

# Public Document Pack



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PUBLIC

To: Members of Improvement and Scrutiny Committee - Resources

Wednesday, 2 December 2020

Dear Councillor,

Please attend a meeting of the **Improvement and Scrutiny Committee - Resources** to be held at **10.00 am** on **Thursday, 10 December 2020**. This meeting will be held virtually. As a member of the public you can view the virtual 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, appearing to read 'S Hobbs', written over a white background.

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

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

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

1. Apologies for Absence  
To receive apologies for absence (if any)
2. Declarations of Interest  
To receive declarations of interest (if any)

3. Minutes (Pages 1 - 8)

To confirm the non-exempt minutes of the meeting of the Improvement and Scrutiny Committee – Resources held on 17 September 2020

4. Public Questions (30 minute maximum in total) (Pages 9 - 10)

(Questions may be submitted to be answered by the Scrutiny Committee, or Council officers who are attending the meeting as witnesses, on any item that is within the scope of the Committee).

5. Production of the 2021-22 Budget (Pages 11 - 20)

**MINUTES** of a meeting of the **IMPROVEMENT AND SCRUTINY COMMITTEE – RESOURCES** held via MS Teams on 17 September 2020.

**PRESENT**

Councillor T A Kemp (in the Chair)

Councillors N Barker, B Bingham, J Boulton, C Moesby, C Short, J Twigg, M Wall and G Wharmby.

**18/20** **MINUTES RESOLVED** that the minutes of the meeting of the Improvement and Scrutiny Committee – Resources held on 23 July 2020 be confirmed as a correct record.

**19/20** **PUBLIC QUESTIONS** There were no public questions.

**20/20** **REGULAR COMMITTEE UPDATE ON THE FINANCIAL AND BUDGETARY POSITION AND INPUT INTO 2021/22 BUDGET PLANNING** Peter Handford, Director of Finance and ICT attended the meeting and provided members with a detailed update on the financial position and outlined what has been done in terms of budget planning for 2021-22.

In summary at the time of setting the Revenue Budget 2020-21 in February 2020, there were a number of unknowns such as the cost of independent sector fees and the pay award. There is sufficient funding set aside in the contingency budget to meet these costs.

The costs of Covid-19 were substantial and this was reflected in the July Budget Monitoring Report. The Council expected Government to provide sufficient funding to meet the costs of Covid-19 and would continue dialogue with Government in expressing the concerns of the Council.

With sufficient financial support from Government to meet the costs of Covid-19, the Council should be in a position to manage the in-year budget.

A number of Section 151 Officers in England had indicated that they may be inclined to issue a Section 114 Notice. The Director of Finance & ICT did not consider that this is appropriate at this stage.

The concern was the Council's ability to set a balanced budget in 2021-22 and subsequent years. Local authorities needed the funding certainty of a three-year settlement from Government to plan the delivery of its services, whilst seeking assurance that any Covid-19 related costs will be fully funded.

In relation to the preparation of Budget 2021-22, the production of the Council's budget was undertaken in accordance with the requirements of the

Council's Constitution. The Constitution required that a timetable was publicised by Cabinet for making proposals to the full Council in relation to the annual Revenue Budget, along with arrangements for consultation with stakeholders, which should be for a period of not less than six weeks. The proposed timetable was attached at Appendix 1 to the Director of Finance and ICTs report.

A key element of the Council's budget setting process was consultation with stakeholders and details of the consultation activities were listed

Cabinet would take account of the consultation when drawing up firm proposals to the Council. Results would be communicated after the consultation has ended.

As in previous years, an initial Equality Impact Assessment (EIA) will be undertaken at a corporate level. It was anticipated that this corporate assessment would help identify areas where there is a significant risk of adverse impact which would then be subject to a full equality impact assessment process. Alongside the budget consultation, the budget saving proposals in the updated Five Year Financial Plan would be considered to assess which proposals would need a separate targeted consultation with staff, the public and/or with current/potential service users. The outcomes of these processes would be reported to Council/Cabinet as part of the budget process and specific assessments/consultation outcomes reported to Cabinet before decisions are made on individual services.

The Council's Five Year Financial Plan 2020-21 to 2024-25 (FYFP) is being updated during 2020-21 and the results would be included in a report later in the year.

The FYFP would be updated again as part of the budget setting process, to reflect the Government's Autumn Budget, the outcome of the Comprehensive Spending Review 2020 for the period 2020-21 to 2023-24 and the Provisional Local Government Finance Settlement, which were expected to be announced in November / December 2020.

The Council had in place a Reserves Policy which sets out the framework within which decisions would be made regarding the level of reserves. In line with this framework the balance and level of reserves over the medium term are regularly monitored to ensure they are adequate to manage the risk of the Council. This covered both the General and Earmarked Reserves.

A review of the Earmarked Reserves Position is being undertaken and the results will be included in a report to Cabinet in November 2020.

Members made a number of comments and asked questions which were duly noted or answered by Mr Handford, who confirmed that he would keep members updated moving forward.

The Chairman thanked Mr Handford for his update.

**RESOLVED** to note the update on the financial and budgetary positions.

**21/20 MANAGEMENT OF CUSTOMER FEEDBACK (INCLUDING COMPLAINTS)** Emma Crapper, Director of Organisation, Development and Policy and Julie Odams, Assistant Director Communications and Customers, attended the meeting and summarised the work undertaken between October 2019 and July 2020 to analyse the management of customer feedback including complaints, compliments and comments and made recommendations for future delivery.

As part of its work to improve the customer experience and considerations of technical platforms to support resident interaction the communications & Customers area was asked by the Director of OD & Policy to undertake an independent review of the complaints process in Autumn/Winter 2019 and the outcome of the findings were detailed in the report provided to members.

Detailed below are the terms of where the Council wants to be:

- Ensuring that we are able to meet all statutory reporting requirements.
- Meeting the best practice recommendations of the LGCSO.
- Producing reports for management teams that are consistently used to improve service delivery and outcomes.
- Having a robust approach to learning from resident feedback, implementing lessons learned into policy and process changes to improve the customer experience.
- Welcoming feedback from our residents and having a clear, effective and easy to use process for residents to give comments, complements and complaints.
- Having clear ownership and responsibility for customer feedback at an appropriate senior level within the council, ensuring a 'one council' approach and accountability.

It was important to recognise that an opening up of the feedback process, making it easier to navigate and for residents to engage with the Council, may result in a temporary increase in complaints. This should reduce as the council implemented meaningful improvements as a result of the

lessons learned from feedback and supports our commitment to being an open, accountable and value for money organisation.

Details were provided of the statutory requirements for complaints reporting and discretionary reporting and current departmental processes.

The Channel Shift procurement exercise saw tender papers released in June 2020 which include the procurement of a technical complaints solution. The procurement of this solution was agreed by CMT and Cabinet in March 2020 to support more effective statutory and non-statutory complaints reporting and resolution.

A range of options for delivery were considered by CMT on 1<sup>st</sup> September 2020 and Cabinet / CMT on the 9<sup>th</sup> September 2020 and were detailed in the report. Option C summarised below was recommended by both as the most appropriate model.

Under this Hybrid feedback model, a centralised team would be created under the Head of Customer Service with both Adult Social Care and Children's Services each having a dedicated officer to support their requirements. This approach would allow for a consistent approach to feedback, effective reporting and the implementation of lessons learned whilst maintaining specialist support for those areas of greatest complexity and statutory requirement.

In terms of portfolio responsibility, it was suggested that the Cabinet Member for Strategic Leadership, Culture and Tourism have feedback management included within his portfolio recognising both its cross-cutting nature and proposed position with Customer Services. Given that this was a council-wide area of work, each Cabinet Member would also hold responsibility for feedback and complaints falling specifically within their areas of remit.

Once the revised customer feedback approach had been agreed and implemented successfully, stage two of this process would look at:

- How best to integrate with Legal Services regarding management of the relationship with the Local Government and Social Care Ombudsman – clearly work will be needed within stage one to ensure that any new complaints approach supports the LGSCO requirements.
- Any required integration of Subject Access Requests (SARs) and Freedom of Information requests (FOIs) with the feedback management approach.

Further papers on this would be brought before CMT and Cabinet in due course.

Members made a number of comments and asked questions which were duly noted or answered.

The Chairman thanked the officers for their update

**RESOLVED** to note the report and endorse Option C as the proposed approach.

**22/20**      **HEALTH, SAFETY AND WELLBEING UPDATE** Emma Crapper Director of Organisation and Policy and Jen Skila. Assistant Director HR attended the meeting and updated members on developments relating to the Wellbeing Strategy and its associated action plan.

The Council's Wellbeing Strategy and accompanying action plan were approved in early 2019. Since then a number of the interventions within the plan had been achieved, such as the development of the Mental Health Policy and mental health first aider network. Whilst the COVID-19 pandemic had impacted hugely on the Council's capacity to fully progress some of the identified actions, employee wellbeing has and continues to be crucial throughout our response to the COVID-19 pandemic.

The Council had implemented a wellbeing system for employees which consists of five levels of support, ranging from general support through to more specific and specialist individual support. The introduction of a smartphone app 'Thrive' enables employees to download the app providing access to mental health support as well as signposting employees to other support which is available. Furthermore, the Council has introduced an Employee Assistance Programme, commissioned initially 6 months, providing support for employees and family members within the same household, available 24 hours a day, 7 days per week.

It had therefore been timely to review the wellbeing action plan in light of the implications arising for the workforce as a result of COVID-19 to ensure a holistic approach to health, safety and wellbeing and practical steps that could be taken to achieve improvements.

The purpose of the original action plan was to meet the broad aims of the Wellbeing Strategy namely:

- bring together all initiatives currently in place within the council that support and maximise the health, safety and wellbeing of employees
- ensure a safe working environment and culture of wellbeing
- clarify the roles and responsibilities for safety and wellbeing
- identify areas for development and enable improvement

- identify the measures by which we will assess whether our workplace wellbeing support and interventions have been successful and are targeted effectively

This has now been reviewed and redefined to deliver the aims of the strategy within three core areas which complement each other and enable improved clarity and more clearly defined targets:

- Systems
- Resources/People
- Data

The focus was on not only on statutory compliance but also on ensuring a healthy and robust workforce, when considering the wellbeing of our employees.

This approach was further underpinned by the Council's moral, legal, economic and social responsibility and aims to demonstrate that the Council values all employees aligned to becoming an Employer of Choice. We aim to have an engaged, safe and healthy workforce delivering first class services for the people of Derbyshire.

The short term focus was based on three key themes:

1. Reviewing what we are currently doing.
2. Reviewing internal structures to support our wellbeing performance going forward.
3. Establishing appropriate systems to support the delivery of health, safety and wellbeing across the Council.

Reviewing current performance was vital to provide a starting point from which the revised wellbeing journey would commence. It was important that not only to understand current performance but that it is contextualised by comparing our performance with similar organisations both in the public and private sector. The development of appropriate and real time recording of data was a key part of the strategy, to ensure this can be analysed and fully understood to inform our decision making and actions.

In order to further develop a health, safety and wellbeing culture within our organisation, it is key that internal structures support, develop and challenge health, safety and wellbeing performance. This means not only reshaping the health, safety and wellbeing function but ensuring that all leaders within the organisation not only continue to champion health, safety and wellbeing performance, but drive improvement in required areas.

The establishment of a health, safety and wellbeing challenge group would oversee the delivery of the actions and ensure health, safety and wellbeing performance was considered at a senior management level. It would establish future wellbeing delivery targets and monitor departmental management performance. Existing wellbeing working groups would be reviewed and realigned to the delivery of key parts of the strategy and action plan. The Council continued to ensure that all employees fully understood their responsibilities in relation to health, safety and wellbeing.



The redefined approach would support sustainable health, safety and wellbeing performance ensuring that the Council had in place easy to understand and practical health, safety and wellbeing guidance which was consistent across all departments. This one council approach would continue to ensure that all employees fully understood their responsibilities in relation to health, safety and wellbeing.

The medium term focus would develop and build upon the immediate actions undertaken to ensure sustainable change in all three key areas: people, data and systems.

The Council would further develop manager and employee awareness and understanding of the benefits of positive health safety and wellbeing. Secondly, we will look to refine and improve the data we collect to drive targeted work initially identified to develop longer term proactive and preventative interventions.

Finally, there would be a focus on developing appropriate systems to support the Council's ability to fully embed practices and accountability to drive continuous improvements in our employee health, safety and wellbeing.

The long term focus is to embed within the organisation future behavioural change that will lead to the development of a positive and sustained health safety and wellbeing culture. The long term data targets will be determined by the findings of the initial review of performance.

To provide improved clarity and focus, separate sickness absence related actions had been defined, which are intrinsically linked to the overall action plan, and will focus on delivering outcomes against the same key themes (systems, data and people).

The Council had a target of 10.0 days average days lost per appointment, underpinned by the following departmental targets:

- CCP 8.5 days
- ASCH 13.0 days
- CS 7.0 days
- ETE 9.3 days

At end March 2020, the Council's average days lost due to sickness was 10.40 days. In comparison to the prior year, average days lost due to sickness had increased from 9.87 at March 2019. The Council had since seen a decrease in average days lost due to sickness to 10.0 days at June 2020. Ongoing monthly analysis was in place to outline and review sickness absence trends.

The sickness absence delivery plan would complement the overall wellbeing action plan ensuring improved data accuracy and clear definition of the roles and responsibilities of line managers when managing sickness absence. The introduction of a Sickness Absence Delivery Group, aligned to the Wellbeing Challenge Group would enable focused interventions at pace. Departmental specific interventions would be determined to further enhance the delivery plan.

The revised approach would be formally reviewed on an annual basis (with the first review at end March 2021) and progress would be reported internally quarterly through CMT and Cabinet/CMT aligned to the defined sickness absence delivery plan.

Members made a number of comments and asked questions which were duly noted or answered.

The Chairman thanked the officers for their presentation

**RESOLVED** to note the revised focus of the Wellbeing Strategy and its associated Action Plan

**23/20      UPDATE FROM THE CHAIRMAN ON THE REVIEW OF SCRUTINY**

The Chairman provided a verbal update on the review of Scrutiny. A review steering group made up of the four scrutiny Chairman and the Cabinet Member for Corporate Services had held a series of meetings to drive this work forward. The Centre for Public Scrutiny (CfPS) had been commissioned to conduct an independent review of Derbyshire's Scrutiny function. They had consulted Members and Officers, considered past and present scrutiny work programmes and observed an online scrutiny committee meeting. An online workshop was scheduled for Monday 12 October to enable the CfPS to present their final report and recommendations. All members were invited and encouraged to attend.

**RESOLVED** to note the update.

## **Procedure for Public Questions at Improvement and Scrutiny Committee meetings**

Members of the public who are on the Derbyshire County Council register of electors or are Derbyshire County Council taxpayers or non-domestic taxpayers, may ask questions of the Improvement and Scrutiny Committees, or witnesses who are attending the meeting of the Committee. The maximum period of time allowed for questions by the public at a Committee meeting shall be 30 minutes in total.

### **Order of Questions**

Questions will be asked in the order they were received in accordance with the Notice of Questions requirements, except that the Chairman may group together similar questions.

### **Notice of Questions**

A question may only be asked if notice has been given by delivering it in writing or by email to the Director of Legal Services no later than 12noon three working days before the Committee meeting (i.e. 12 noon on a Wednesday when the Committee meets on the following Monday). The notice must give the name and address of the questioner and the name of the person to whom the question is to be put.

Questions may be emailed to [democratic.services@derbyshire.gov.uk](mailto:democratic.services@derbyshire.gov.uk)

### **Number of Questions**

At any meeting no person may submit more than one question, and no more than one such question may be asked on behalf of one organisation about a single topic.

### **Scope of Questions**

The Director of Legal Services may reject a question if it:

- Exceeds 200 words in length;
- is not about a matter for which the Committee has a responsibility, or does not affect Derbyshire;
- is defamatory, frivolous or offensive;
- is substantially the same as a question which has been put at a meeting of the Committee in the past six months; or

- requires the disclosure of confidential or exempt information.

### **Submitting Questions at the Meeting**

Questions received by the deadline (see **Notice of Question** section above) will be shared with the respondent with the request for a written response to be provided by 5pm on the last working day before the meeting (i.e. 5pm on Friday before the meeting on Monday).

It is at the Chairman's discretion whether the questions and responses are read out at the meeting.

### **Supplementary Question**

Anyone who has put a question to the meeting may also put one supplementary question in writing to the person who has replied to his/her original question. A supplementary question must arise directly out of the original question or the reply. The Chairman may reject a supplementary question on any of the grounds detailed in the **Scope of Questions** section above.

Supplementary questions must be emailed to [democratic.services@derbyshire.gov.uk](mailto:democratic.services@derbyshire.gov.uk)

**DERBYSHIRE COUNTY COUNCIL****IMPROVEMENT AND SCRUTINY COMMITTEE****10 December 2020****Report of the Director of Finance & ICT****PRODUCTION OF 2021-22 BUDGET****1 Purpose of the Report**

To consult members of the Improvement and Scrutiny Committee as part of the process towards production of the 2021-22 budget, providing members with an update of the Revenue Budget forecast outturn for 2020-21 as at 30 September 2020 (Quarter 2), a summary of the Spending Review 2020, an update on Cost Pressure Bids received in respect of the 2021-22 revenue budget and information on meetings arranged with Cabinet Members to agree expectations of Council Plan priorities within the context of budget restraint.

**2 Information and Analysis****Forecast Outturn 2020-21**

The forecast outturn for 2020-21 as at Quarter 2 (30 September 2020), compared to controllable budget, 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.

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

	Budget	Use of MHCLG Covid- 19 and SFC Grant Funding	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%
Young People	119.205	8.276	127.481	133.942	6.461	5.1%
<b>Total Portfolio Outturn</b>	<b>517.848</b>	<b>34.023</b>	<b>551.871</b>	<b>563.706</b>	<b>11.835</b>	<b>2.1%</b>
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%
<b>Total</b>	<b>615.488</b>	<b>0.000</b>	<b>615.488</b>	<b>605.871</b>	<b>(9.617)</b>	<b>-1.6%</b>

The table above shows the Covid-19 related costs across the portfolios as £34.023m. 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 forecasted 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: Forecast Costs and Additional Income by Portfolio**

	<b>Covid-19 Related Costs</b>	<b>LESS: Specific Funding for Portfolio Covid-19 Costs</b>	<b>Use of MHCLG Covid-19 and SFC Grant Funding</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
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
Young People	9.791	(1.515)	8.276
<b>Total Portfolio Outturn</b>	<b>72.046</b>	<b>(38.023)</b>	<b>34.023</b>

### **Risk Management Budget**

There is a forecast underspend on the Council's 2020-21 Risk Management Budget of £19.116m, which represents the funding the Council has received, or is expected to receive, additional to its planned requirements and forecast Covid-19 related costs for 2020-21. However, there is considerable uncertainty about the impact on the Council's finances of future waves of the pandemic and any local or national restrictions imposed in the Autumn and Winter months, therefore caution is advised when considering this figure. Should costs rise in excess of current and future funding allocations, there will be a drawdown on the General Reserve will to fund the overspend.

### **Debt Charges**

The Debt Charges budget is projected to underspend by £2.324m. This is based on forecast interest payments, anticipated Capital Financing Requirement (CFR), a Minimum Revenue Provision (MRP) of 2.5% in keeping with the policy reported to Cabinet on 22 November 2016 and a £3.500m one-off reduction in the Council's Capital Adjustment Account Reserve. This reduction is made on the basis that the amounts set aside to repay debt over

the last ten years are well in excess of what is required to ensure the Council can repay its debts.

### **Interest and Dividend Income**

The Council utilises a range of investments, including pooled funds, to maximise its interest and dividend income. Interest and Dividends received on balances is estimated to breakeven after the allocation of £0.552m of MHCLG Covid-19 grant funding, to address a forecast decrease in income from investments in pooled funds of £0.938m and other lost income due to Covid-19. The interest base rate has remained at an historically low rate of 0.10% since 10 March 2020. Interest also accrues to the loan advances to Buxton Crescent Ltd.

### **Budget Savings**

The budget savings target for 2020-21 is £18.795m, with a further £6.332m target brought forward from previous years. The savings initiatives identified to meet this target currently fall short by £8.074m, therefore further proposals will need to be brought forward to ensure the Council continues to balance its budget. Of this total target of £25.127m, £11.771m is expected to be achieved by the end of the financial year. Therefore, there is a £13.356m forecast shortfall in achievement of budget savings. The resulting base budget overspend is offset to some extent by one-off underspends or is being met from one-off funding from earmarked reserves and additional grant funding received.

### **General Reserve**

The General Reserve stands at £49.845m as at 30 September 2020. The level of General Reserve is currently 9.14% of the Council's Net Budget Requirement. Commitments are held against this General Reserve balance, which were referred to in the Council's 2020-21 Revenue Budget Report. At that time the General Reserve, in a pessimistic forecast, was predicted to decrease to 2.2% (£12.793m) of the Council's Net Budget Requirement by 2024-25. The majority of chief financial officers consider 3% to 5% of a council's net spending to be a prudent level of risk-based reserves.

### **Spending Round 2020**

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

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 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 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.
- £1bn additional Social Care Grant from 2020-21 to continue, with an additional £300m for 2021-22. There is still some uncertainty about the continuation of a £410m Social Care Support Grant into 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.

The Society of County Treasurers (SCT) estimates a Provisional Local Government Finance Settlement date of 17 December 2020. At that point more detail will be provided on the funding the Council can expect to receive in 2021-22.

### **Cost Pressure Bids**

At the CMT meeting on 15 September 2020 it was reported that £39.958m of ongoing and £18.259m of one-off cost pressure bids relating to 2021-22 had been received. CMT requested departmental senior management teams to consider reducing the value of their bids. Ongoing budget pressure bids were reduced by £2.002m, however, CMT were requested to further review these updated Cost Pressure Bids. An updated list was subsequently determined by CMT as affordable to recommend that Cabinet agree for inclusion on the 2021-22 budget, which includes £16.829m of ongoing pressures, a £10.000m non-departmental social care ongoing contingency and £9.759m of one-off pressures. Consideration will be given as to whether to include a further general contingency pressure, although this may not be possible, and will depend on available funding. This still means that a significant level of pressure bids will not be funded and if the forecast pressures do occur, they will not be covered in the Council's budget. In such cases, the funding would initially come from the Council's General Reserve in 2021-22 but thereafter any such ongoing pressures would need to be met from additional savings that would need to be allocated to departments on top of those forecast. The final Cost Pressure Bids list will be for Members to consider, in the context of the forecast available future funding based on the latest known information.

### **Council Plan Priorities**

At the Cabinet/CMT meeting on 18 November 2020, it was agreed that a series of meetings would be arranged with Cabinet Members to agree expectations of Council Plan priorities within the context of budget restraint. The meetings have now been arranged to take place within the first two weeks of December.

## Council Tax and Business Rates

Both council tax and business rates income are collected by billing authorities and placed into a separate pot called the Collection Fund. Councils and other authorities are paid fixed amounts from the Collection Fund on the basis of the billing authorities' forecast business rates income as at the start of the financial year. The timings or amounts of these payments cannot be revised within the year according to current regulations.

This means that, if there is under- or over-collection of local taxes in a given year against budgeted amounts, this loss hits councils' general funds in the following financial year when future drawdowns of the Collection Fund are adjusted downward or upward to reflect last year's actual collected amounts.

The district and borough councils are estimating an average 1% reduction, effectively leading to a £3m collection fund deficit. Whilst the Government have confirmed that they will cover 75% of the loss and local authorities can spread the loss over three financial years, the Council in recent years has benefited from collection fund surpluses. Council Tax income is further exacerbated by a reduction in the Council Tax Base as there has been a significant rise in the number of Council Tax benefits and reliefs.

Similarly, the district/borough councils are responsible for collecting local business rates, for which collection rates have also reduced, but rates vary between the district and borough councils. Generally, the impact may be between £1m - £2m. Details will not be confirmed by the district/borough councils until January 2021.

It is a fact of local government finance that the financial collapse of 2008 has resulted in a system which relies disproportionately on the local ability to raise finance to a level which is unprecedented since the Government recognised significant additional duties for local government as part of the reconstruction of the country after the second world war.

At the same time the Government has also introduced some of the strictest controls on the level of rises that it is possible for an upper tier/single tier council to levy without referring the increase to local voters through a referendum.

Note that since 2016-17 there has been the ability to raise an additional amount specifically for Adult Social Care purposes. 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. The Comprehensive Spending Review 2020 confirmed that local authorities have the flexibility to increase Council Tax by 3% to raise additional Council Tax income ring-fenced to adult social care. This is in addition to the general

referendum principle of 2%. Councils have the option of deferring some of these increases to 2022-23 although details are still awaited.

There are a number of issues to consider when looking at the need for a Council Tax increase. These include:

- Government finances are likely to be squeezed as the economy is required to fund the deficit accumulated as part of Covid-19. Reliance on Government grants into the medium term is risky as a result;
- The tax base hasn't shrunk as much as initially predicted due to Covid-19 impacts and it remains a long term, sustainable source of funding;
- Several taxes are likely to rise, and Council Tax will only be a tiny share of that more widespread increase;
- The medium-term pressures indicate a significant increase in funding is necessary and budget reductions are proving increasingly difficult to find;
- Most councils appear likely to raise their Council Tax by the maximum allowed as in previous years;
- The absence of medium-term spending review certainty makes the Chief Financial Officer statement in the budget report and the external auditors view in future Value for Money conclusions more likely to be problematic;
- The newly adopted CIPFA Financial Management Code will be harder to adopt and achieve a reasonable level of certainty on financial sustainability;
- Reserves will continue to decline, without mitigating measures;
- It will be difficult to find further funding to help with recovery from Covid-19.

### **3 Recommendations**

That members:

- 3.1 Note the Revenue Budget forecast outturn for 2020-21 as at 30 September 2020 (Quarter 2).
- 3.2 Note the key announcements in SR 2020, relevant to local government.

- 3.3 Note the quantum of Revenue Budget pressure bids received, which cannot all be funded without significant additional budget reductions across all areas.
- 3.4 Notes the actions taken in respect of the shortlisting and agreement of Cost Pressure Bids to support the budget production process.
- 3.5 Notes the meetings arranged to agree expectations of Service Plan priorities within the context of budget restraint.

PETER HANDFORD

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