.33	-0.65%
Chesterfield	29,181.08	29,394.02	0.73%
Derbyshire Dales	29,828.68	29,976.17	0.49%
Erewash	33,699.90	33,711.80	0.04%
High Peak	30,970.00	30,904.00	-0.21%
North East Derbyshire	31,263.33	31,658.37	1.26%
South Derbyshire	34,474.00	35,218.20	2.16%
	251,496.22	252,532.34	0.41%

Collection Fund

	2020-21 £	2021-22 £	2022-23 £	2023-24 £
Amber Valley	570,802			
Bolsover	-450,631			
Chesterfield	693,096			
Derbyshire Dales	512,434			
Erewash	541,691			
High Peak	458,170			
North East Derbyshire	397,090			
South Derbyshire	587,200			
	3,309,852	-1,200,000	-1,200,000	-1,200,000

The Council Tax collection fund deficit for 2021-22 is estimated at £3.600m, based on an early high-level estimate from billing authorities. Although the billing authorities have until 31 January 2021 to provide the Council with the final estimates, the difficulties for billing authorities of forecasting during the Covid-19 pandemic, along with the time needed to consider the recent announcements of the Local Income Tax Guarantee Scheme for 2020-21 and the Local Council Tax Support scheme, means that this information will be received later than is usual.

Council Tax Amounts

Band	2020-21	2021-22	General	ASC	Total	Number of
	£	£	Increase	Increase	Increase	Properties
			£	£	£	
A	899.56	922.05	13.50	8.99	22.49	135,700
B	1,049.49	1,075.72	15.74	10.49	26.23	83,010
C	1,199.41	1,229.40	18.00	11.99	29.99	61,390
D	1,349.34	1,383.07	20.24	13.49	33.73	41,020
E	1,649.19	1,690.42	24.74	16.49	41.23	25,230
F	1,949.05	1,997.77	29.23	19.49	48.72	12,400
G	2,248.90	2,305.12	33.74	22.48	56.22	7,000
H	2,698.68	2,766.14	40.48	26.98	67.46	550
						366,300

Precept Amounts

	Amount	Collect Fund	Amount
	Collected	Surplus/	Actually
	£	(Deficit)	Due
		£	£
Amber Valley			
Bolsover			
Chesterfield			
Derbyshire Dales			
Erewash			
High Peak			
North East Derbyshire			
South Derbyshire			

Service Pressures

Social Care Contingency – Total £10,000,000 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 2021-22. In such circumstances, the Managing Executive Director and Director of Finance & ICT will be responsible for making the decision on the allocation of budgets.

Adult Social Care and Health – Total - £2,794,000 ongoing, £8,291,000 one-off

Demographic Growth - £2,794,000 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.

Independent Living Fund (ILF) - £2,534,000 one-off

In 2015 local authorities in England became responsible for supporting clients previously supported through the ILF. The Government originally committed to providing funding until 2019-20. Funding was then extended to 2020-21 with no increase. The Provisional Settlement for 2021-22 did not announce whether funding would again be received, and one-off support is required pending receipt of any further information.

Assistive Technology - £1,500,000 one-off

One-off funding is required to pump prime the development of a county wide Assistive Technology service. The funds will be used to establish a strategic development partner that will be tasked with streamlining the current service offer, to generate service efficiencies which will be used to help fund this service into the future. The service delivery arrangements will contribute towards future demand management.

Budget Support - £4,257,000 one-off

The shortfall in the 2021-22 savings target for Adult Social Care and Health of £4.257m will be met from the Corporate Budget Management Earmarked Reserve for 2021-22 only, as the shortfall is as a result of the uncertainty over the timing of the savings, not the likelihood of achievement. Adult Social Care and Health will still be required to achieve the £7.607m savings target for 2021-22 but the use of reserves in 2021-22 provides some flexibility to plan and achieve the target in later years. Base budget will need to be in balance by 1 April 2022.

Children's Services – Total - £8,000,000 ongoing, £2,525,000 one-off

Agency Placements and Future Demand for Services - £5,400,000 ongoing

The increase in the number and complexity of children being taken into care has meant that more children must be placed with external providers rather than in-house provision. This has led to an increase in costs. This is the estimated additional cost in 2021-22 of expected placements based on the current levels of demand.

It is considered that 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 2021-22. This increase in demand is being experienced nationally. 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. Ongoing contingency funding for social care has additionally been set aside and may be called upon should increases in demand continue, and it is demonstrated to the satisfaction of the Head of Paid Service and Director of Finance & ICT, who will make the allocation of budget decision, that the Children's Services budget requires additional support in 2021-22.

Social Workers - £1,300,000 ongoing

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.

Special Needs Transport - £620,000 ongoing

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.

Mainstream Home to School Transport - £680,000 ongoing

To cover the increased costs in the sector of fuel, salaries and compliance requirements.

Legal Costs - £950,000 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.

Leaving Care Services - £510,000 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.

Sports and Outdoor (SORE) - £362,000 one-off

Funding is to support the service during 2021-22 pending a review of the needs of the service moving forwards.

Programme Management - £333,000 one-off

One year funding to continue dedicated project resource to effect change and deliver one-off initiatives within Children's Services. A review of programme management is currently taking place across the Council.

Process Improvement - £193,000 one-off

To fund a dedicated team to review and improve processes within Children's Services. It is intended that efficiencies from improved processes will help contribute to reduce the department's overspend and will enable the team to be funded from the savings achieved.

Participation - £177,000 one-off

To develop a strategic network to replace Derbyshire Youth Council, to increase participation in development of SEND services by children and families in Derbyshire, to increase the participation of care-leavers and to maintain current levels of participation from other children and young people. This allocation covers work proposed for 2021-22 and 2022-23.

Commissioning, Communities and Policy – Total – £1,047,000 ongoing, £790,000 one-off

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 £200,000 each year, over the five-year ICT Strategy period. The Value for Money priority detailed in the Council Plan has identified the embedding of remote working to support an agile and flexible workforce as a key deliverable. Continued developments and enhancements to the ICT Service offering are key enablers to ensure that this can happen.

ICT Telephony - £433,000 ongoing

The current contract for the Council's telephony solution expires in 2021. A telephony strategy has been produced to better understand the telephony requirements for the Council moving forward and this has highlighted the need for a system with greater flexibility that can meet the needs for agile and remote working. In order to meet these requirements in the most cost-effective way, a soft telephony solution is required, for which additional funding is required to purchase the required licences.

ICT Customer Service Platform - £75,000 ongoing

So that ICT can improve the direct service it provides, there is a need to invest in a new customer service system to support the ICT Service Desk and self-service offering. If the cost of the system is higher than £75,000 then the additional cost will be met from improvements in service efficiency.

Voluntary and Community Sector (VCS) Infrastructure - £199,000 ongoing

Funding is required to support the costs of continued VCS infrastructure provision across the county following a recent review. The funding will support the development of a more equitable distribution of funding across the county, recognising the contribution the sector makes in supporting communities across Derbyshire. Investment in the sector is likely to save the Council resources in the medium term and longer term.

Performance Monitoring and Reporting - £140,000 ongoing

The Council needs effective mechanisms to monitor and report on performance and the integration of performance and financial information is required to support effective decision making. Whilst some progress has been made, capacity is limited. Additional resources are required to create a performance service partner role to support the ongoing development and implementation of the corporate performance framework, whilst also supporting the annual Council Plan refresh and service planning process.

Legal Services - £300,000 one-off

There is pressure on the legal services budget arising from a sustained increase in demand for all services, especially for childcare legal advice and representation. Legal Services intend to introduce a new model of delivery which should help to reduce the spending on external legal services and stabilise costs over time.

Digitisation of Employment Records - £100,000 one-off

Historic employment records are held in paper format at an off-site location. Funding is required to save the records in a digital format. This will reduce off-site storage costs and reduce the ongoing cost of maintaining and accessing records.

Budget Support - £390,000 one-off

The shortfall in the 2021-22 savings target for Commissioning, Communities and Policy of £390,000 will be met from the Corporate Budget Management Earmarked Reserve for 2021-22 only, as the shortfall is as a result of the uncertainty over the timing of the savings, not the likelihood of achievement. Commissioning, Communities and Policy will still be required to achieve the £2.586m savings target for 2021-22 but the use of reserves in 2021-22 provides some flexibility to plan and achieve the target in later years. Base budget will need to be in balance by 1 April 2022.

**Economy, Transport and Environment – Total - £875,000 ongoing,
£3,030,000 one-off**

Winter Maintenance - £700,000 ongoing

This funding will realign the winter maintenance budget so it more accurately reflects winter maintenance expenditure required in a mild winter. If the winter is less mild, then any overspend will be covered by the Winter Maintenance reserve.

Emergency Planning - £105,000 ongoing

To put a structure in place to fully reflect the responsibilities and work required to discharge the Council's statutory duties under the Civil Contingencies Act in planning, training and exercises, and to provide an effective response to incidents, especially lengthy ones. In addition, to provide support to the Local Resilience Forum and sub-groups on behalf of the Council.

Employment and Skills - £70,000 ongoing

The Employment and Skills Action Plan was approved in 2019. Skills development is a major priority for the Derbyshire and Nottinghamshire (D2N2) area, with a strategic partnership board that is serviced by its upper tier authorities, including the Council. Employment and skills have been highlighted as a critical part of the Covid-19 recovery for Derbyshire. Additional funding is required to deliver on these priorities.

Regeneration Kick-Start - £2,000,000 one-off

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

Elvaston Castle Masterplan - £550,000 one-off

Cabinet approved the Elvaston Castle Masterplan in 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.

HS2 - £250,000 one-off

To ensure that Derbyshire maximises the long term economic benefits which the HS2 project will bring, whilst at the same time limiting the negative impacts it will cause to some communities, it is essential that the Council invests in a project delivery team and relevant specialist support to increase its activity during the parliamentary bill process, which will establish how the line will be built, the designs of key elements of infrastructure as well as other measures which HS2 will need to include in the final project.

Budget Support - £230,000 one-off

The shortfall in the 2021-22 savings target for Economy, Transport and Environment of £230,000 will be met from the Corporate Budget Management Earmarked Reserve for 2021-22 only, as the shortfall is as a result of the uncertainty over the timing of the savings, not the likelihood of achievement. Economy, Transport and Environment will still be required to achieve the £2.013m savings target for 2021-22 but the use of reserves in 2021-22 provides some flexibility to plan and achieve the target in later years. Base budget will need to be in balance by 1 April 2022.

BUDGET SAVINGS PROPOSALS 2021-22

Adult Social Care and Health – Total - £3,350,000

Continuation from Previous Years Schemes:

Better Lives - Whole life disability pathway - £507,000

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.

Continuation from Previous Years Schemes:

Better Lives - Older people's pathway - £1,210,000

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.

Review Prevention Services - £150,000

Efficiency savings in the Prevention Service.

Reduce Agency Spend - £400,000

To realign the direct care workforce to deliver the Better Lives programme in order to reduce agency usage within homes for older people and extracare. It would also require corporately recommissioning the council's agency staffing contract to create more favourable terms for the local authority.

Finance Review - £345,000

Review of Client Financial Services. New structure will be fully implemented by 1 April 2021.

Better Lives - Mental Health - £14,000

Explore options to embed the Better Lives approach for people with Mental Health ensuring all services use the recovery model to achieve the most independent outcome for people.

Preparation and Planning for Disabled Children - £40,000

This is the Adult Care savings associated with a potential Children's Services transformation programme.

Funding of Prevention from Public Health Grant - £693,000

Use the Public Health Grant to fund Time Swap, Local Area Coordinators and the Disability Employment Team which are now part of Public Health.

Children's Services – Total – £85,000

Continuation from Previous Years Schemes:

Continuation of already announced actions in respect of back office costs – £85,000

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.

Economy, Transport and Environment – Total - £1,783,000

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 - £2,196,000

Continuation from Previous Years Schemes:

Administration and employee savings – £798,000

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 – £250,000

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.

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 – £50,000

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 Care – Total - £11,068,000

Continuation from Previous Years Schemes:

Better Lives - Whole life disability pathway - £1,942,000

Better Lives - Older people's pathway - £7,150,000

Reduce Agency Spend - £400,000

Better Lives - Mental Health- £87,000

Preparation and Planning for Disabled Children - £190,000

Revised Co-Funding - £200,000

Bring DCC policy in line with national guidance concerning fairer charging by introducing a new capital threshold for community-based care packages of £23,250 as opposed to £50,000. This is a year two saving due to the consultation required. This is a very approximate estimate which will be refined once the reassessment process has started.

Appointeeship Charging - £135,000

Charge Appointeeship Clients with capital more than £3,000 at £10 per week. This is a year two saving due to the consultation required.

Review of In-House Services - £259,000

Ensure commissioning reviews completed using the enterprising council approach to ensure all in-house services are value for money (VFM). Services should be better at re-ablement than external services, competitive in unit cost or filling a gap in the market. The current Direct Care spend is £64m, so this represents an overall reduction of 1.6%.

Review of Contracting and Commissioning Staffing - £100,000

Undertake a review of current arrangements to ensure key priorities are delivered based on best practice, VFM and comparators with neighbouring authorities

Review of Business Services - £155,000

Undertake a review of current arrangements to ensure key priorities are delivered based on best practice, VFM and comparators with neighbouring authorities. Provisionally included a 5% reduction, but this may be reviewed following an assessment of support requirements.

Review of Legacy Community Alarm Provision - £300,000

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

Review of Other Housing Related Support Schemes - £150,000

Being reviewed as part of the Practical Housing Support Project to ensure the VFM and effectiveness to meet adult social care (ASC) priorities

Children's Services – Total - £46,000

Continuation from Previous Year Schemes:

Continuation of already announced actions in respect of back office costs – £46,000

Economy, Transport and Environment – Total - £600,000

Waste – £100,000

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

Future Highways Model – £500,000

A major improvement plan for the highways service will result in more efficient ways of working, productivity improvements and generation of income from assets.

Commissioning, Communities and Policy - Total - £334,000

Continuation from Previous Years Schemes:

Administration and employee savings – £78,000

Libraries – £156,000

SAP - £100,000

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

BUDGET SAVINGS PROPOSALS 2023-24

Adult Care – Total - £6,905,000

Continuation from Previous Years Schemes:

Better Lives - Whole life disability pathway - £1,881,000

Better Lives - Older people's pathway - £4,103,000

Better Lives - Mental Health - £110,000

Review of In-House Services - £481,000

Preparation and Planning for Disabled Children - £330,000

Economy, Transport and Environment – Total - £1,200,000

Continuation from Previous Years Schemes:

Waste – £580,000

Future Highways Model – £500,000

Elvaston Castle and Country Park – £120,000

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

Commissioning, Communities and Policy - Total - £625,000

Continuation from Previous Years Schemes:

SAP - £500,000

Interest receipts – £125,000

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

BUDGET SAVINGS PROPOSALS 2024-25

Adult Care – Total - £1,215,000

Continuation from Previous Years Schemes:

Better Lives - Whole life disability pathway - £440,000

Better Lives - Older people's pathway - £132,000

Better Lives - Mental Health - £107,000

Review of In-House Services - £276,000

Preparation and Planning for Disabled Children - £260,000

Economy, Transport and Environment – Total - £2,870,000

Continuation from Previous Years Schemes:

Elvaston Castle and Country Park – £120,000

Waste - £1,750,000

Future Highways Model – £1,000,000

Commissioning, Communities and Policy - Total - £1,652,000

Continuation from Previous Years Schemes:

Interest receipts – £125,000

SAP - £50,000

Property Services – £1,477,000

The Council will continue to reduce running costs by rationalising its land and property and releasing the resulting surplus assets. It will also generate fees from capital schemes.

BUDGET SAVINGS PROPOSALS 2025-26

Adult Care – Total - £185,000

Continuation from Previous Years Schemes:

Better Lives – Mental Health - £25,000

Preparation and Planning for Disabled Children - £160,000

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

Continuation from Previous Years Schemes:

Elvaston Castle and Country Park – £120,000

Commissioning, Communities and Policy - Total - £1,000,000

Continuation from Previous Years Schemes:

SAP - £50,000

Property Services – £950,000

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.

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, of which £1m will be allocated to departments in 2021-22 and £2m in 2022-23.

FIVE YEAR FINANCIAL PLAN for 2020-21 to 2025-26					
	2021-22	2022-23	2023-24	2024-25	2025-26
	£m	£m	£m	£m	£m
FUNDING					
Business Rates and Government Grants					
Business Rates	17.679	17.871	18.064	21.260	21.458
Top-Up	94.892	95.841	96.799	97.767	98.745
Revenue Support Grant	13.813	13.813	13.813	13.813	13.813
Improved Better Care Fund	34.682	34.681	34.681	34.681	34.681
New Homes Bonus	1.549	1.549	1.549	1.549	1.549
General Grant	34.399	25.892	25.892	24.992	24.992
PFI Grant	10.504	10.504	10.504	10.504	10.504
Sub Total	207.518	200.151	201.303	204.566	205.742
Council Tax	348.070	358.618	371.320	387.670	401.284
Use of Other Balances BM/Gen Reserve	16.136	2.000	2.000	2.000	3.500
TOTAL FUNDING	571.724	560.769	574.622	594.236	610.525
EXPENDITURE:					
Base Budget	545.395	555.588	558.769	572.622	592.236
Price Inflation	0.046	0.046	0.046	0.046	0.046
Pay Award (including Living Wage)	2.313	5.844	6.263	6.926	7.383
Contingency for Price Increases	4.113	11.427	12.000	12.602	13.234
Debt Charges	-1.500	0.000	0.000	0.000	0.000
Interest Receipts	2.182	0.000	-2.182	0.000	0.000
MRP adjustment	-3.500	7.000	0.000	0.000	0.000
Ongoing Service Pressures (see below)	22.716	8.897	10.243	9.327	9.273
Budget Savings Identified	-13.291	-9.171	-8.730	-5.737	-1.305
Risk Management Budget	-2.886	-7.661	0.000	0.000	0.000
	555.588	571.970	576.409	595.786	620.867
One-off Expenditure:					
One-off Revenue Support	9.759	2.000	2.000	2.000	2.000
One-off budget cuts support (timing delays)	4.877	0.000	0.000	0.000	0.000
Elections	1.500	0.000	0.000	0.000	1.500
	16.136	2.000	2.000	2.000	3.500
Further Budget Savings Required	0.000	-13.201	-3.786	-3.550	-13.842
TOTAL EXPENDITURE	571.724	560.769	574.622	594.236	610.525
Ongoing Base Budget	555.588	558.769	572.622	592.236	607.025

Assumptions	2021-22	2022-23	2023-24	2024-25	2025-26
Price Inflation	0.50%	1.00%	1.00%	1.00%	1.00%
Pay Award	0.00%	2.00%	2.00%	2.00%	2.00%
Business Rate Growth	1.00%	1.00%	1.00%	1.00%	1.00%
BR Taxbase (£m)	19,179	19,371	19,564	19,760	19,958
BR Collection Fund Position (£m)	-1,500	-1,500	-1,500	1,500	1,500
Top Up RPI	0.00%	1.00%	1.00%	1.00%	1.00%
Council Tax Increase	2.50%	2.00%	2.00%	2.00%	2.00%
CT Taxbase Change	0.41%	1.00%	1.50%	1.50%	1.50%
CT Taxbase	252,532	255,058	258,884	262,767	266,708
CT Collection Fund Position (£m)	-1,200	-1,200	-1,200	2,000	2,000
Council Tax (£/Band D)	1,383.07	1,410.73	1,438.95	1,467.73	1,497.08
Ongoing Service Pressures					
Adult Care Demographics	2,794	4,897	5,243	5,327	5,273
Social Care Contingency	10,000	0,000	0,000	0,000	0,000
Agency Placements	5,400	4,000	4,000	4,000	4,000
Special Needs Transport	0,620	0,000	0,000	0,000	0,000
Home to School Transport (SEN)	0,680	0,000	0,000	0,000	0,000
Pension Fund	0,000	0,000	1,000	0,000	0,000
Children's Social Care Recruitment Remodelling	1,300	0,000	0,000	0,000	0,000
ICT Strategy	0,200	0,000	0,000	0,000	0,000
ICT Telephony	0,433	0,000	0,000	0,000	0,000
ICT Customer Service Platform	0,075	0,000	0,000	0,000	0,000
VCS Infrastructure	0,199	0,000	0,000	0,000	0,000
Performance Monitoring and Reporting	0,140	0,000	0,000	0,000	0,000
Winter Maintenance	0,700	0,000	0,000	0,000	0,000
Emergency Planning Civil Contingencies Act	0,105	0,000	0,000	0,000	0,000
Employment and Skills	0,070	0,000	0,000	0,000	0,000
	22,716	8,897	10,243	9,327	9,273
One-Off Pressures					
ILF Grant	2,534	0,000	0,000	0,000	0,000
Assistive Technology	1,500	0,000	0,000	0,000	0,000
Sports and Outdoor (SORE)	0,362	0,000	0,000	0,000	0,000
Process improvement	0,193	0,000	0,000	0,000	0,000
Programme Management	0,333	0,000	0,000	0,000	0,000
Participation	0,177	0,000	0,000	0,000	0,000
Legal Fees	0,950	0,000	0,000	0,000	0,000
Care Leavers Team	0,510	0,000	0,000	0,000	0,000
Digitisation of Employment Records	0,100	0,000	0,000	0,000	0,000
Legal Services Child Care Cases	0,300	0,000	0,000	0,000	0,000
Regeneration Kick Start	2,000	0,000	0,000	0,000	0,000
Elvaston Castle Master Plan	0,550	0,000	0,000	0,000	0,000
HS2	0,250	0,000	0,000	0,000	0,000
	9,759	0,000	0,000	0,000	0,000



Derbyshire County Council

Equality Impact Analysis Record Form

Derbyshire County Council Revenue Budget 2021/22

Department	ALL
Service Area	ALL
Title of policy/ practice/ service of function	REVENUE BUDGET FOR 2021/22
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 or 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 2021/22 are significant and reliant on the Council's ability to achieve this level of savings whilst responding to and recovering from the Covid-19 pandemic. All proposals need to be considered in context with the size and nature of the service, and ideally, with reference to earlier or future proposals.

Stage 2. The team carrying out the analysis

<i>Name</i>	<i>Area of expertise/ role</i>
(Paul Stone (Chair)	Assistant Director of Finance (Financial Management)
Mary Fairman	Assistant Director, 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 2021-22
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 £13 million in 2021-22, with expenditure at £572m for the financial year. Over the period of the FYFP, savings of approximately £73m 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 2021-22 include:

Adult Social Care & Health

- Demographic Growth - £2.794m
- Independent Living Fund - £2.534m
- Assistive Technology - £1.500m
- Budget Support - £4.257m
-

Total for Adult Social Care & Health = £11.085m

Children's Services

- Agency Placements and Future Demand for Services - £5.400m
- Social Workers - £1.300m
- Special Needs Transport - £0.620m
- Mainstream Home to School Transport - £0.680m
- Legal Costs - £0.950m
- Leaving Care Services - £0.510m
- Sports and Outdoor (SORE) - £0.362m
- Programme Management - £0.333m
- Process Improvement - £0.193m
- Participation - £0.177m

Total for Children's Services = £10.525m

Commissioning, Communities and Policy (CCP)

- ICT Strategy – £0.200m
- ICT Telephony - £0.433m
- ICT Customer Services Platform - £0.075m
- Voluntary and Community Sector Infrastructure - £0.199m
- Performance Monitoring and Reporting - £0.140m
- Legal Service – £0.300m
- Digitisation of Employment Records - £0.100m
- Budget Support - £0.390m

Total for CCP = £1.047m

Economy, Transport & Environment

- Winter Maintenance - £0.700m
- Emergency Planning - £0.105m
- Employment and Skills - £0.070m
- Regeneration Kick-Start - £2.000m
- Elvaston Castle Masterplan - £0.550m
- HS2 - £0.250m
- Budget Support £0.230m

Total for ETE = £3.905m

Totals for DCC in 2021/22 = £26.562m

Stage 4. Data and consultation feedback

a. Sources of data and consultation used

Source	Reason for using
Council Budget Report – February 2021	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 2020/21 (conducted in November/ December 2020)	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.

Source	Reason for using
Derbyshire performance indicator set	Provide context information in relation to levels and quality of services
Workforce data	Provide context information in relation to staffing levels and pay
Previous Revenue Budget reports and completed EIAs reported to Cabinet	Provide cumulative related information – including whether previous savings made in service area/ department
Equality & Human Rights Commission Guidance – various	Clarifies duties and provides good practice advice in relation to PSED and making decisions
Derbyshire Observatory	Demographic, economic and other data

Stage 5. Analysing the impact or effects

a. What does the data tell you?

Protected Characteristic	Findings
Age	<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 2021-22 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 2021-22 includes a number of possible savings that could further affect older people, carers and families, including:</p> <ul style="list-style-type: none"> • Better Lives - Whole life disability pathway (£0.507m) • Better Lives - Older Adult's pathway (£1.210m) • Review Prevention Services – £0.150m • Reduce Agency Spend - £0.400m • Finance Review - £0.345m • Better Lives – Mental Health - £0.014m

	<ul style="list-style-type: none"> • Preparation and Planning for Disabled Children £0.040m • Funding of Prevention from Public Health Grant - £0.693m • Libraries - £0.050m <p>For older people the most obvious proposals which could result in an adverse impact could come from the Older Adult's pathway and the re-organisation of Library services.</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, it is recognised that these proposals potentially affect older and disabled people in particular. These proposed changes have been examined in a full EIA.</p> <p>The remaining services which are listed could also result in reduced service, access the service or support for older people being curtailed, and reduce the quality of life for older people in Derbyshire.</p> <p><u>Children and families</u></p> <p>The budget for 2021-22 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"> • Preparation and planning for disabled children - £0.040m • Highways Agency Agreements - £0.150m • Parking Services - £0.025m • Digital Derbyshire – £0.150m • Libraries - £0.050m <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> <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 2021-22 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>
Disability	<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 2021-22 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"> • Whole life disability pathway - £0.507m • Older Adult's pathway - £1.210m • Preparation and Planning for Disabled Children - £0.040m • Parking Services - £0.025m • Digital Derbyshire - £0.150m <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>
Gender (Sex)	<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"> • Whole life disability pathway - £0.507m • Older Adult's pathway - £1.210m • Review of Prevention Services - £0.150m • Reduce agency spend - £0.400m • Finance Review - £0.345m • Children's Services – Back office costs - £0.085m • Administration and employee savings - £0.798m • Legal services - £0.223m • Libraries – £0.050m • Staff budgets ETE - £1.394m <p>Women as mothers/ parents could be adversely affected by proposals such Older women could be affected by the Adult Social Care and Health proposals, having levels of care reduced and other services which enable older people to remain in their own homes.</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.</p>

	<p>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>
Gender re-assignment	<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"> • Administration and employee savings - £0.798m • ETE staff budgets - £1.394m
Marriage and civil partnership	<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>
Pregnancy and maternity	<p>There is much research which has revealed that women who become pregnant can experience discrimination, especially in relation to employment, but also because of attitudes towards issues such as breastfeeding.</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 2021-22 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"> • Staff budgets ETE - £1.394m • Administration and employee savings - £0.798m • Legal Services - £0.223m • Finance Review - £0.345m
Race	<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.</p> <p>A number of the proposals within the budget plans for 2021-22 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"> • Whole life disability pathway - £0.507m • Older Adult's pathway - £1.210m • Review Prevention Services - £0.150m • Reduce agency spend £0.400m • Better Lives – Mental Health - £0.014m • Preparation and Planning for Disabled Children - £0.040m • Staff budgets ETE - £1.394m

	<ul style="list-style-type: none"> • Administration and employee savings - £0.798m • Legal Services - £0.223m <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>
Religion and belief including non-belief	<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"> • Whole life disability pathway - £0.507m • Older people's pathway - £1.210m • Better Lives – Mental Health - £0.014m • Staff budgets ETE - £1.394m • Administration and employee savings - £0.798m • Libraries - £0.050m <p><u>Employees who follow a faith or religion</u> There are a very small number of people from the Muslim, Sikh, Hindu, Jewish and Buddhist communities within the Council's workforce. Most workers have indicated that they are either Christian or have no religion.</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>
Sexual orientation	<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"> • Finance Review - £0.345m • Staff budgets ETE - £1.394m • Administration and employee savings £0.798m • Libraries - £0.050m <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>
--	---

Non-statutory

Socio-economic and social mobility	<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"> • Proposed savings in relation libraries <p>Social mobility is determined though a number of factors, many of which are beyond the control, but not necessarily the influence, of the County Council. The state of the national and local economy exercises significant influence over whether individuals or households are able to improve their standard of living, and achieve a better life for themselves, accessing choice and control which was previously denied or out of reach, or by gaining skills and resources to change things. In Derbyshire those with least social mobility can be found in our deprived communities and neighbourhoods, and amongst a number of protected characteristic groups, especially disabled people, and women. The proposed savings in the budget for 2021-22 could further limit some aspects of social mobility. This will include savings in relation changes to older and disabled people's care and other services. That said, the Council continues to invest its energies in attracting and supporting local, businesses and jobs, which if successful provides a key lever for people to access social mobility opportunities, and generating additional opportunities. Importantly, new jobs need to get to local people from deprived communities and groups, or part of the potential benefit is lost, and social mobility cannot be improved.</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</p>
------------------------------------	---

	<p>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"> • Whole life disability pathway - £0.507m • Older people's pathway - £1.210m • Review Prevention Services - £0.150m • Highways Agency Agreements - £0.150m • Digital Derbyshire - £0.150m • Property Services - £0.619m • Libraries - £0.050m <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 as the Council looks to</p>

	<p>recover from the Covid-19 pandemic supporting regeneration across the region and the continued decline of the high street.</p> <p>The Council has supported businesses during the pandemic ensuring prompt payment of goods and services and implementing a hardship fund.</p> <p>How expenditure takes place in relation to regional and local economic development support is also of relevance. Including the priorities and eligibility criteria fixed for businesses seeking to access help and support. The Council's relative success in attracting investment into Markham Vale does not necessarily benefit businesses in other areas of Derbyshire.</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"> • Whole life disability pathway - £0.507m • Older people's pathway - £1.210m • Review Prevention Services - £0.150m • Better Lives – Mental Health - £0.014m • Funding of Prevention from Public Health Grant - £0.693m • Highways Agency Agreements - £0.150m • ICT - £0.256m • Property Services - £0.619m <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. 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>
--	---

- 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.

<i>Protected Group</i>	<i>Findings</i>
Age	<p>When the public was asked which priorities it supported, a number of those selected support looking after older people (this being sixth of priorities requested) and providing support for vulnerable children and families (seventh). 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 57 years, with the youngest being 14 and the oldest 92.</p> <p>A total of 22 residents also took part in five online focus groups where the average age was 62 years.</p>
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 16% 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 lifestyles will impact positively on some areas of disability, including mental health. However, there were some general comments about the importance of health and wellbeing.</p>
Gender (Sex)	<p>Of those who responded, there was an even split of 50% male and 50% female.</p> <p>This is a change from previous years where the respondents have tended to be from female residents.</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>However, there was a focus group with the Black Minority Ethnic Forum.</p>
Religion and belief including non-belief	<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 religious minority communities in relation to the budget consultation.</p>
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 older adults and 22% 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.</p> <p>The support for economic regeneration is perhaps a reflection of the current economic situation faced by the UK as a result of the Covid-19 pandemic. There is now high unemployment in Derbyshire, with the claimant count (as of November 2020) being 4.6% compared to 2.2% as of November 2019.</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 35% supported investment in roads, 24% in the environment, and 17% 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 identifying a role for the community and voluntary sector within their proposals that involve these organisations and volunteers directly delivering some services. To be able to do this successfully, services need to be clear about whether this capacity already exists or whether they will need to help- develop this, and on the time and levels of resources that would be required.

Within the responses received to spending priorities it is clear that motorists have featured amongst those who took part. One of the highest levels of support was for expenditure on roads maintenance/ repair. This level of support has been repeated each time consultation has taken place in relation to the budget or Council priorities. This type of expenditure is universally important. Support for social care services has also featured highly over repeated consultations in recent years.

d. Gaps in data

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

Gaps in data	Action to deal with this
Data in relation to the protected characteristics of race and ethnicity, religion and belief including non-belief, marriage and civil partnership, pregnancy and maternity, sexual orientation and gender re-assignment in relation to customer and consultation data.	Review how data can be improved before next year's budget analysis, including by designing in further ways to engage with communities and groups over budget proposals.
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

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

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

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

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

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

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

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

Stage 8. Main conclusions

The budget proposals for 2021-22 will impact directly on frontline services. The savings identified are likely to have the most direct adverse impact on older, younger and disabled people, reducing levels of service and support, especially for those with lower and medium levels of need. The proposals will also see further movement towards a position of providing statutory services and support, in which services respond or intervene to avoid safeguarding and other risks.

The areas identified within the Five-Year Plan for savings in 2021-22 will mean a likely adverse impact for:

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

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

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

The detailed proposals will need to be subject to a more localised and focused equality impact analysis, to ensure that the detailed proposals are properly assessed, and opportunities for mitigation identified.

Stage 9. Objectives setting/ implementation

Objective	Planned action	Who	When	How will this be monitored?
Ensuring fair decision-making, including when deciding upon detailed proposals to meet budget requirements	All detailed proposals requiring formal decision to be accompanied by a detailed equality impact analysis	All departments	As proposals made and considered	Monitoring exercise in April 2021
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 2021
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 2022/23 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	2021	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	2021	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>	2021	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 & 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: 12 January 2021.

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

Audience for report e.g. Cabinet/ date: 21 January 2021.

Web location of report:

Outcome from report being considered

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

Updated by:

Date:

This page is intentionally left blank

DERBYSHIRE COUNTY COUNCIL

CABINET

21 January 2021

Report of the Director of Finance & ICT

**CAPITAL PROGRAMME APPROVALS, TREASURY MANAGEMENT AND
CAPITAL STRATEGY
(CORPORATE SERVICES)**

1 Purpose of the Report

To obtain approval for proposals for submission to Council relating to the capital starts programme for 2021-22 and the Treasury Management, Investment and Capital Strategies.

This report should be read alongside the following reports to this Cabinet Meeting: the Reserves Position Report, the Budget Consultation Results Report for 2021-22 and the Revenue Budget Report 2021-22.

2 Information and Analysis

In line with previous years, the proposed new Capital Starts Programme for 2021-22 has been evaluated and it is recommended to proceed with new borrowing of £32.121m (excluding invest to save schemes). The detailed proposals are set out in Appendix One of this report.

The Treasury Management Strategy Report for 2021-22 (Appendix Two) 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 2021-22 (Appendix Three) deals with the management of the Council's balances and reserves, managing the balance between risk and return.

The Capital Strategy (Appendix Four) for 2021-22 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 Key Decision

No.

6 Is it necessary to waive the call-in period?

No.

7 Officer's Recommendations

That Cabinet recommends to Council that it:

- 7.1 Approves the 2021-22 Capital Starts Programme set out in Appendix One;
- 7.2 adopts the Treasury Management Policy set out in Appendix Two;
- 7.3 adopts the Investment Strategy set out in Appendix Three; and
- 7.4 adopts the Capital Strategy set out in Appendix Four.

PETER HANDFORD

Director of Finance & ICT

CAPITAL PROGRAMME 2021-22

The proposed new starts programme for 2021-22, along with funding streams, as shown in Table 1, has been evaluated and it is recommended to proceed with new borrowing of £32.121m (excluding invest to save schemes). More details on each individual scheme are set out below.

Schemes are usually funded from a combination of Government grants, capital receipts, borrowing, use of reserves and contributions from revenue budgets. Capital receipts are normally used to support the overall programme and have in recent years been in the region of £2-£3m per year. However, with the Council reviewing its approach to property and asset management this has the potential to increase capital receipts and assist with funding of current and future programmes. In cases where a new project is directly dependent on the disposal of an existing asset, for example, the replacement of a school, or where it is a statutory regulation that sales proceeds must be used to improve sports or educational facilities, then the receipt from the disposal of the 'old' asset can be earmarked to fund the replacement.

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 Government, which is now mainly through capital grants. Because of this, there has been a limit on new borrowing of no more than £15m. However, it is recognised that 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 £40m 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 to assist in the building of new schools in response to major housing developments and also schools that have ageing buildings and are high on the buildings at risk register. There are also bids to assist in the refurbishment of Children's Homes, along with planned refurbishment works at the Council's Homes for Older People, to address high priority requirements.

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

As in previous years, and in line with the Council's ICT Strategy, a full capital replacement programme is being developed, to ensure that all capital related ICT hardware and software will be replaced over a five-year cycle. This envisaged borrowing of £2m per year, however, due to the significant infrastructure upgrades required for 2021-22, partly due to end of life equipment, this will mean that bids for future years will be less than the £2m originally envisaged, to enable the overall plan to remain within the allocated five year plan of £10m.

Table 1 Capital Programme Bids 2021-22

Funding Streams

	Grant	Council Reserves	Borrowing	Invest to Save	Total
	£m	£m	£m	£m	£m
Children's Services					
Basic Need	2.000				2.000
Harrington Junior School	1.284	1.000	3.216		5.500
Brampton Primary - Modernisation			1.750		1.750
Childrens Home Capital Improvements			0.250		0.250
School Condition Allowance	7.153				7.153
Bramley Vale Primary School			5.500		5.500
Children's Home Refurbishment			2.740		2.740
Mickley Infant School			1.250		1.250
Adult Social Care & Health					
Disabled Facilities Grant Adaptations	6.960		4.000		10.960
HOPS Planned Programme			1.410		1.410
Communities, Commissioning and Policy					
Oil Storage and Distribution			0.800		0.800
Kitchen Ventilation Schemes			1.400		1.400
Corporate Buildings CIP			2.000		2.000
Replacement of ICT Hardware			3.220		3.220
Risk Mitigation Measures			0.130		0.130
Environment, Transport and Economy					
Glossop HWTs			3.285		3.285
Closed Landfill Replacement Programme			0.165		0.165
Derelict Land and Reclamation	0.377		0.120		0.497
Elvaston Castle Drive Lodge				0.350	0.350
Elvaston Castle Operational Compound			0.700		0.700
Loscoe Closed Landfill Infrastructure Improvements			0.185		0.185
Local Transport Plan	22.098				22.098
TOTAL	39.872	1.000	32.121	0.350	73.343

Summary of Individual Schemes

Childrens Services

Basic Need £2.000m

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. Funding will be allocated from a priority list of potential projects once a grant figure is known.

Harrington Junior School £5.500m

Harrington Junior School suffered a major fire in May 2020 which destroyed the main building, leaving only a two-classroom block and an old one classroom temporary block. The new school, unlike the old school which was built in the 1970s and was not fitted with any sprinklers, will be built to modern standards of insulation and energy efficiencies, which will result in potential revenue savings. The project is partially funded under an insurance claim and through the risk management budget, however, the £3.216m shortfall is to be covered by the Council.

Brampton Primary £1.750m

The £1.750m scheme is to replace a building at risk and re-use former Children's Centre accommodation. There are significant condition issues with the building, in particular the roof, which is currently being propped. The proposed scheme offers extensive benefits at significantly less cost than a like for like replacement - doubling the nursery places to allow local need for 30 hours to be met, creating a coherent Enhanced Resource Schools (ERS) unit, relocating the kitchen into the main building removing health and safety issues, and providing a playing field which the school currently lacks, as well as avoiding the potential DfE claw-back of £0.156m if the children's centre building is not used for children under 5 years old.

Childrens Home Capital Improvements £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 and even closing, which would be disruptive to the young people living there. The money is to fund improvements to both the Council's Children's Homes and Disabled Children's Centres to meet the Council's duty to maintain the Homes and Centres to the standards required by Ofsted.

School Condition Allowance £7.153m

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 £150m. 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.

Bramley Vale Primary School £5.500m

The project at Bramley Vale Primary School is for the replacement of all of the school, with the exception of the Foundation Unit and a single block. The main school has been at the top of the Buildings at Risk register for many years and has a condition backlog of £1.1m. The project would be carried out in phases, to allow the school to be rebuilt on its current site, whilst remaining open, to limit disruption to the pupils. The school is at the heart of its small community and it would provide buildings that meet current standards and enhance the education of its pupils.

Children's Home Refurbishment £2.740m

The Council has a legal obligation to provide children's home accommodation which is fully compliant to current statutory requirements. Residential accommodation with sleeping accommodation is the highest risk category of accommodation. Refurbishment works are required at four children's homes, in order to bring them up to current standards, with sprinklers being installed in two homes. The four homes are Spring Cottage Grinlow, Glenholme, Fairview and Solomon House Buxton. The scope of works for each home has been defined as the result of feasibility studies in 2019-20. The works are programmed to take place on site between June 2021 and February 2024. The homes will be vacated in turn to allow the works to take place. The projects are planned to be undertaken consecutively, in order to minimise the requirements for alternative accommodation.

Mickley Infant School £1.250m

Consultation is currently underway to consider the conversion of Mickley Infant School into a primary school. There is considerable parental support for the proposal in this isolated community where access to public transport is limited and unreliable. Parents currently have difficulty ensuring that their key stage 2 children can travel to the nearest primary school, particularly if they have children at both the Infant and Primary schools. This project is to build two classrooms, toilets, a staffroom and library, that would allow the delivery of education to all nursery and primary aged children on the one site, which is within walking distance of the estate on which the school is based. The

projections for Mickley Infant School and the primaries in the area indicate that the conversion of the Infant school would not have any effect on the surrounding schools.

Adult Social Care and Health

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 identify 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, or the 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.

HOPS Planned Programme £1.410m

The Council has a statutory duty to maintain Homes for Older People (HOPS) to provide a safe environment. A programme of planned maintenance and refurbishment works is required to maintain HOPS in a safe and secure condition. This programme is intended to ensure that for two years the buildings will be secure and watertight; will have compliant fire alarm and detection; compliant kitchen ventilation; fully functional hot water and heating systems; and all external areas will be made safe with the removal of trip hazards and so on.

If it is intended to extend the use of these buildings beyond two years, then this will require a re-wire and major refurbishment. Therefore, in parallel with this programme of essential work, it is also necessary to also undertake feasibility studies (funded by revenue) to assess budget costs. A subsequent capital strategy bid will be required in 12 months to secure the necessary funding for the additional major refurbishments as necessary. The budget cost of 7 refurbishments is likely to be approximately £30m. The total of this

programme of works is for £3.410m however £2.000m is currently being utilised from a previous year's approved allocation.

Commissioning, Communities and Policy

Oil Storage and Distribution £0.800m

Funding is required to replace oil storage and pipework distribution systems across a range of corporate and school buildings across the County.

The Council has a legal duty to ensure the safety of staff occupying corporate buildings, together with staff and pupils occupying local authority school buildings. There is also a duty on the Council to ensure it meets its statutory responsibility in complying with The Control of Pollution (Oil Storage) (England) Regulations 2001. Funding pressures and limited availability of parts and equipment, coupled with deteriorating and aged oil storage systems, have contributed to increased defects and risk of system failure, leading to potential leakage and ground contamination.

The risk to the Council is deemed high due to the high likelihood of an oil spillage or leakage leading to the polluting of environmental waterways, drainage and sewer systems, with the presence of open drains and gullies in close proximity of the storage facility.

It is envisaged that this will result in the replacement of out of date equipment across all sites and the introduction of additional equipment or an alternative fuel source, to provide greater monitoring and safety controls at each site and provide greater resilience in performance of the systems.

An estimated cost of £0.800m has been determined for the proposed works based on the knowledge of Property professionals; however, detailed costs will be developed as part of the specialist report and the individual items of work of which may require phasing.

Kitchen Ventilation Schemes £1.400m

Funding is required to replace kitchen ventilation and extraction systems across a range of corporate and school buildings across the County. The systems are past the end of their useful life and difficulties are occurring in maintaining, managing and monitoring the systems to provide robust and safe ventilation systems to the respective buildings.

Funding is required to ensure that the Council meets its statutory responsibilities to The Gas (installation & use) Regulations 1998.

The risk to the Council is deemed high due to the high likelihood of system failure, leading to risk to staff and the closure of kitchens providing meals to

vulnerable adults and children, which could in turn lead to increased costs to the Council by transporting meals from alternative locations.

Detailed surveys are required to inform and become the basis of a new priority-based strategy for ventilation and extraction systems across the County.

It is envisaged that this will result in the replacement of out of date equipment across all sites and the introduction of additional equipment or an alternative delivery system to provide greater monitoring.

An initial estimated cost of £5.600m has been determined for the proposed works based on the knowledge of Property professionals; however, until detailed costs have been developed as part of a specialist report, funding for the first phase will be required of £1.400m.

Corporate Buildings Capital Investment Programme £2.000m

The Council's quinquennial (every five years) building condition surveys have highlighted significant building improvements that require redress to ensure the continued use of buildings and safety to building occupants and members of the public. The Corporate Building Capital Investment Programme has been developed to reduce the burden placed upon the Corporate Maintenance Budget which covers both reactive maintenance and repairs and funds the Planned Maintenance Programme for Capital works.

The Planned Maintenance Programme has only been able to fund a limited amount of the highest priority work. In the meantime, the reactive day to day maintenance has had stringent emergency-only repairs applied as the budget is insufficient to meet demand. The Corporate Building Capital Investment Programme is designed to target essential capital improvements to address building suitability and condition in line with the Asset Management Framework.

The Planned Maintenance Programme can only address the highest priority works identified from condition surveys and is deemed insufficient. The future vision of this strategy is to identify a long-term capital investment strategy for the Council's Corporate Building and to incorporate preventative work through capital investment, which in turn will reduce the Council's maintenance liabilities and reduce the Council's maintenance deficit.

Replacement of ICT Hardware £3.220m

The ICT Service maintains a 5-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, Core Virtual Switching System

(VSS) Network and Network Cabinet replacement, to maintain a physically secure network.

Laptops and PCs are replaced on a 5-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 Services case management system and the SAP platform that provides the Council's core financial systems.

SAP has recently announced that after 31 December 2027 support for all its systems used by the Council will expire, although it has committed to consider to support these systems beyond that date for a further three year period at an additional support cost premium. This funding will allow the SAP system to operate in a manner that is consistent and supportive of the Council's ICT Strategy and upgrade its core business systems (SAP) to SAP Intelligent suite. In addition, DCC's current SAP systems are hosted in the Data Centre at County Hall. Support for the current database (DB) and operating system (OS) expire in 2022 and 2023 respectively. This means that all the systems would need to be migrated to the latest versions of the Microsoft OS and DB. This upgrade is complex and is likely to take approximately 42 weeks, with involvement from across the ICT and SAP support community.

The Council also relies heavily on its own data centre ICT hardware infrastructure and services and has identified a range of major infrastructure components that will need replacing over the next five years.

Risk Mitigation Measures £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; support risk reduction methodologies that will minimise reputational damage to Derbyshire and therefore support visitor growth.

Economy, Transport and Environment

Glossop Household Waste Transfer Station £3.285m

Redevelopment of the Glossop Household Waste Recycling Centre (HWRC) and Transfer Station. The waste transfer station is currently being demolished

due to its unsafe structure. The land vacated by the demolished transfer station creates an area of land within the HWRC that is a health and safety hazard to the public and staff. The Transfer Station receives residual household waste from High Peak Borough Council, which is then disposed of by the County Council under its waste disposal duties. The HWRC receives household waste from householders in the northern half of the High Peak borough.

This bid relates to two phases. The first phase seeks funding of £0.385m to reinstate the transfer station land, drainage and landscape to ensure that it is operating in a safe and lawful manner, which will enable legal compliance with the Environment Permit so that the HWRC can remain open. The second phase of this bid for £2.900m, following a full technical review of the need for a transfer station in 2021, proposes the development and construction of suitable transfer station facilities at this site, along with modifications to the household waste recycling centre.

Closed Landfill Replacement Programme £0.165m

Following the replacement of six flares in 2018, the Council now has five gas flares that are out of the recommended 10-year replacement programme, with their ages ranging from 10 years to 30 years. A Programme (prioritisation list) for the replacement has been developed, taking account of age, condition and local environment. By experience it has proved necessary to replace the flares every nine or ten years as parts become unavailable, general wear and tear take its toll and they become “old” technology.

Prior to the capital investment in 2018 to replace six flares, no flares have been replaced since 2010-11. This has had an impact on the service, as the flares have broken down more frequently, which has necessitated a slight increase in expenditure on maintenance and more Technician time to carry out repairs. This has been managed within the Service but is not sustainable, so a replacement programme now needs to be put in place and investment made. The typical cost of replacement per flare is £0.033m.

Derelict Land and Reclamation £0.497m

Funding for the land reclamation programme is predominantly provided through capital grants secured from a variety of external funding organisations, with the Council providing some pump-prime investment. The funding may be used to match other funding from outside bodies and will continue to do so with further bids, working together with the Countryside team. It also assists with early scheme development on proposed works. The funding is also required to enable the Council to meet statutory obligations on land in its ownership, particularly around physical and environmental work on mines, tips and quarries to deal with hazards and contamination. The work on Chesterfield Canal also supports many hours of volunteer time through partnership working and the Memorandum of Understanding which, together

with significant capital investment from the Chesterfield Canal Trust, all contributes to the ongoing restoration programme.

Elvaston Castle Drive Lodge £0.350m

Drive Lodge is a residential property on the edge of Elvaston Castle Country Park, directly adjacent to the area used for weddings and inside what would once have been the natural boundary of the estate. The property is likely to come onto the market very soon. The acquisition of the land currently forming the garden of the property would facilitate improved access to the Nursery garden/Old English Garden and both buildings which currently presents difficulties with access for wedding related deliveries and so on. Once the property has been acquired and the land that is required for the access has been sectioned off, an "invest to save" options appraisal/business case will be developed to identify whether the residential property should be sold; renovated then sold; or renovated and kept for income generation purposes.

Elvaston Castle Operational Compound £0.700m

To facilitate the conversion of the Coach House and Clock Tower range at Elvaston, part of a planned major project bid to regenerate the historic core buildings at Elvaston Castle to create a Visitor Hub, staff will need to be relocated from this building to a new operational/staff base to include storage facilities. The major bid includes the creation of retail, catering, hospitality, office and workshop facilities in repaired historic buildings which will, when converted, generate revenue for further repairs and operational costs towards providing a sustainable future for Elvaston Castle and Country Park. As repairs are completed and buildings appropriately converted, revenue streams will develop and allow the phased transfer of the estate from the Council to Elvaston Castle & Gardens Trust, thus relieving the Council of repair and operational costs of up to £0.900m per annum.

Loscoe Closed Landfill Infrastructure Improvements £0.185m

There is a need to upgrade the gas extraction system in 2021 to ensure that the site remains well managed and safe, noting that there is an active business on the site, the public have access to the site and there are many properties that sit on the boundary to this site. The Council has a health and safety duty to keep people safe and it is therefore essential that the Council extracts the landfill gas from the ground efficiently to minimise the risk of explosion.

This bid is to upgrade a number of the gas extraction wells and replace the gas flare on the site. This will ensure legal compliance with environmental legislation, notably the Environment Act 1995 (Section 57) and the Landfill Regulations (England and Wales) 2002, made under the Pollution Prevention Control Act 1999. The Council also has an obligation to ensure best practice

through a series of Waste Management Papers (WMP) i.e. WMP27 Landfill Gas (1989 and 1991) and Environment Agency Guidance.

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.

Treasury Management Strategy Report 2021-22

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 (Appendix Three).

2) External Context

Economic background: The impact on the UK of the Covid-19 pandemic and the UK's exit from the European Union (EU), together with its trading arrangements, will continue to be a major influence on the Council's Treasury Management Strategy for 2021-22.

The Bank of England (BoE) maintained its Bank Rate at 0.1% in November 2020 and extended its Quantitative Easing (QE) programme by £150 billion, to £895 billion. The Monetary Policy Committee voted unanimously for both, but no mention was made of the potential future use of negative interest rates. Within the latest forecasts, the BoE expects the UK economy to contract by 2% in the last quarter of 2020, before growing by over 7% in 2021. The BoE also forecasts that the economy will now take until the first quarter of 2022 to reach its pre-pandemic level.

UK Consumer Price Inflation (CPI) was 0.5% year on year in September 2020, up from 0.2% in the previous month. In the three months to August 2020, the unemployment rate increased to 4.5%, whilst wages fell 0.8% for total pay in real terms (0.1% increase for regular pay).

UK Gross Domestic Product (GDP) growth decreased by -19.8% in the second quarter of 2020, with the annual rate falling by -21.5%. Monthly GDP estimates have shown the economy is recovering but remains well below its pre-Covid-19 pandemic peak.

Growth in Europe increased by 12.7% in Q3 2020 after contracting by -11.8% in Q2. Headline inflation remains extremely weak, registering -0.3% year-on-year in October 2020. The European Central Bank (ECB) is expected to continue holding its main interest rate at 0% and deposit facility rate at -0.5% for some time, with further monetary stimulus expected later in 2020.

The US economy contracted at an annualised rate of 31.7% in Q2 2020 and then rebounded by 33.1% in Q3. The Federal Reserve (Fed) maintained the Fed Funds rate at between 0% and 0.25%. The Fed also provided strong indications that interest rates are unlikely to change over the next three years from current levels.

Credit outlook: The UK's credit rating was downgraded in late March 2020, as a result of the Covid-19 pandemic. This led to a downgrade of individual UK banking institutions.

Interest rate forecast: The Council's Treasury Management Adviser, Arlingclose, is forecasting that BoE Bank Rate will remain at 0.1% until at least the end of 2023. It is thought that this forecast could potentially prove to be higher than the actual (known as downside risk), as the BoE and UK Government continue to react to the Covid-19 pandemic and the Brexit transition period ends. The BoE extended its asset purchase programme to £895 billion in November, whilst not changing the Bank Rate. However, further interest rate cuts to zero, or possibly negative, cannot yet be ruled out. Gilt yields are expected to remain very low in the medium-term, whilst short-term yields are likely remain below, or at zero, until such time as the BoE expressly rules out the chance of negative interest rates or growth and/or inflation prospects improve.

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 investments will be made at an average rate of 0.25%, and that new long-term loans will be borrowed at an average rate of 1.50%, based upon an average term of 18 years.

3) Local Context

On 31 December 2020, the Council held £487.778m of borrowing and £340.746m 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

	31.3.20 Actual £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m
General Fund CFR	525.169	572.709	642.699	679.939	688.939
Less: Other debt liabilities*	-68.879	-64.548	-59.981	- 62.186	-56.532
Loans CFR	456.290	508.161	582.718	617.753	632.407
Less: External borrowing**	-329.974	-378.899	-287.899	-265.579	-259.174
Internal borrowing	126.316	129.262	294.819	352.174	373.233
Less: Usable reserves	-305.525	-244.032	-191.462	-156.603	-149.213
Less: Working capital	-47.671	-47.671	-47.671	-47.671	-47.671
New borrowing (or Treasury investments)	-226.880	-162.441	55.686	147.900	176.349

* finance leases, PFI liabilities and transferred debt that form part of the Council's total debt. The new accounting standard IFRS 16 Leases is due to be adopted in 2022-23. The liabilities relating to leases which were previously treated as operating leases will be recognised on the Council's balance sheet. An estimate has been made of the impact of this change and included in the balance sheet summary and forecast. This change increases the General Fund CFR and other debt liabilities by an equal amount, therefore Loans CFR is unaffected.

** shows only loans to which the Council is committed and excludes optional refinancing.

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 as a result of its capital programme.

Investments are forecast to fall to £162.441m by March 2021 as the Council's use of internal borrowing to fund capital expenditure increases and after that new borrowing is required.

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 2021-22.

Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1 above, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 2: Liability benchmark

	31.3.20 Actual £m	31.3.21 Estimate £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m
Loans CFR	456.290	508.161	582.718	617.753	632.407
Less: Usable reserves	-305.525	-244.032	-191.462	-156.603	-149.213
Less: Working capital	-47.671	-47.671	-47.671	- 47.671	-47.671
Plus: Minimum investments	10.000	10.000	10.000	10.000	10.000
Liability benchmark	113.094	226.458	353.585	423.479	445.523

Following on from the medium-term forecasts in Table 1 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £55.686m in 2021-22, £92.214m in 2022-23 and £28.449m in 2023.24. In reality, there is likely to be some slippage of the capital programme. Minimum revenue provision on new capital expenditure based on a 40-year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year.

4) Borrowing Strategy

The Council currently holds £378.899m of loans, an increase of £48.925m 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 £55.686m in 2021-22. The Council may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £707.000m (General Fund CFR £642.699m x 110%).

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 continued uncertainty of future local government funding, the Council's borrowing strategy continues to address the key issue of affordability, without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. 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 2021-22 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 will consider long term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding, in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to HM Treasury's PWLB lending facility.

Alternatively, the Council may arrange forward starting loans during 2021-22, 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:

- HM Treasury's PWLB lending facility (formerly the Public Loans Works Board, or PWLB);
- 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 issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Cabinet.

LOBOs: 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 2021-22, 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. Financial derivatives may be used to manage this interest rate risk (see section 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) Treasury 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 £233.726m and £427.536m and similar levels are expected to be maintained in the forthcoming year.

Objectives: The CIPFA Code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates: The Covid-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates would be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: 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 this strategy first adopted in 2015-16.

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

Business models: 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 Table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Approved investment counterparties and limits (County Fund)

Sector	Time Limit	Counterparty Limit	Sector Limit
UK Government	50 years	Unlimited	n/a
Local Authorities & Other Gov't Bodies	25 years	£30m	Unlimited
Secured investments *	25 years	£30m	Unlimited
Banks (unsecured) *	13 months	£30m	Unlimited
Building societies (unsecured) *	13 months	£30m	£50 million
Registered providers (Unsecured) *	5 years	£10m	£50 million
Money market funds *	n/a	£30m	Unlimited
Strategic pooled funds	n/a	£30m	£100 million
Real estate investment trusts	n/a	£10m	£50 million
Other investments	Individual	Cabinet	Approval

County Fund: It is requested that the limit for the Council's main operation bank (currently Lloyds) of £60 million is maintained (£30m overnight only and £30m up to 13 months in duration).

D2N2: It is requested the overnight limit of £10m (currently Lloyds) is maintained.

Minimum Credit rating: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

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 are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality

of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured): 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 regulated by the Regulator of Social Housing (in England). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access.

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

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.

Other: This category covers non-treasury investments. Loans to unrated companies will only be made following appropriate due diligence which may

include an external credit assessment. Cabinet will consider approval on an individual case by case basis.

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. These are not classed as investments, but are still subject to the risk of a bank bail-in. BoE has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

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 "negative watch") so that it may fall below the minimum approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: 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 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be

in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government or with other Local Authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits (County Fund): The Council's Total Useable Reserves available to cover investment losses are forecast to be £244.032m at 31 March 2021. 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.

Credit risk exposures arising from non-treasury investments, financial derivatives and balances in operational bank accounts greater than £30 million count against the relevant investment limits.

Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£30 million per manager
Negotiable instruments held in a broker's nominee account	£100 million per broker
Foreign countries	£30m per country

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.

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. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit rating	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

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 (Option 1 or Option 2) as appropriate.

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	£-3.00m
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£3.00m

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:

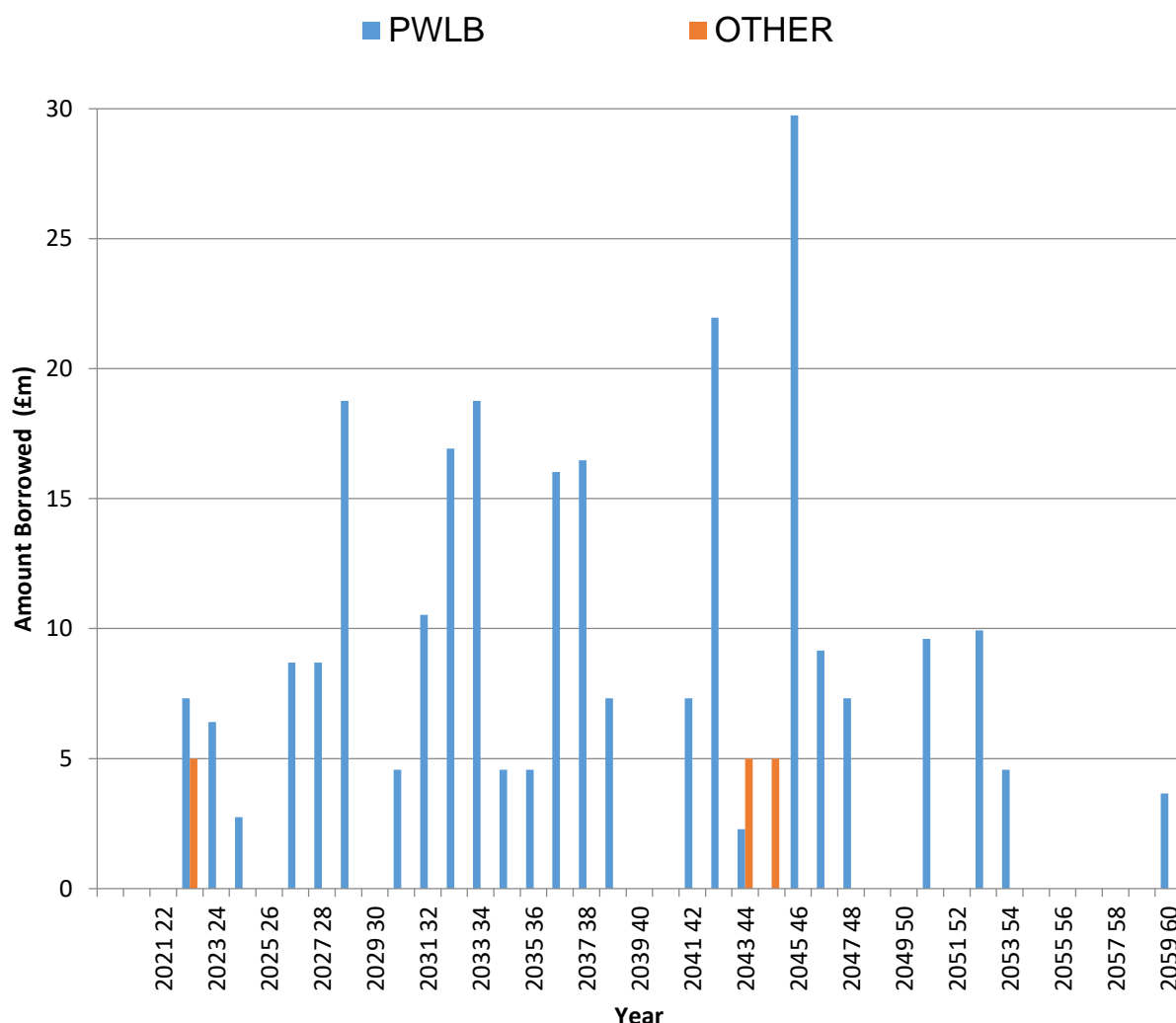
Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	60%	0%

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. It should be noted that the LOBO option dates are potential repayment dates.

The Council's long term maturity repayment profile at 31 March 2021 is shown below. A good spread of maturities is desirable. The average redemption is £6.997m per year over the next 39 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.

Repayment Profile - Long Term Borrowing



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	2021-22	2022-23	2023-24
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, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk 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 2021-22 is £4.016m, based on an average investment portfolio of £300m at an interest rate of 1.34%. The budget for long term external borrowing in 2021-22 is £12.292m, based on an average debt portfolio of £272.899m at an average interest rate of 4.50%. 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.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A – Treasury Management Advisors' Economic & Interest Rate Forecast - December 2020

Underlying assumptions:

- The medium-term global economic outlook has improved with the distribution of vaccines, but the recent upsurge in coronavirus cases has worsened economic prospects in the short term.
- Restrictive measures and further lockdowns are likely to continue in the UK and Europe until the majority of the population is vaccinated by the second half of 2021. The recovery period will be strong thereafter, but potentially longer than previously envisaged.
- Signs of slowing UK economic recovery were already evident in UK monthly GDP and PMI data, even before the second lockdown and Tier 4 restrictions. Employment is falling despite an extension to support packages.
- The need to support economic recoveries and use up spare capacity will result in central banks maintaining low interest rates in the medium term.
- The UK's secured a future trading arrangement with the EU at the eleventh hour. The combined effect of Brexit and the after effects of the pandemic will dampen growth relative to peers, maintain spare capacity and limit domestically generated inflation. The Bank of England (BoE) will therefore maintain loose monetary conditions for the foreseeable future.
- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid longer-term inflation expectations. There is a chance yields will follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation and the deployment of vaccines.

Forecast:

- The Treasury Management Advisors for the Council expect the BoE Bank Rate to remain at the current 0.10% level.
- Their central case for BoE Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the BoE expressly rules out negative BoE Bank Rate or growth/inflation prospects improve.
- Downside risks remain in the near term, as the Government continues to react to the escalation in infection rates and the Brexit transition period comes to an end.

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	-0.10	-0.20	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
3-month money market rate													
Upside risk	0.05	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	-0.40	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
5yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.15	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60
10yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.30	0.30	0.35	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.55	0.55	0.55
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
20yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.70	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.85
Downside risk	-0.20	-0.20	-0.25	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30
50yr gilt yield													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.60	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.20	-0.20	-0.25	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

Appendix B – Existing Investment and Debt Portfolio Position

	31 Dec 2020 Actual Portfolio £m	31 Dec 2020 Average Rate %
External Borrowing:		
Public Works Loan Board	257.899	4.50
Local authorities	74.000	0.23
LOBO loans	5.000	4.50
Other Bank Loans	10.000	4.69
Other loans (D2N2)	72.000	0.10
Total External Borrowing	418.899	2.99
Other long term liabilities		
PFI	63.709	
Finance Leases	5.009	
Transferred Debt	0.161	
Total Other Long Term Liabilities	68.879	
Total Gross External Debt	487.778	
Treasury Investments:		
Local Authorities	210.000	1.02
Banks (unsecured)	40.092	0.30
Registered Providers (unsecured)	5.000	2.15
Money Market Funds	20.000	0.01
Total Deposits:	275.092	0.86
Bonds	5.051	2.59
Equities UK	7.029	4.74
Equities Global	5.627	2.93
Multi Asset	24.995	3.40
Property	22.952	4.36
Total Strategic Pooled Funds	65.654	3.74
Total Treasury Investments	340.746	1.42
Net Debt	147.032	

Investment Strategy Report 2021-22

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 £262m and £423m during the 2021-22 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 2021-22 for Treasury Management investments are covered in the Treasury Management Strategy included at Appendix Two.

Service Investments: Loans

Contribution: The Council lends money to its local regeneration partners to stimulate local economic growth. The Council also lends money to its local Community Trusts to support local public services.

£12.753m + capitalised interest and fees - Buxton Crescent Hotel 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 £0.561m per annum with effect from 12 months after reopening.

£0.500m - Community Trusts – to Chesterfield Football Club Community Trust. Contribution of £0.012m per annum.

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 2020 actual			2021-22
	Balance owed £m	Loss allowance £m	Net figure in accounts £m	Approved Limit £m
Local Regeneration Partners	12.268	1.227	11.041	13.468
Local Community Trusts	0.000	0.000	0.000	0.500
TOTAL	12.268	1.227	11.041	13.968

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:

Buxton Crescent Hotel 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.

The Buxton Crescent Spa Hotel opened on 1 October 2020, however Derbyshire entered Tier 3 Covid-19 restrictions on 31 October 2020, which meant the hotel had to close. Under the circumstances the Directors may request an extension of the repayment holiday.

Buxton Crescent & Thermal Spa Co Ltd - The risk of loss based upon an Arlingclose non-rated corporate estimate of 10.0%, on the current loan amount outstanding of £12.268m, is £1.227m.

Chesterfield Football Club Community Trust – the Council agreed a loan to enable the football club to continue its services in the local community.

Chesterfield Football Club has suffered from Covid-19 restrictions, resulting in no income from fans attending home matches. The Council's borrowing is fully secured on the stadium.

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 is 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

Total investment exposure	31.03.2020 Actual £m	31.03.2021 Forecast £m	31.03.2022 Forecast £m
Treasury management investments	226.881	335.959	264.607
Service investments: Loans	12.268	13.391	13.968
TOTAL INVESTMENTS	239.149	349.350	278.575
Commitments to lend	0.623	0.577	0.000
TOTAL EXPOSURE	239.772	349.927	278.575

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

Table 3: Investments funded by borrowing

Investments funded by borrowing	31.03.2020 Actual £m	31.03.2021 Forecast £m	31.03.2022 Forecast £m
TOTAL FUNDED BY BORROWING	0.000	0.000	0.000

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

Investments net rate of return	2019-20 Actual %	2020-21 Forecast %	2021-22 Forecast %
Treasury management investments (excluding *)	1.24	0.80	0.49
*Strategic Pooled Funds	4.32	3.74	3.74
Service Investments: Loans	4.65	4.32	4.32
ALL INVESTMENTS	2.19	1.45	1.47

Table 5: Other investment indicators

Indicator	2019-20 Actual	2020-21 Forecast	2021-22 Forecast
Debt to net service expenditure ratio	1:1.28	1:1.27	1:1.50
Service Loans income to net service expenditure ratio	1:998	1:819	1:903

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 2021-22 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.

	2019-20 Actual £m	2020-21 Estimate £m	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m
Financing costs of CFR	40.850	44.760	49.970	56.906	59.480
Net Revenue stream inc DSG	898.088	910.570	915.579	929.725	1044.335
Percentage	4.55%	4.92%	5.46%	6.12%	5.70%
Net Revenue stream excluding DSG	539.126	545.395	550.404	564.550	679.160
Percentage	7.58%	8.21%	9.08%	10.08%	8.76%

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

	2019-20 Actual £m	2020-21 Estimate £m	2021-22 Estimate £m	2022-23 Estimate £m	2023-24 Estimate £m
Capital Expenditure	103.249	155.630	172.370	102.460	70.310
Funding Sources:					
Borrowing	48.900	61.220	82.400	60.250	33.710
Capital receipts	7.833	9.240	12.100	3.970	0.140
Capital grants	46.516	74.950	73.240	26.990	36.330
Revenue	0.000	10.220	4.630	11.250	0.120
Total CFR at year end	525.169	572.709	642.699	679.939	688.939
Net movement in CFR	37.954	47.540	69.990	37.240	9.000
Minimum Revenue Provision	10.947	13.680	12.410	23.010	24.720
PFI & Leases in CFR	68.718	64.393	59.832	62.045	56.399
PFI & Leases in MRP	4.102	4.326	4.560	4.787	5.046

As such there is a requirement to ensure that net debt (the sum of borrowing and other long-term liabilities, net of investments) in 2021-22 does not, except in the short term, exceed £642.699m (i.e. the estimated CFR for 2021-22).

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 £329.974m, and the level of relevant liabilities (including finance lease liabilities), which was £68.879m, on the Balance Sheet at 31 March 2020.

The Authorised Limit for 2021-22 is to be £707m and the Operational Boundary is to be £675m.

Table 3 – Authorised Limit for External Debt

	2019-20 Actual £m	2020-21 Estimate £m	2021-22 Estimate £m	2022-23 Estimate £m
Authorised limit for external debt	578	630	707	748
Operational boundary for external debt	551	601	675	714
Borrowing	330	379	288	266
Other debt liabilities	69	65	60	62
Total	399	444	348	328

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.

This page is intentionally left blank

DERBYSHIRE COUNTY COUNCIL**CABINET****21 January 2021****Report of the Executive Director for Children's Services****SCHOOL BLOCK FUNDING SETTLEMENT 2021-22 (Young People)****1. Purpose of Report**

To ask Cabinet to consider and approve the basis for calculating mainstream school and academy budgets for 2021-22.

2. Information and Analysis

The Dedicated Schools Grant (DSG) consists of four blocks: the Schools Block, High Needs Block, Central School Services Block and Early Years Block. This report focusses on the Schools Block which funds mainstream schools and academies' delegated formula budgets, the other blocks will be the subject of further reports to Cabinet in the coming weeks.

As part of the government's Spending Round 2019, the Chancellor of the Exchequer confirmed to Parliament that 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. 2021-22 represents the second year of the settlement. On 17th December 2020, the DfE released final Schools Block allocations for 2021-22, the figures for Derbyshire are set out in Table 1 below.

Table 1- 2021-22 Schools Block allocations

	Primary		Secondary		
	2020-21	2021-22	2020-21	2021-22	
Funding (PUF/SUF) per pupil	£4,251.91	£4,605.36	£5,189.56	£5,636.76	
£ increase in PUF/SUF		+£353.45		+£447.20	
% increase in PUF/SUF		+8.31%		+8.62%	
October 2019 & 2020 NOR	59,160	58,791	39,141	39,813	
S. Block ex premises (£m)	251.54	270.75	203.122	224.41	
Premises - PFI	0.000	0.000	2.460	2.471	
Premises - Split site	0.080	0.098	0.272	0.135	
Premises – Rates	3.747	3.720	3.252	3.069	2021-22
Premises - Exceptional site	0.097	0.104	0.119	0.088	Total
S. Block ex Pupil Growth Fund	255.468	274.676	209.225	230.177	504.853
Pupil Growth Fund	0.847	0.681	2.582	1.814	2.495
Total Schools Block	256.315	275.357	211.807	231.991	507.348

The Pupil Growth Fund element of the Schools Block is used to contribute to schools with significant in-year increases in pupil numbers; provide additional resources to help individual schools meet Key Stage 1 class size requirements; and provide support to new Free Schools over and above their formula allocations whilst their numbers on roll build up. Decisions on spending funded by the Pupil Growth Fund are a matter for the Schools Forum. The remaining Schools Block is the resource that supports the allocation of funds to schools and academies via the Authority's funding formula.

2.1 Schools Block formula issues, including consultation with schools

Derbyshire's local funding formula mirrors very closely the mainstream National Funding Formula (NFF), the only difference being those schools that qualify for Minimum Funding Guarantee support, a mechanism that is intended to avoid unreasonable year on year turbulence in individual schools' budgets.

Details of the NFF multipliers for 2021-22 are provided in Appendix 1. Given the recent announcements on public sector pay freezes for 2021-22, most of the multiplier increases are above the expected rate of inflation.

The Key Stage per-pupil and Minimum Per Pupil Funding rates have been further increased to reflect the incorporation of former Teachers' Pay Grant (TPG) and Teachers' Pension Employers' Contribution Grant (TPECG) into the Schools Block. These grants provided additional support to schools towards the cost of previous years' teachers' pay awards and the increase in the employers' pension contribution for teachers from September 2019 when contributions rose from 16.48% to 23.68% of gross pay. In 2020-21 these grants were worth a minimum of £179.88 per pupil and secondary schools £264.78 and these values amounts have been added into the NFF for 2021-22.

One issue arising from the incorporation of these grants into the NFF is that the DfE grant allocations in 2020-21 assumed a minimum number on roll for each school of at least 100. Thus, every mainstream school, irrespective of size, received minimum grant funding of £17,988. However, under the NFF schools with a number on roll of less than 100 will receive a lower allocation. For example, a primary school with 50 children on roll would receive 50 x £180 i.e. £9,000, half the sum received as grant funding. Small schools, particularly those with fewer than 100 children on roll, must rely on Minimum Funding Guarantee protection to help soften the impact of this change.

As part of the budget preparations, schools and academies were consulted in September 2020 on the funding priorities for 2021-22, specifically:

- (i) Do schools and academies agree with the LA's proposal to apply the NFF in full in 2021-22, subject to affordability?
- (ii) Do schools and academies agree with the LA's proposal to adopt an MFG of 2% per pupil for 2021-22?

Schools were also asked to indicate how any shortfall in funding might be addressed.

In terms of responses, 90 schools and academies gave their views of which 89 (98.9%) supported implementing the NFF in full. There was also significant support for the maximum MFG to be applied (+2% per pupil) with 81 (90.0%) in favour. On the question of where reductions might be made to close any shortfall, 39 (43.3%) of respondents answered, “don’t know”. Of the 51 that expressed a view 24 (47%) preferred a lower level of MFG protection, 16 (31%) preferred a reduction in one or more NFF multipliers with the remaining 11 respondents supporting a transfer of resources from another part of the DSG.

2.2 Schools Block formula proposals 2021-22

Based on the pupil and other formula data for 2021-22, the cost of implementing the NFF in full is estimated to be £505.659m i.e. £0.806m more than the Schools Block grant, excluding the Pupil Growth fund. A detailed breakdown of the total by formula indicator is provided in Appendix 2.

One of the main reasons for the shortfall is the impact of recent increases in current free school meal (FSM) counts. Schools’ 2021-22 budgets will be based partly on the number of children entitled to free school meals recorded on the October 2020 pupil census. The 2020 census showed a significant increase in FSM numbers for both sectors compared with the previous year with 310 (of 353) primary schools and all 45 secondary schools seeing an increase in count, leading to the following financial pressure:

- Primary current fsm – increase of 2,467 children (+21.7%) – cost £1.110m
- Secondary current fsm – increase of 1,457 children (+23.1%) – cost £0.657m

The funding received by LAs via the Primary and Secondary Units of Funding (PUFs/SUFs) in Table 1 is based on 2020-21 NFF budgets which, in turn, are based on October 2019 pupil data. More recent increases in FSM entitlement – including those as a result of Covid-19 – are therefore not reflected in LAs’ 2021-22 funding allocations. The DfE are aware of this issue and their informal advice is that LAs will have to manage the pressure locally within their own formula.

The estimated overall cost in Appendix 2, £505.659m, assumes an MFG of +1.5% per pupil. Although this is slightly below the maximum +2.0% permitted and consulted upon, it must be remembered that the higher figure was published by the DfE in July 2020, well before the public sector pay freeze announcement in November 2020. The proposed rate is still above the expected level of inflation.

In order to close the shortfall without making reductions to schools’ full NFF allocations, the following measures are proposed:

(i) Academy rates savings – there are currently two primary schools and two secondary schools which are expected to convert to academy status during 2021-22. Assuming they convert by the end of June 2021, this would generate an in-year saving of £0.201m (full year £0.268m.)

(ii) Pupil Growth fund – the Schools Block quantum in Table 1 includes a Pupil Growth Fund of £2.495m. It would be possible to meet the remaining shortfall, £0.605m, from this source whilst still leaving sufficient resources to fund in year pupil increases and provide support for developing Free Schools.

As explained above, the Schools Forum determines the use of Pupil Growth Funding. The next meeting of the Forum isn't until 28th January 2021 which is both after this Cabinet meeting and the date that LAs are expected to submit their mainstream budget proposals to the Education and Skills Funding Agency, also 21st January 2021.

The DfE's Schools Forum Good Practice Guide provides for this situation, a copy of the paper can be found at:

<https://www.gov.uk/government/publications/schools-forums-operational-and-good-practice-guide-2015>

Paragraphs 107 and 108 state: "It's good practice for the local authority to agree with its schools forum an urgency procedure to be followed when there is a genuine business need for a decision or formal view to be expressed by the schools forum, before the next scheduled meeting. The local authority may call an unscheduled meeting or put in place alternative arrangements such as clearance by email correspondence or some other means."

The Derbyshire Schools Forum Constitution approved by Cabinet states: "In the event that the local authority has urgent business to agree with its Schools Forum, the LA will determine whether to resolve the issue by e-mailing Forum Members or by calling an unscheduled meeting. The approach will be determined by the LA following discussion with the Chair and/or Vice Chair of the Forum."

Following a discussion with the Chair of the Forum, School Forum members were e-mailed an issues paper on the shortfall on 7th January 2021 and invited to a virtual Teams briefing which was held on 8th January 2021. Forum Members were asked to indicate their support or otherwise for the use of the Pupil Growth Fund by e-mail by 10:00 a.m. 11th January 2021. The briefing was well received and the proposals supported. This was further evidenced by the subsequent e-mails in support. No responses, either in the meeting or via e-mail, were against the proposals.

The primary school budgets in Appendix 2 are based on October 2020 pupil numbers. However, the allocations for new and existing free schools need to be adjusted to reflect the growing pupil rolls and the expected October 2021 pupil intakes as well. The Free Schools in question are:

- The Mease – opened September 2019
- Chellaston Fields - opened September 2019
- Highfield Farm – opened September 2020
- Boulton Moor – planned to open September 2021

Reflecting the estimated October 2021 counts provides the funding these schools will require to meet the costs of the additional classes. The budgetary pressure resulting from this technical change is still being calculated but is likely to be between £0.200m and £0.300m. Once agreed, the final cost will be funded from the Free School reserve set aside for this purpose rather than the Schools Block budget. The balance of this reserve at 31st March 2021 is forecast to be £2.261m which is sufficient to meet the anticipated cost.

2.3 De-delegation and top-slicing of funding 2021-22

Each year local authorities' Schools Forums have been permitted to take-back monies delegated through the formula to mainstream schools to fund a range of prescribed functions. Academies' budgets are not subject to de-delegation, instead academies remain responsible for meeting their own costs directly.

Historically, Derbyshire schools have given significant support to the de-delegation of funding for these services. Following two consultations with schools during 2020, the Schools Forum at its meetings in October and December 2020 agreed to approve the de-delegation of funds once more for 2021-22. The list of services and the amounts proposed to be deducted from mainstream primary and secondary schools are set out in Appendix 3.

De-delegation has been operating since 2013 with any underspend against the funds collected being carried forward in a reserve at the end of each year. At 31st March 2020 the re-pooled reserve stood at £1.013m and this figure is forecast to increase to around £1.381m by the end of the current financial year.

In order to minimise the increase in charges to schools for 2021-22, it is proposed to release funding from the reserve such that the overall per pupil increase is no more than 1.5% i.e. consistent with the proposed MFG increase. This is estimated to utilise around £0.347m of the reserve.

The decision to accept responsibility for costs funded from de-delegated and top-sliced resources is a matter for Cabinet and it is recommended that Cabinet agree to the Forum's request for 2021-22.

3. Other Considerations

In preparing this report the relevance of the following factors has been considered: Prevention of Crime & Disorder, Equality of Opportunity and Environmental, Financial, Health, Human Resources, Property, Social Value and Transport Considerations.

4. Background Papers

Files held within Children's Services Finance.

5. Key Decision

Yes.

6. Call-in. Is it necessary for the call-in period to be waived in respect of the decisions being proposed in this report?

No.

7. Executive Director's Recommendations - That Cabinet considers this report and:

- (i) Notes the Schools Block settlement, including Pupil Growth funding, for 2021-22;
- (ii) Approves that mainstream school budgets be calculated in accordance with the National Funding Formula as set out in section 2.2;
- (iii) Notes that the primary school budgets in Appendix 2 exclude some outstanding adjustments in respect of new Free Schools and agree that the additional costs of those adjustments be met from the Free School reserve;
- (iv) Notes that the allocation of Pupil Growth funding is a matter for the Schools Forum;
- (v) Notes the support from School Forum members to utilise funding from the Pupil Growth Fund to balance the shortfall in section 2.2;
- (vi) Approves that matters of detail regarding the calculation of school budgets be delegated to the Executive Director for Children's Services in consultation with the Cabinet Member for Young People;
- (vii) Approves the request from the Schools Forum to de-delegate and top-slice funding from mainstream LA maintained schools' 2021-22 budgets for a range of services in accordance with section 2.3 and Appendix 3; and
- (viii) Approves the release of funding from the re-pooled reserve to limit the cost increase of (vii) above for schools for 2021-22.

Jane Parfremment
Executive Director for Children's Services

Primary Sector National Funding Formula Multipliers 2021-22 and comparison with 2020-21

Appendix 1

Indicator	2020-21 Multiplier	2021-22 Multiplier	Increase £	Increase %	Comments
	£	£	£	%	
Per pupil: Key Stage 1 and 2 Pupils	2,857.00	3,123.00	266.00	9.31%	£180 due to rolling in TPG & TPECG*
Deprivation: Current Free School	450.00	460.00	10.00	2.22%	
Deprivation: Ever 6 Free School Meals	560.00	575.00	15.00	2.68%	
Deprivation: IDACI F	210.00	215.00	5.00	2.38%	Now based on ranks rather than absolute scores. Band A is the 2.5% most deprived at Lower Super Output Area. Bands B, C and D rise by 5% increments, bands E and F by 10%
Deprivation: IDACI E	250.00	260.00	10.00	4.00%	
Deprivation: IDACI D	375.00	410.00	35.00	9.33%	
Deprivation: IDACI C	405.00	445.00	40.00	9.88%	
Deprivation: IDACI B	435.00	475.00	40.00	9.20%	
Deprivation: IDACI A	600.00	620.00	20.00	3.33%	
Low Prior Attainment	1,065.00	1,095.00	30.00	2.82%	
English as an Additional Language	535.00	550.00	15.00	2.80%	
Lump Sum	114,400.00	117,800.00	3,400.00	2.97%	
Sparsity	26,000	45,000	19,000.00	73.08%	
Mobility	875.00	900.00	25.00	2.86%	
Minimum Per Pupil Funding	3,750.00	4,180.00	430.00	11.47%	£180 due to rolling in TPG & TPECG*

Secondary sector National Funding Formula Multipliers 2021-22 and comparison with 2020-21

Appendix 1

Indicator	2020-21 Multiplier	2021-22 Multiplier	Increase £	Increase %	Comments
	£	£	£	%	
Per pupil: Key Stage 3 Pupils	4,018.00	4,404.00	386.00	9.61%	£265 due to rolling in TPG & TPECG*
Per pupil: Key Stage 4 Pupils	4,561.00	4,963.00	402.00	8.81%	£265 due to rolling in TPG & TPECG*
Deprivation: Current Free School Meals	450.00	460.00	10.00	2.22%	
Deprivation: Ever 6 Free School Meals	815.00	840.00	25.00	3.07%	
Deprivation: IDACI F	300.00	310.00	10.00	3.33%	Now based on ranks rather than absolute scores. Band A is the 2.5% most deprived at Lower Super Output Area. Bands B, C and D rise by 5% increments, bands E and F by 10%
Deprivation: IDACI E	405.00	415.00	10.00	2.47%	
Deprivation: IDACI D	535.00	580.00	45.00	8.41%	
Deprivation: IDACI C	580.00	630.00	50.00	8.62%	
Deprivation: IDACI B	625.00	680.00	55.00	8.80%	
Deprivation: IDACI A	840.00	865.00	25.00	2.98%	
Low Prior Attainment	1,610.00	1,660.00	50.00	3.11%	
English as an Additional Language	1,440.00	1,485.00	45.00	3.13%	
Lump Sum	114,400.00	117,800.00	3,400.00	2.97%	
Sparsity	67,600.00	70,000.00	2,400.00	3.55%	
Mobility	1,250.00	1,290.00	40.00	3.20%	
Minimum Per Pupil Funding	5,000.00	5,415.00	415.00	8.30%	£265 due to rolling in TPG & TPECG*

* IDACI – Income Deprivation Affecting Children Index – measures the proportion of all children aged 0 to 15 living in income deprived families

* Teachers’ Pay Grant (TPG) – a grant to provide additional resources to schools to help with previous years’ teachers’ pay awards.

* Teachers’ Pensions Employers’ Contribution Grant (TPECG) – a grant to provide additional resources to schools to help meet the increase in employers’ pension contributions for teachers from September 2019.

Analysis of mainstream formula budgets 2021-22 by indicator

Appendix 2

	Primary				Secondary		
	2021-22	2021-22	2021-22		2021-22	2021-22	2021-22
Indicator	Count	Multiplier	Budget		Count	Multiplier	Budget
		£	£			£	£
Per Pupil – Key Stage 1 & 2	58,792.00	3,123.00	183,607,416		-	-	-
Per Pupil – Key Stage 3	-	-	-		24,486.00	4,404.00	107,836,344
Per Pupil – Key Stage 4	-	-	-		15,331.00	4,963.00	76,087,753
Current FSM	13,811.00	460.00	6,353,060		7,755.00	460.00	3,567,300
Ever 6FSM	15,012.05	575.00	8,631,927		10,092.09	840.00	8,477,354
IDACI F	4,939.27	215.00	1,061,943		3,319.81	310.00	1,029,141
IDACI E	6,940.56	260.00	1,804,545		4,346.58	415.00	1,803,831
IDACI D	2,638.39	410.00	1,081,739		1,739.43	580.00	1,008,872
IDACI C	3,192.50	445.00	1,420,661		2,001.00	630.00	1,260,628
IDACI B	3,036.49	475.00	1,442,332		1,953.92	680.00	1,328,667
IDACI A	814.35	620.00	504,897		487.49	865.00	421,675
Low Prior Attainment	17,076.00	1,095.00	18,698,215		8,975.21	1,660.00	14,898,856
English as an Additional Language	947.61	550.00	521,188		121.32	1,485.00	180,163
Mobility	99.30	900.00	89,370		4.62	1,290.00	5,962
Lump Sum	353.00	117,800.00	41,583,400		45.00	117,800.00	5,301,000
Sparsity	14.87	45,000.00	669,342		0.28	70,000.00	19,833
Split site: <500m	4.00	2,789.08	11,156		-	-	-
Split site: >500m	2.00	44,254.39	88,509		1	137,384.98	137,385
Private Finance Initiative	-	-	-		-	-	2,425,950
Rates	-	-	3,571,300		-	-	2,758,212
Exceptional Circumstances	-	-	103,543		-	-	88,201
Minimum Per Pupil Funding	-	-	3,119,408		-	-	2,100,977
Minimum Funding Guarantee (+1.5%)	-	-	547,985		-	-	9,247
Capped gains	-	-	0		-	-	0
Total Formula Budgets			274,911,936				£230,747,351
TOTAL BOTH SECTORS							£505,659,287

List of proposed de-delegated and top-sliced funds 2021-22

Appendix 3

		2020-21			2021-22			Change	
<u>Item</u>	<u>Basis</u>	<u>Prim</u>	<u>Sec</u>		<u>Prim</u>	<u>Sec</u>		<u>Prim</u>	<u>Sec</u>
Contingencies	Per Pupil	£8.00	£6.00		£6.00	£6.00		-£2.00	£0.00
Insurance	Per Pupil	£20.64	£18.20		£22.56	£22.56		£1.92	£4.36
Staff Costs: Maternity	Per Pupil	£17.89	N/A		£15.00	N/A		-£2.89	N/A
Staff Costs: Public Duties	Per Pupil	£0.20	N/A		£0.20	N/A		£0.00	N/A
Staff Costs: Trade Unions	Per Pupil	£4.00	£4.00		£4.04	£4.04		£0.04	£0.04
School Improvement	Lump sum	£2,850	£2,850		£2,850	£2,850		£0.00	£0.00
Redundancy (top-sliced)	Per Pupil	£8.50	£8.50		£7.00	£7.00		-£1.50	-£1.50
Fmr ESG (top-sliced)	Per Pupil	£14.24	£14.24		£24.11	£24.11		£9.87	£9.87
Total per pupil (£)	Per Pupil	£73.47	£50.94		£78.91	£63.71		£5.44	£12.77
Less: Use of reserves	Per Pupil				(£4.34)	(£12.00)		(£4.34)	(£12.00)
Abated total per pupil (£)	Per Pupil				£74.57	£51.71		+£1.10	+£0.77
Total per school	Lump sum	£2,850	£2,850		£2,850	£2,850		-	-