

PUBLIC

**MINUTES** of a meeting of **CABINET** held virtually on 21 January 2021.

**PRESENT**

Councillor B Lewis (in the Chair)

Councillors A Dale, A Foster, C A Hart, T King, S A Spencer and J Wharmby.

**Declarations of Interest**

There were no declarations of interest made.

**15/21      MINORITY GROUP LEADERS' QUESTIONS**

Councillor P Smith asked the following question:

Agenda Item 4(b) – Budget Consultation Results

Having read the budget consultation response with great interest, what response do Cabinet members for Highways and Adult Care have about their respective portfolios being highlighted as being most important to the public, and yet are the two that the public are most dissatisfied with?

Councillor S A Spencer, Cabinet Member, Highways, Transport and Infrastructure responded that he recognised the importance of the service delivery area he was responsible for and he also recognised the challenges the Authority had faced over previous years and moving forward. However, it was worth reflecting on the position that the Authority was in back in 2017 and position he inherited as Cabinet Member. When the Conservative administration came to office, the Labour Group had imposed charges on the public to dispose of waste which he felt was a bad decision which would have led to fly-tipping across the County. Therefore, that decision had been reversed at cost to the budgetary position of the Department.

There was also no budget whatsoever for subsidised bus services and the new administration put over £3m into that budget in the first year. There had also been significant challenges in terms of the weather across all Departments, mainly the flooding that took place in November 2019 and February 2020. Councillor Spencer wished to reiterate his thanks to staff within the Department and everyone else and other agencies who had been involved in the last 48 hours that had done a fantastic job and the work and hours they had put in should not be underestimated.

Moving forward, Councillor Spencer did recognise the challenges and that the public saw the service he was responsible for as incredibly important. As a consequence, Councillor Smith should note that £40m had been put into the Capital Investment Programme this year which was double the normal amount which had been in place for the last 6 to 8 years. This would make a significant contribution to addressing some of these concerns and issues raised in the consultation process. To support this, it was not just about money, it was about the effective and efficient delivery of services. A paper had been taken the previous week on changing the way in which the Council procure services from external providers to support our in-house workforce. Several jobs had also been advertised within the Department, particularly in the Design and Engineering sections in which there were deficiencies and the posts needed to be replaced. Without these services, it was very difficult to deliver any capital project. All the challenges were there and were recognised and were being tackled, but there was no easy fix and we continued to have “natural disasters”, it made life even more difficult for the people on the front-line.

Councillor J Wharmby, Cabinet Member for Adult Care also responded that she was pleased to know that budget consultation results show that the people of Derbyshire continue to value social care services and the role that they play in supporting the Council to deliver its priorities. Councillor Wharmby was conscious that the results showed that 29% of respondents expressed some dissatisfaction with the service delivery to them by Adult Social Care and she would be working with officers as part of the Council’s commitment to continuing to improve to address that feedback. Councillor Wharmby was also pleased to know that despite the challenges that the people of Derbyshire and the Adult Social Care Department had faced in responding to the Covid pandemic, the vast majority of respondents continued to be satisfied with the service provided to them. As well as the pressures of Covid, the Council were still working to bring adult care in to the twenty-first century. Councillor Wharmby pointed out that no progress to do this was made under the Labour administration. The Department was helping people live their best lives in older age with dignity and independence and the aim was to provide the best possible care and accommodation. Councillor Wharmby wished to take the opportunity to thank Adult Social Care staff for all their hard work and dedication to the people of Derbyshire.

**16/21      RESERVES POSITION** (Strategic Leadership, Culture and Tourism) The Director of Finance & ICT asked Cabinet to note the current and forecast positions for both General and Earmarked Reserves and to approve the Reserves Policy.

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 had been updated as part of the updated Five

Year Financial Plan 2021-22 to 2025-26, which was included in the Revenue Budget Report 2021-22, also for consideration at this Cabinet meeting. The General Reserve balance was forecast to be between £10m and £24m over the medium-term.

It was recognised that the forecast General Reserve balance over the medium-term was lower than would be preferred. Restorative measures would be utilised over the period of the Five Year Financial Plan to build back up the balance of the General Reserve. There were 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 were a means of smoothing expenditure to meet known or predicted liabilities. Funds should be used for the item for which they had 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%) was available to support future spending. Details of the balances categorised in accordance with the Reserves Policy were presented.

The following Earmarked Reserves had a balance that was 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 was held to fund future capital expenditure. The balance of £26.683m had 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 was 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 would 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 were expected to arise whilst delivering change in a managed way, to ensure that front-line services were not unduly disrupted. It was forecast that this balance would 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 were a number of building projects that were funded from this budget. Cabinet agreed 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 was paid into an insurance fund, which comprised 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 had been forecast in the Revenue Budget Report 2021-22.

The Council's Earmarked Reserve balances were reviewed during Autumn 2020. Departments had agreed to release £9.212m from balances, which would be utilised to support the Council in achieving a balanced budget over the medium-term. This amount would initially be held in the Budget Management Earmarked Reserve, but the balance of that reserve, including this transferred balance, was expected to be fully used in supporting one-off expenditure in the Revenue Budget Report 2021-22. Details of the balances to be released were shown in Appendix 1 to the report. It was 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. Details were presented of the forecast movement in Earmarked Reserves from the date of the review to 31 March 2021.

**RESOLVED** to (1) note the current position on Earmarked Reserves;

(2) note the details of the balances to be released from Earmarked Reserve balances;

(3) approve the allocation of £9.212m Earmarked Reserves released to the Budget Management Earmarked Reserve; and

(4) approve the transfer of £0.167m from the Derbyshire Challenge Fund to a newly established earmarked reserve to support the Thriving Communities project.

**17/21**      **BUDGET CONSULTATION RESULTS** (Strategic Leadership, Culture and Tourism) The Director of Finance & ICT reported on the outcome of the Council's budget consultation exercises in formulating its budgetary proposals to Full Council regarding the Revenue Budget for 2021-22.

The Council had, 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 were being used to refresh the Council Plan for 2021-22 and the budget consultation elements were reported on here. Plans were being formulated to undertake further analysis to support wider strategy development across the Council and engagement with residents and local communities.

Consultation was undertaken by means of an online survey and also focus groups. Details of the outcome of the consultation were presented in the report. In line with the provisions of the Council's Constitution, the Improvement and Scrutiny Committee – Resources had been consulted in relation to the budget and the Director of Finance & ICT had engaged with the Committee regularly throughout the year. In addition, the trade unions had been consulted through the Corporate Joint Committee.

**RESOLVED** to take into account the views of the consultation respondents in formulating its proposals to Full Council regarding the Revenue Budget for 2021-22.

**18/21**      **REVENUE BUDGET REPORT 2021-22** (Strategic Leadership, Culture and Tourism) The Director of Finance & ICT reported on proposals to Full Council regarding the Revenue Budget and Council Tax for 2021-22.

The budget had 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 were set out in Appendix 1 to the report. The report details 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 also details the Council's financial standing and the robustness of the estimates made in preparing the budget.

The Revenue Budget 2020-21 was 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 was summarised below. The Covid-19 pandemic was having a significant impact on the Council's 2020-21 forecast outturn. An overall Council underspend of £9.617m was 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 had 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 was being achieved, in part, through the use of these and other one-off funding measures and underspends on corporately held budgets, as there continued to be immense pressure on all demand led services, in particular those around services to children.

A Council portfolio overspend of £11.835m was 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, further details of which were presented.

Un-ringfenced Covid-19 related costs across the portfolios were forecast to be £34.023m in 2020-21. This was 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 could not yet be implemented as a result. This amount allows for any specific funding to offset the gross Covid-19 related costs which had already been forecast to be allocated to individual portfolios and details were contained in the report. Budget of £34.023m would 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 had been temporarily allocated, to match these costs.

The degree of uncertainty over medium-term funding could 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 had a well-established and robust corporate governance framework. This included 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 would have an effect on financial sustainability and had been considered. That aside, there were no further material issues identified through the Council's Annual Governance Statement process that might significantly impact on the Council's Financial Resilience.

The Council was working with the Local Resilience Forum on Covid-19 recovery. The Council's focus was still firmly on the response activities and the Council was working with a range of partners locally and regionally on a Covid-19 recovery programme.

As a principal local authority, the Council had to operate within a highly legislated and controlled environment. An example of this was 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 were 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 was 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 had 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 remained 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 had the power to issue a Section 114 notice if there was 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 was an emergency situation where a response is required by legislation. The notice meant that no new expenditure was 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 was unclear how much further Government support would be provided to cover the costs resulting from the pandemic; these costs were expected to be well in excess of the support already provided. It was encouraging that a new round of Covid-19 funding had been announced, into 2021-22, as the second wave of the pandemic was escalating in severity. Although the immediate impact of losses on the Council Tax and Business Rates collection funds had been eased, by allowing these costs to be spread over three years instead of one, the Government's had only committed to reimburse councils for some of these losses. It was also apparent that Government would only provide compensation for some of the Council's lost income from fees and charges. Consideration would be required as to how the Council could react to replace these income streams if they fail to recover to pre-Covid-19 levels.

Despite these risks, the Council had sufficient reserves it could 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 had 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 demonstrated that periods of lower than allowed Council Tax rises could 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 could set a balanced budget for 2021-22 and across the period of the FYFP and that it remained a going concern, although it would continue to require difficult decisions to be made and strong, robust financial management to continue.

The Council had, 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 had enhanced the value of the consultation exercises by using alternative approaches. A separate report highlighting consultation activity recently undertaken had been considered at the Cabinet meeting. The responses to that consultation exercise must be conscientiously taken into account when this decision was taken.

**RESOLVED** to recommend to Council that it (1) note the details of the Spending Round 2020 and Provisional Local Government Finance Settlement as outlined in sections 2(b) and 2(c);

(2) note the Government's expectations about Council Tax levels for 2021-22 in section 2(d);

(3) approve the precepts as outlined in section 2(d) and Appendix to the report;

(4) approve that billing authorities are informed of Council Tax levels arising from the budget proposals as outlined in section 2(d) and Appendix 3 to the report;

(5) approve the contingency to cover non-standard inflation as outlined in the report. The contingency to be allocated by the Director of Finance & ICT once non-standard inflation has been agreed;

(6) approve the service pressure items identified in section 2(g) and Appendix 4 to the report;

(7) approve the level and allocation of budget savings as outlined in section 2(h) and Appendix 5 to the report;

(8) note the Director of Finance & ICT's comments about the robustness of the estimates and adequacy of the reserves as outlined in section 2(i);

(9) note the details of the Council's consultation activity as outlined in section 2(k);

(10) approve the Council Tax requirement of £348.070m;

(11) approve 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;

(12) approve the use of the Revenue Contributions to Capital Expenditure Earmarked Reserve to provide one-off support to the 2021-22 Revenue Budget; and

(13) authorise the Director of Finance & ICT to allocate cash limits amongst Cabinet portfolios; Executive Directors would then report to Cabinet on the revised service plans for 2021-22.

**19/21      CAPITAL PROGRAMME APPROVALS, TREASURY MANAGEMENT AND CAPITAL STRATEGY** (Corporate Services) The Director of Finance & ICT sought approval for proposals for submission to Council relating to the capital starts programme for 2021-22 and the Treasury Management, Investment and Capital Strategies.

In line with previous years, the proposed new Capital Starts Programme for 2021-22 had been evaluated and it was recommended to proceed with new borrowing of £32.121m (excluding invest to save schemes). The detailed proposals were set out in Appendix 1 to the report.

The Treasury Management Strategy Report for 2021-22 (Appendix 2 to the report) 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 3 to the report) dealt with the management of the Council's balances and reserves, managing the balance between risk and return.

The Capital Strategy (Appendix 4 to the report) for 2021-22 provided a high-level overview of how capital expenditure and capital financing contribute to the provision of local public services.

**RESOLVED** to recommends to Council to (1) approve the 2021-22 Capital Starts Programme set out in Appendix 1 to the report;

(2) adopt the Treasury Management Policy set out in Appendix 2 to the report;

(3) adopt the Investment Strategy set out in Appendix 3 to the report;  
and

(4) adopt the Capital Strategy set out in Appendix 4 to the report.

**20/21**        **SCHOOL BLOCK FUNDING SETTLEMENT 2021-22** (Young People) The Executive Director - Children's Services sought approval to the basis for calculating mainstream school and academy budgets for 2021-22.

The Dedicated Schools Grant (DSG) consisted of four blocks: the Schools Block, High Needs Block, Central School Services Block and Early Years Block. The report focussed on the Schools Block which funds mainstream schools and academies' delegated formula budgets, the other blocks would 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 £2.6bn for 2020-21, £4.8 bn for 2021-22, and £7.1 bn for 2022-23. 2021-22 represented the second year of the settlement. On 17 December 2020, the DfE released final Schools Block allocations for 2021-22 and the figures for Derbyshire were detailed in the report.

**RESOLVED** to (1) note the Schools Block settlement, including Pupil Growth funding, for 2021-22;

(2) approve that mainstream school budgets be calculated in accordance with the National Funding Formula as set out in section 2.2 to the report;

(3) note that the primary school budgets in Appendix 2 to the report 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;

(4) note that the allocation of Pupil Growth funding is a matter for the Schools Forum;

(5) note the support from School Forum members to utilise funding from the Pupil Growth Fund to balance the shortfall in section 2.2 to the report;

(6) approve 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;

(7) approve 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 to the report; and

(8) approve the release of funding from the re-pooled reserve to limit the cost increase of (7) above for schools for 2021-22.