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Medium Term Financial Plan 2020/21 – 2022/23

(Revenue Budget, Capital Budget, Housing Revenue Account, Dedicated Schools Grant, Reserves)

Purpose

- 1.1 To outline the Council's budget proposals for the period 2020/21 to 2022/23 to recommend to Council:

1.2 **Revenue budget:**

This report outlines proposals to recommend to Cabinet a net budget requirement of £238,199,575 for 2020/21 and outlines the budget proposals for 2021/22 and 2022/23. The favourable Government finance settlement and the proposals detailed in this report results in an increase in the budget requirement (the net amount that the Council spends on services for the City) from £220.609m in 2019/20 to £238.2 million in 2020/21. Over the period to 2022/23 detailed in this MTFP this is forecast to increase to £253.082 million.

It also sets out permanent savings requirements of £8.780m over the three year period to address the impact of funding reductions, demand pressures, rising costs, maintaining priority services and investing for the future. These savings total £4.746m in 2020/21, £2.275m in 2021/22 and £1.759m in 2022/23.

1.3 **Capital budget:**

The report sets out the 2020/21 to 2022/23 capital programme to recommend to Council. The main areas of the £386.410m programme over the next three years are:

- £12.2m for the Environmental Agency flood defence project Our City Our River
- £36.2m for the People's directorate programme, including the conclusion of the current secondary school expansion programme and repairs, maintenance and improvements to the fabric of school buildings. This is indicative, subject to confirmation of Government allocations
- £124m Housing programme including refurbishment to Council-owned houses in the Housing Revenue Account (HRA) and an extensive new build programme. This is indicative subject to the approval of the HRA business plan. Housing General Fund schemes to deliver decent homes and assistance to vulnerable householders, disabled facilities grants, other repairs and assistance in the private sector and support for affordable housing

- £43.1m for Highways and Transport - to improve the highway network and deliver major schemes such as the A52/Wyvern Transport Improvements
- £51.2m for Property improvements and new construction to Council buildings and infrastructure, including the new scheme to build a new swimming pool at Moorways
- £77.1m for regeneration of the city centre and key regeneration areas, including Infinity Park Derby and the Innovation Centre
- £30m provision for future capital investment.

The capital programme outlines assumptions made on future year's government allocations which are still to be confirmed,

The report also contains a refreshed Capital Strategy that gives a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability as detailed in Appendix 17.

1.4 **Housing Revenue Account:**

This report seeks approval for the updated Housing Revenue Account (HRA) Business Plan, its associated rent increases and Capital programme. The HRA Business Plan sets out the 30 year investment strategy for the management and maintenance of the Council's housing stock together with investment proposals for additional homes

Despite increasing pressures in recent years, the HRA remains in a relatively strong position. It can meet the immediate management and maintenance requirements of the Council's housing stock, together with the investment ambitions for additional homes, and the modelled business case requirements over the 30 years of the business plan

The HRA and use of available Right to Buy Receipts (RTB) is forecast to invest £106.3 million into the Housing stock including building 375 new homes over the MTFP

The Headline rent increase is 2.7% in line with Government guidelines.

1.5 Dedicated Schools Grant:

On 19 December 2019 the Department for Education (DfE) announced the details of the School Funding Settlement following the Government's earlier announcement that national funding for schools and high needs will increase by £2 billion for 2020/21, £4.8 billion for 2021/22 and £7.1 billion for 2022/23.

The Dedicated Schools Grant (DSG) for Derby is split into four blocks; Schools Block, Early Years Block, High Needs Block and a Central School Services Block.

The 2020-2021 allocation for the DSG is £253.297m and is made up of four blocks of funding:

School Funding Blocks	£m
Schools Block	189.480
Central Schools Block	3.414
High Needs Block	40.345
Early Needs Block	20.058
Total	253.297

The Dedicated Schools Grant for 2020/21 results in increased per pupil allocations as well as additional funding for High Needs. However, the demands in the High Needs Block (support for pupils with Special Educational Needs) remain high (and overspent significantly in 2019/20). The budget forecast in this block is effectively as standstill budget with any increase in demand would require funding from the overall DSG which would mean the Council running a deficit DSG reserve. This would not be sustainable and would require development of an action plan during 2022/21.

1.6 Reserves

The report details a series of strategies and assessments of the adequacy of reserves which are required as part of the budget process. These demonstrate that the Council is able to set a balanced budget and to plan its finances on a sustainable basis.

Prior to Cabinet recommending to Council the Budget Requirement to set the Council Tax it is required to consider the Section 25 report from the Director of Financial Services (attached at Appendix 6) that detailed the adequacy of reserves and robustness of the estimates for the period 2020/21 to 2022/23.

1.7

The report also details how the Budgets support delivery of the Council Plan and a number of the initiatives, interventions and approaches to allow resources and investments to be targeted to priorities.

Recommendations

2.1 To consider and note:

- (a) The outcomes of the Budget Consultation detailed in Appendix 9 and 10 and 11 and Scrutiny detailed in Appendix 12
- (b) The Section 25 Report of the Director of Financial Services on the robustness of estimates and on the adequacy of the reserves 2020/21 to 2022/23 detailed in Appendix 6.

2.2 Subject to the above to recommend to Council:

2.3 Revenue Budget

- a) Derby City Council's net budget requirement for 2020/21 of £238,199,575 subject to the finalisation of the Council's Council Tax for 2020/21
- b) To increase the City Council element of Council Tax by 3.99% as set out in Paragraph 4.9.4
- c) The directorates revenue budget plans for 2020/21 to 2022/23 as set out in section 4.6.6 to 4.6.14 of this report and the revenue budget estimates as detailed in Appendix 3(a) to (c)
- d) The implementation of savings proposals included in Appendix 4 subject to the completion and consideration, where relevant, of any further consultation exercises, equality impact assessments and assessments under Section 17 of the Crime and Disorder Act 1998
- e) The commencement of appropriate procurement procedures to support the specific budget proposals listed in Appendix 4.

Reserves

- a) The use of reserves of £2.772m (1.2% of the budget) on a non-recurrent basis to support the Revenue Budget as detailed in Appendix 5 of this report
- b) The transfer of £1m from the corporate contingency budget to treasury management from 1st April 2020 to consolidate the treasury budget requirements as outlined section 4.6.18
- c) The reserves policy as detailed in Appendix 7 of this report

Capital

- a) The capital programme for 2020/21 and note the indicative capital programme for 2021/22 and 2022/23 as set out in section 5. A summary and detail is detailed in Appendix 13

- b) The award of £0.183m St Giles-Aspect funding added to the 2020/21 – 2022/23 capital programme to Spencer Academies Trust as a grant, subject to completion of the Council's standard Grant Agreement
- c) To recommend that Council approve the additional borrowing outlined in section 5.9.3.1 and detailed in Appendix 14
- d) The MRP policy detailed in Appendix 15
- e) The prudential indicators detailed in Appendix 16
- f) The Capital Strategy attached at Appendix 17.

Housing Revenue Account

- a) The 2020/21 update of the rolling 30 year HRA Business Plan, as set out in section 6
- b) To approve funding for an expansion of the new homes programme as part of the Council's HRA capital programme as set out in section 6.6.4 and Appendix 13
- c) The 2020/21 management and maintenance fee paid to Derby Homes as set out in section 6.7.5 and 6.7.6
- d) The changes to rents and service charges as set out in section 6.9.1
- e) The continuation of the HRA capital programme for the years 2020/21 to 2022/23 in Appendix 13 and to approve Derby Homes directly managing the schemes attributed to them.

Dedicated Schools Grant

- a) The allocations of the Dedicated Schools Grant as detailed in section 7
- b) The implementation of a minimum funding level per pupil of £3,750 for primary and £5,000 for secondary aged pupils
- c) The base rate element of the Early Years Funding for 2 year olds of £5.28 and 3/4 year olds £4.38 per hour
- d) The application of the following formula criteria for 2020/21
 - i. To implement a cap on growth above 10% per pupil and scale any growth over 10% by 30%
 - ii. To set a Minimum Funding Guarantee of 0.5%
- e) The transfer of £0.926m from the Schools Block to the High Needs Block and to delegate the approval of the associated investment plans to the Strategic Director of People Services in consultation with the Director of Financial Services.

- f) The use of the Dedicated Schools Grant Reserve to the value of £0.200m to support the 2020/21 Dedicated Schools Grant Budget.

2.4 To delegate:

- Approval to the Director of Financial Services to make necessary adjustments in order to retain a balanced budget for 2020/21.
- Approval to the Director of Financial Services in consultation with the Cabinet Member for Finance to permit movement of schemes (detailed within the 3 year capital approved programme) within and between financial years to facilitate delivery and agility in Capital Programme delivery. These to be subsequently reported in the quarterly financial monitoring reports.

Reasons

- 3.1 The Council is required to set a balanced budget for 2020/21 by 11th March. This report proposes a balanced budget for the administrative year 2020/21.
- 3.2 The 2020/21 to 2022/23 MTFP budget proposals included within this report provides the resources framework for the delivery of Council priorities over the next three years.
- 3.3 The Capital programme for 2020/21 and the indicative capital programme for 2021/22 and 2022/23 require Council approval under Contract and Financial Procedure Rules to ensure that the programme meets the corporate outcomes.
- 3.4 In order to support the decision making process a review of the existing capital programme has been carried out to ensure that the limited funds available can be targeted appropriately to meet the Council's overall aims.
- 3.5 Under the Prudential Code 2017, the Council is required to produce a capital strategy, to be approved by Full Council before the start of the new financial year.
- 3.6 Housing is a long-term asset and it is important that a longer term view is taken around asset management. Approval is sought for the proposed 2020/21 to 2050/51 update to the rolling 30 year HRA business plan. This sets a strategy to manage the HRA into the future.
- 3.7 The necessary rent and service charge changes form key aspects of the HRA business plan.
- 3.8 The Council following consultation with the Schools Forum is required to determine and approve the Dedicated School Grant and allocations for 2020/21.

Supporting Information

4. Revenue Budget

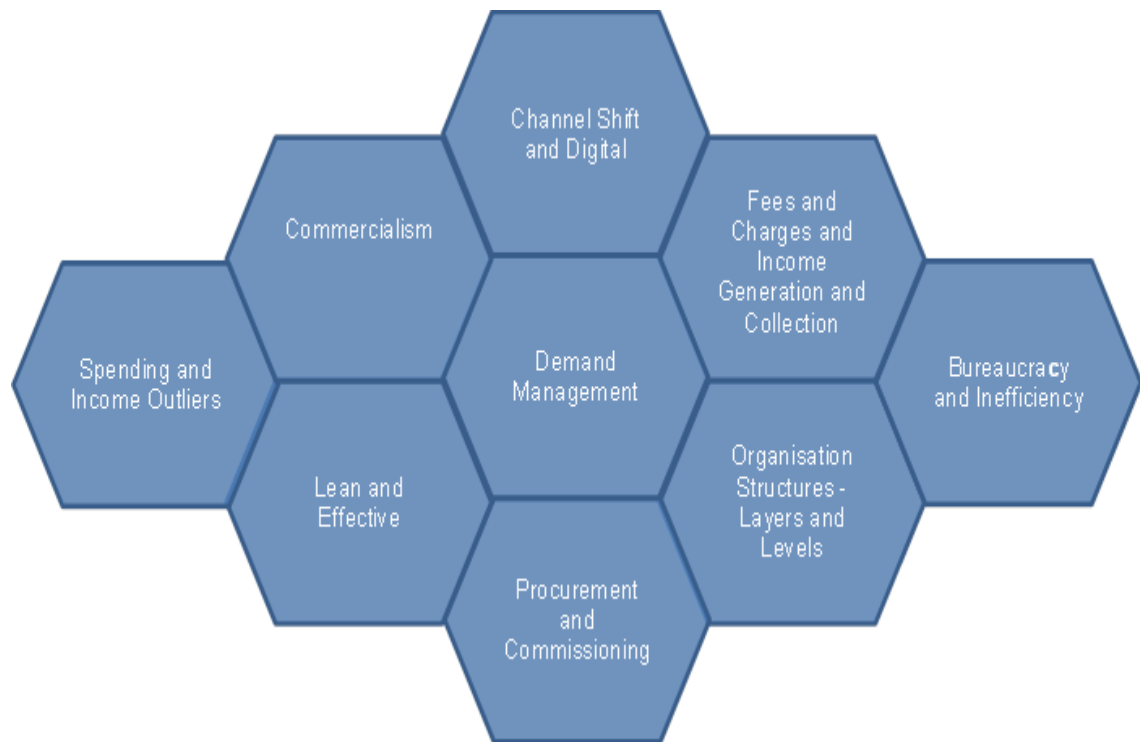
4.1 Key areas of the section are as follows:

- I. The budget process leading up to these proposals
- II. Financial Context
- III. The current local government financial picture nationally and locally
- IV. The MTFP financial position
- V. Directorate savings and pressures
- VI. Change Derby Priorities
- VII. The delivery of the Council Plan
- VIII. Proposed Council Tax levels.

4.2 The Budget Process

- 4.2.1 The budget process is an ongoing process which engages officers, members and the public on a cyclical basis to continuously update the medium term position of the Council once new information becomes available. This includes funding projections and any emerging pressures and savings.
- 4.2.2 The budget strategy was approved by Cabinet on 17th July 2019. On 13th November 2019, Cabinet approved proposals that required consultation to balance the budget for 2020/21. A detailed consultation exercise on the budget proposals has been carried out between 14th November 2019 and 02nd January 2020 with Councillors, key stakeholder groups, members of the public, Trade Unions and the business community. The consultation document is attached at Appendix 9 can be found on the council's website. There are no recommended changes to the budget proposals in response to consultation.
- 4.2.3 The late announcement of the Local Government Finance Settlement just before Christmas means that the funding assumptions in this report are still the provisional funding settlement figures. It is not expected that the final funding settlement will differ. If this was the case a further update would be provided to Council prior to agreeing the budget requirement and associated Council Tax levels.

- 4.2.4 The budget process strategy built on the previous year's budget strategy including the Change Derby Themes detailed below



These themes (subject to review) have shaped the development of business cases for investment in services and the identification of savings and income generation proposals to recommend a balanced budget. More detail of the Change Derby programme are detailed in Appendix 8.

- 4.2.5 A series of budget meetings were held between Cabinet and Chief Officers during the Summer and Autumn of 2019 to review base budgets, scrutinise budget savings and pressures and examine funding forecasts. Cabinet on the 13th November approved an indicative budget for consultation.
- 4.2.6 A detailed consultation exercise on the budget proposals has been carried out between 14th November 2019 and 02nd January 2020 with Councillors, key stakeholder groups, members of the public, Trade Unions and the business community. The consultation document is detailed in Appendix 9 along with the results of the consultation.
- 4.2.7 The 2020/21 budgets used in this report have been restated to reflect all movements of budgets between Directorates approved during 2019/20, as approved by Cabinet to date, to reflect the latest budget position by directorate.

4.3 Financial Context

- 4.3.1 Included within the MTFP are provisional figures from the recent Government provisional funding announcements, which are due to be confirmed in the final Local Government Finance Settlement (expected in February).
- 4.3.2 The proposed budget incorporates the budget pressures experienced by the Council in 2019/20 especially around cost of Children's Social Care. The Council have in place a number of interventions to manage the demand pressures. However, this pressure is being experienced nationally and will need to remain subject to regular and detailed monitoring.
- 4.3.3 All the previous year's savings have been delivered in full. In a number of cases this has allowed early delivery of savings detailed within this MTFP.
- 4.3.4 The MTFP includes further savings and income generation proposals to balance the budget. These, combined with the previously approved savings for 2020/21 to 2022/23, total £8.780m over the next three years. Further efficiencies and income generation opportunities are anticipated from the Change Derby programme over the medium term, and these future savings will contribute to bridging the remaining forecast gaps in 2021/22 and 2022/23.
- 4.3.5 It is expected that the Change Derby Programme (detailed later in the report) will deliver net cost reductions, with a continuing focus on designing services around customers, maximising digital opportunities, securing efficiencies through lean reviews and outcome based commissioning. Alongside this, a commercial ethos will be further embedded to maximise income generation opportunities, enhance capacity and control costs.
- 4.3.6 The MTFP includes a 3.99% increase in the City's share of the Council Tax for 2020/21. This incorporates a core increase of 1.99% and a further 2% for the social care levy. This levy may be available for future years but is not currently factored in for the second and third years of the MTFP. As such, indicative Council Tax increases for 2021/22 and 2022/23 of 1.99% have been forecast.
- 4.3.7 The cumulative MTFP proposals (including those agreed by Council in the February 2019 Budget Report) result in an estimated headcount reduction of 48.23 FTE over the three year period. The proposed reduction in FTE includes deletion of some vacant posts.
- 4.3.8 This MTFP addresses the major budget pressures faced by the Council in recent years. The MTFP also strengthens medium term financial resilience through increases in reserves.

4.4 The Current Local Government Financial Position - National & Local

4.4.1 National

4.4.2 The Chancellor outlined his budget for 2020/21 on 4 September 2019. The announcements detailed a 4.3% real term increase for 2020/21 for Local Government. The level of additional funding was surprising, but very welcome, after many years of reduction, especially in respect of the additional funding and Council Tax flexibility for social care. The Government announced that the spending review delivered the largest real growth in day-to-day departmental spending for 15 years. However, the additional funding helps to address future years pressures but only rolls back approximately a quarter of the funding reductions of the last decade.

4.4.3 The announcement set out departmental spending plans for 2020/21 to deliver on national priorities of health, education and social care. There was also a renewed emphasis on targeted grants that could skew future years' allocations.

4.4.4 It was confirmed that this would be a one year settlement, with the intention for a full multi-year spending review to follow in 2020. It was also announced the postponement of changes in the Local Government finance framework (fair funding and business rate retention) to 2021/22. These changes are expected to result in major redistributions of council funding. The Council's current assumptions are for a neutral position in respect of these changes, but the strengthened reserves position should provide something of a short term safety net to deal with any shocks.

4.4.5 The Chancellor announced an additional £1bn in 2020/21 for social care pressures alongside the flexibility to increase Council Tax by an additional 2% via a Social Care precept, which is nationally forecast to generate an additional £0.5bn. The Government also committed to protect all social care grants from 2019/20 in addition to this extra funding. Together, these help to meet the increased demand and costs that the Council has recently experienced within children's social care.

4.4.6 Whilst the additional funding promised for 2020/21 in the Spending Review is welcome, figures from the Office for Budget Responsibility (OBR) indicate that any available headroom within the Government's financing is now allocated. As such, it is unlikely there will be significant increases in Government funding in future years where the focus is likely to be on redistribution between councils and a continued focus on councils maximising their Council Tax increases.

4.4.7 The provisional settlement announced just before Christmas largely confirmed the Chancellor's Settlement funding announcement.

4.4.8 The Local Position

4.4.9 The Medium Term Financial Strategy (MTFS) is shaped by the national context and the need to respond to increasing service demands from our local communities. It is also influenced by the desire to deliver ambitious improvements and investment.

- 4.4.10 There have been significant increases in demand for Children's Social Care including a spike in demand (driven by several factors) during 2018/19. The majority of upper tier councils have experienced similar trends. The forecast increase in Government funding in 2020/21 and the prioritisation of resources into this priority area allows this service to both be funded to meet current demand and to reconfigure preventative and intervention services to ensure that the right outcomes for young people are achieved.
- 4.4.11 The need to invest in the physical infrastructure of the City through regeneration and our own assets is recognised. The draft MTFP proposed for consultation allows continued investment in a significant capital investment programme and associated revenue consequences to deliver these changes and positive impact on Derby residents and businesses and to support modern and efficient service delivery.
- 4.4.12 Derby, like many regional cities, has a relatively limited ability to raise resources through local taxation when compared to other councils. This is because Council Tax income is limited by the high proportion of low value dwellings, over 51 per cent of which fall into band A, which is the lowest band. This has impacted in previous years when permitted increases in Council Tax have not been enough to mitigate decreases in core Government funding. The other impact of having a low tax base is that it's imperative for councils to increase Council Tax by the maximum allowed to secure the funding into the Council Tax base for future years.
- 4.4.13 The proposed 3.99% increase in Council Tax would result in over 85% of Derby City tax payers paying less than £1 a week more in 2020/21 than last year for significant investment in services and the capital programme with limited changes in service levels. 39.8% of households within the lower bands also receive Council Tax Support.

4.5 MTFP Update

- 4.5.1 The table below shows our forecasted MTFP position for 2020/21 to 2022/23 included within this report compared to that presented to Cabinet on 13th November 2019:

12th February Cabinet Report	2020/21 £m	2021/22 £m	2022/23 £m
Net Budget Requirement	238.200	247.690	253.081
Total Resources Available (funding)	238.200	244.626	250.127
Budget Gap	-	3.064	2.954

Compared to the last MTFP forecast:

13th November Cabinet Report	2020/21 £m	2021/22 £m	2022/23 £m
Net Budget Requirement	238.577	247.209	252.741
Total Resources Available (funding)	238.577	244.357	249.858
Budget Gap	-	2.852	2.883

Over the MTFP period, an additional £22.287m is being invested into services from Government funding and maximising the flexibility to levy Council Tax at the maximum permitted level. The net budget requirement is forecast to be £253.081m by the end of the three year MTFP forecast.

- 4.5.2 The MTFP has been refreshed following the provisional local government finance settlement and for a limited number of additional budget proposals since November.

A list of all proposed changes is outlined in the table below.

The largest spending amendment is in respect of the need to provide for increase in the use of the business rate reserve to fund the estimated collection fund deficit. This is skewed by the continued non determination by the Valuation Office of business rate appeals. This requires the Council to make adequate provision for their settlement (based on the advice of external advisors). Within the budget these are assumed to be funded from earmarked reserves.

The largest funding amendment is in respect of changes in the Council Tax base (approved by Cabinet) from house building, review of single person discount and the levying of increased premiums on empty properties.

4.5.3 Table: Changes to Budget Requirement

Changes to budget requirement post 13th November Cabinet Report	2020/21 £m	2021/22 £m	2022/23 £m
Pressures:			
Human Resources - Base Budget Pressures - DBS checks/Eye care vouchers and Long service awards	0.035	0.035	0.035
Apprenticeship Team –One off additional funding required to extend team to March 2021	0.017		
Local Government Non Structural Reform - One off funding for 20/21 and 21/22	0.050	0.050	
DSG Pressure updated Central schools block pressure updated to match funding announcement	0.043	0.043	0.043
Tall Buildings Capacity (3 fte posts in 20/21 and 2 fte posts in 21/22 - one off)	0.120	0.091	
Marketing Derby increased Grant	0.036	0.036	0.036
City Vision Consultancy (one off)	0.100		
Opportunity Fund	0.140	0.140	0.140
Castleward loss of ground rent from current leases with the Council as a result of some of the land acquisition	0.040	0.040	0.040
Savings:			
Removal of further libraries savings	0.047	0.047	0.047
Reserves:			
Remove use of smoothing reserves previously required to balance 2020/21 due to additional income	0.042		
Increase in use of Business Rates Pilot Reserve due to increase collection fund deficit	(0.855)		
Use of Budget Risk Reserve to smooth Year 1 MTFP due to one off pressures in year 1	(0.192)		
Net Change:	(0.377)	0.482	0.341

4.5.4 Table: Changes to Funding

Changes to funding post 13th November Cabinet Report	2020/21 £m	2021/22 £m	2022/23 £m
Increased income due to finalisation of the Council tax base	(0.440)	(0.442)	(0.444)
Changes to forecast government funding figures due to provisional local government figures announced 20th December 2019	0.088	0.300	0.304
Updated Local Reform and Community Voices DoH funding	(0.126)	(0.128)	(0.130)
Updated Collection Fund Deficit as per Quarter 3 forecasts	0.855		
Net Change:	0.377	(0.270)	(0.270)

4.5.5 In preparing the MTFP a number of increased pressures contained within a current £6.4m overspend reported at Quarter 3 of 2019/20 has been built into the base budget. The key pressure was in respect of additional children social care pressures above those incorporated in the MTFP approved by Council in February 2019. In addition, revised pressures in respect of waste, living wage costs, pension costs and an updated position on the Collection Fund have been incorporated into the MTFP forecast for 2020/21 onwards.

4.5.6 Cabinet is proposing £2.967m of savings and income proposals for the MTFP period on top of the £5.813m approved by Council in February 2019. This summarised in the table below:

Savings and Pressures	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Savings/Income Generation				
MTFP Feb 2019 Council	(3.719)	(1.436)	(0.658)	(5.813)
Current MTFP	(4.746)	(2.275)	(1.759)	(8.780)
Difference	(1.027)	(0.839)	(1.101)	(2.967)
Pressures				
MTFP Feb 2019 Council	0.888	2.412	0.579	3.879
Current MTFP	13.616	5.258	3.413	22.287
Difference	12.728	2.846	2.834	18.408

4.5.7 The MTFP incorporates the additional Government funding of an additional £8.4m announced in the recent spending announcement and the option to increase Council Tax by a further 2% social care levy for 2020/21, which is targeted to generate an additional £2m plus.

4.5.8 The recommended budget includes use of reserves of £2.772m in 2020/21 this is to fund the one off collection fund deficit £2.580m and £0.192m from the budget risk reserve to support bridging the MTFP gap due to one off budget pressures in year and is not supporting recurrent expenditure.

There are residual budget gaps in Year 2 and 3 of the MTFP of approximately £3m that the Council will seek to bridge through income generation and further savings and efficiencies. If these were not to be deliverable in the short term there may be the need for short term use of reserves in the future.

4.5.9 **MTFP Forecast 2020/21 to 2022/23**

4.5.10 The MTFP incorporates all the proposals detailed within this report and has been refreshed for the revenue costs (including cost of borrowing) for the capital investment programme.

The MTFP is summarised in the table below with a detailed breakdown at Appendix 1. The cumulative MTFP position shows a budget gap of £3.064m in 2021/22 which reduces slightly in 2022/23.

4.5.11 Medium Term Financial Plan 2020/21 - 2022/23 Position

MTFP	2020/21 £m	2021/22 £m	2022/23 £m
Resources Available (Funding)			
Core Government Funding	13.990	14.174	13.992
Business Rates Tax Base Reduction/Growth	62.442	63.691	64.965
Council Tax Base/Uplift Increases	102.552	105.909	109.296
Better Care Fund	23.951	24.122	24.296
Other Grants	18.571	17.456	18.304
Public Health	19.274	19.274	19.274
Collection Fund (Deficit)/Surplus	(2.580)	-	-
Total Resources Available (Funding)	238.200	244.627	250.127
Net Opening Budget:	228.101	240.972	247.691
Pressures:			
Inflationary Pressures	4.001	3.736	3.736
Existing Pressures as part of 2019/20 to 2022/23 MTFP	0.888	2.412	0.579
Proposed New Pressures	12.728	2.846	2.834
Total Pressures	17.617	8.994	7.149
Existing Savings as part of 2019/20 to 2022/23 MTFP	(2.714)	(1.356)	(0.658)
Proposed New Savings	(2.032)	(0.919)	(1.101)
Total Savings	(4.746)	(2.275)	(1.759)
Net Budget Requirement before reserves movement	240.972	247.691	253.081
Use of Reserves*	(2.772)	-	-
Net Budget Requirement	238.200	247.691	253.081
Current Budget Gap/(Surplus)	-	3.064	2.954

*The one-off use of reserves in 2020/21 mainly funds a one off Collection Fund deficit and is not supporting recurrent expenditure.

4.6 Savings and Pressures

- 4.6.1 The MTFP for 2020/21 to 2022/23 needs to address some significant additional pressures and build on the savings and income generation proposals agreed in the MTFP approved by Council in February 2019. The table below outlines the total savings and pressures in the current MTFP by Directorate:

Savings	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Peoples	(1.596)	(1.364)	(0.764)	(3.724)
Communities and Place	(1.415)	(0.333)	(0.200)	(1.948)
Corporate Resources	(1.735)	(0.578)	(0.795)	(3.108)
Total	(4.746)	(2.275)	(1.759)	(8.780)

Pressures	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Peoples	6.949	2.425	2.375	11.749
Communities and Place	3.723	0.812	(1.160)	3.375
Corporate Resources	2.944	2.021	2.198	7.163
TOTAL	13.616	5.258	3.413	22.287

**Includes removal of one off pressures*

4.6.2 The Peoples Directorate - Revenue Savings Proposals and Pressures

- 4.6.3 The MTFP includes the following proposed savings and pressures for the Peoples Directorate.

Peoples	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Savings:				
Adults & Public Health	(0.600)	(0.400)	-	(1.000)
Children's	(0.996)	(0.964)	(0.764)	(2.724)
Total Savings	(1.596)	(1.364)	(0.764)	(3.724)
Pressures:				
Adults & Public Health	1.830	1.400	1.400	4.630
Children's	5.119	1.025	0.975	7.119
Total Pressures	6.949	2.425	2.375	11.749

- 4.6.4 Details of savings and pressures are included in Appendix 4. Overall summaries by directorates are detailed in Appendix 3

- 4.6.5 This clearly demonstrates the impact of demand and other pressures within both Children and Adult & Public Health services. The MTFP builds in growth for demographic and demand pressures and factors in budget increases such as living wage costs to support a sustainable market.

Adults & Public Health

- Provision for increased demand for Adult Services, £0.355m in 2020/21 and a further £2.8m by 2022/23. This reflects increases in the adult population aged over 85 and the number of adults with severe or chronic learning and/or physical disabilities supported by social care. It is expected that the success of Adult Social Care in managing demand in recent years will mean that these relatively small increases in the commissioning budget will be sufficient to meet new demand and dependency pressures in this area
- National Living Wage increase in line with government announcements £0.698m
- Funding £0.3m Livewell investment within the base budget
- Continuation of the enhanced winter pressures service within hospitals £0.252m in 2020/21.

Children's Services

- Additional £2.006m Children's Agency Placements - Looked After Children (LAC) placements. There was significant growth in 2018/19 and the first quarter of 2019/20 in the number of LAC and Unaccompanied Asylum Seeker Children (UASC). This now appears to have plateaued with encouraging signs that demand can be managed within this increased budget envelope through the intervention programmes in place
- Additional budget to meet a £0.750m increase in demand for home to school transport for children with special educational needs and disabled children. This will be subject to a review during the MTFP period
- Investment within social work teams including additional provision for agency social workers to meet appropriate caseloads where necessary
- Substitute funding of £2.393m for council services to replace the signposted phasing out of funding from the DSG Central Schools Services Block
- Building capacity within the SEND service and inclusion in the budget going forward capacity previously funded from the SEND reform grant that has now ceased.

- 4.6.6 Transformational activity continues to help manage or stabilise demand and improve outcomes for vulnerable adults and children within the City that require support. The MTFP proposals build on the change programmes approved by Council in February 2019 including:

Adults & Public Health:

- Review of younger adults care packages - circa 300 adult care packages are to be reviewed, which may benefit from adopting an asset based approach to meeting eligible needs (£0.500m)
- Restructure and targeting of the Carelink service (£0.100m)
- A review of the commissioned model for extra care (£0.200m)
- A review of adult care packages to identify opportunities for a more asset based model (£0.200m).

Children's Services

- Social impact bonds - these are a different way of providing services since payments are made on the basis of clear outcomes being achieved rather than traditional methods of how the council funds or commissions services. Derby has been working closely with Nottingham City and Nottinghamshire County Councils in developing a joint approach, with a clear focus on developing a social impact bond approach for children in care and on the edge of coming into care – an area that has one of the most significant impacts on council budgets. These efficiencies will be delivered by reducing the cost of care (£1.024m)
- Remodelling of the service model for the provider of fostering and residential provision for children in care. This programme is demonstrating real success in securing foster placements within the City; providing increased stability for our looked after children and reducing expensive out of City placements. Further benefits are planned to accrue from the remodelling of residential provision (£0.400m)
- Foster Care - recruitment of foster carers. Further savings from an increased rate of recruitment and a reduction in the use of agency fostering placements (£0.600m)
- Edge of care services and reconfiguration of the front door - reconfiguration of the access and referrals into children's social care (£0.600m)
- Early Help - management restructure (£0.100m).

4.6.7 The Communities and Place Directorate - Revenue Savings Proposals and Pressures

- 4.6.8 The proposed MTFP includes the following proposed savings and pressures for the Communities and Place Directorate:

Communities and Place	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Savings	(1.415)	(0.333)	(0.200)	(1.948)
Pressures	3.723	0.812	(1.160)	3.375

** Includes removal of one off pressures*

- 4.6.9 The previous table demonstrates continued implementation of change programmes initiated in previous years and agreed at Council in February 2019. The Directorate has also responded to an increase in the cost of waste collection and disposal.

4.6.10 There are external demand pressures and market led pressures especially in the area of waste collection and disposal. Headlines also include:

- Museums management fee £0.250m
- Sovereign car park loss of income due to development of Castleward primary school £0.150m
- Enterprise for Education (E4E) on going funding £0.100m
- Concessionary fares £0.100m.

4.6.11 Transformation activity continues through the re-provisioning of services and the targeting of services direct to communities. Service efficiencies are sought with minimal impact on front line service delivery and adoption of a more commercial approach. Most of these started in 2019/20 with continued benefits over the MTFP period. Headlines in respect of new proposed savings and income proposals include:

- Implementation of new staffing structures within Public Protection and Street Pride (£0.204m)
- Parking efficiencies – introduction of more electronic means of parking payments alongside additional enforcement (£0.211m)
- City growth and regeneration efficiencies and income generation (£0.078m).

4.6.12 The Corporates Resource Directorate and Corporate Budgets - Revenue Savings Proposals and Pressures:

4.6.13 The proposed MTFP includes the following proposed savings and pressures for the Corporate Resources Directorate and Corporate Budgets:

Corporate Resources	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Savings:				
Corporate Resources	(0.750)	(0.420)	(0.045)	(1.215)
Corporate	(0.985)	(0.158)	(0.750)	(1.893)
Total Savings	(1.735)	(0.578)	(0.795)	(3.108)
Pressures:				
Corporate Resources	0.988	(0.005)	-	0.983
Corporate	1.956	2.026	2.198	6.180
Total Pressures	2.944	2.021	2.198	7.163

4.6.14 The table above demonstrates that the Corporate Resources Directorate continues to make net efficiencies, building on significant net savings delivered in recent years.

4.6.15 The MTFP factors into the budget provision for the treasury management implications of the revised capital programme, resulting from proposals for additional investment in highways infrastructure and the substitution of borrowing instead of reserves in respect of the A52 project in order to provide financial resilience in respect of our reserves.

- 4.6.16 In February 2019, Council approved an ambitious capital programme to deliver significant benefits to residents and businesses in Derby over the MTFP period. This programme, along with new investment in highways and provision for additional borrowing in future years linked to the emerging capital strategy, has been factored into the MTFP.

The MTFP has also updated with the potential net impact of the tri-annual pension review administered by Derbyshire County Council. Headlines include:

- Corporate revenue contingency budget - this is a corporate contingency budget to hold for emerging in year pressures across the council of £1.279m
- Prudential borrowing linked to capital programme - treasury management flexibility to fund emerging priorities for example highways maintenance £3.398m
- Estimated pensions increase following the triennial review £1.503m
- Wider workforce participation - Team Derby (access to email) £0.139m
- Additional resource within Legal Services - This is an invest to save scheme to reduce pressures to mitigate increased demand and to minimise externalising legal support which is more expensive £0.152m.

- 4.6.17 This directorate continues to make significant savings on contract management arrangements; income generation; and improved management of its property estate. Other savings will be delivered across the organisation through the Change Derby Programme. Headlines include:

- Planned closure of Queens Leisure Centre upon opening of the new swimming facility resulting in savings in property management costs (£0.225m)
- Contract efficiencies - multi-functional device reduction & cost/copy savings - reduction in print management contract (£0.050m)
- Document Management Centre (DMC) reduction in postage costs (£0.100m)
- Annual leave purchase saving (All Directorates) (£0.150m)
- Bringing trade union facility time into line with our comparator councils (£0.040m)
- Change Derby – Layers and Levels, a review of senior management structures informed by the application of organisational design principles is expected to generate a reduction in senior management costs (£0.250m)
- Change Derby – development of a commercialisation approach and ethos to maximise income, maximise capacity and to understand costs of service delivery. Early opportunities in respect of property investment within the City are being explored alongside review of street pride tradeable services (£0.250m).

4.6.18 **Corporate Contingency Transfer to Treasury Management**

Revenue costs associated with treasury management are affected by a number of factors, including movements in interest rates, the timing of capital spending, which again can be volatile. There is currently £1m in the corporate contingency for revenue costs associated with the Treasury management to finance borrowing requirements. It is recommended that £1m of the corporate contingency budget is transferred to treasury management budget to consolidate the treasury management position.

4.7 MTFP and Change Derby Programme

- 4.7.1 Nationally local government continues to face significant pressures brought about from reduced levels of Government funding, whilst at the same time experiencing growing demand for services, particular in the areas of children's social care. Recent budget rounds at Derby have created a sense of a 'revolving door' of focusing on balancing the books with a heavy reliance on short-term measures and insufficient focus on ensuring resources are targeted at priority outcomes, having the maximum impact and transforming the way that services are delivered and building new relationships with customers, residents and businesses. We also need to refocus on developing long term plans within the Council and with partners to maximise the impact of the multi-million pound budgets spent within the City.
- 4.7.2 During 2019/20 a Change Derby programme was established, building on the previous Delivering Differently programme. This set out six themes, which over the medium term, will transform the way services are provided and co-produced with residents, businesses and partners. The Change Derby programme is supported by a series of HR, organisational development and communication programmes to ensure transformation to be modern and efficient, with empowered staff committed to making a difference for Derby.
- 4.7.3 The Change Derby Programme and individual projects is still being developed. A series of business cases will be drawn up for each theme identifying the resources required, engagement with residents and businesses and the benefits to be delivered. These will be managed through a robust governance process to ensure pace of change and that the programme of initiatives remains agile to internal or external influences, funding opportunities or changes in priority.
- 4.7.4 Initial focus areas within each theme are detailed in the table below:

Change Theme	Derby	Key Areas of Focus
Layers and Levels		<ul style="list-style-type: none"> • Senior management structures • Adoption of organisational design principles across the Council • Efficient operations (business & financial admin, helpdesks) • Rationalising front door access to services • Digital initiatives.
Demand Management		<ul style="list-style-type: none"> • Social care commissioning initiatives • Reducing failure demand • Commissioning and re-providing services in the City • Property rationalisation (incl. lifecycle costing) • Prioritising services to those most in need.
Commercialisation		<ul style="list-style-type: none"> • Further embed a commercial ethos Identify & exploit opportunities to trade existing and new services • Property investment & housing development • Outcome reviews (e.g. leisure & culture) • Secure more value from external partnerships.
Commissioning and Procurement		<ul style="list-style-type: none"> • Strategic commissioning • Re-providing services in the City (e.g. LAC) • Aligning commissioning & category management activity • Opportunities to work with other Partners/Councils to deliver required outcomes.
Channel Shift and Digital		<ul style="list-style-type: none"> • Digital Workforce Programme • Digital by Default Programme • Property rationalisation.
Reduced Bureaucracy		<ul style="list-style-type: none"> • Evidence based decision making & business cases. • Proportionate project management applied consistently • Lean processes improving effectiveness and identifying efficiencies • Standardised payment and income collection processes.

- 4.7.5 These focus areas are not exclusive and will be informed by widespread engagement within the Council, with Partners and in the community. It will be informed by what other councils have implemented and new ways of providing services in these areas and involve organisations such as APSE and SOCITIM to bring their expertise and experience to ensure pace and robustness within the change programme.

A review of the themes is underway to consolidate them into programme areas with clearer outcomes.

- 4.7.6 The Change Derby themes will be delivered from different starting points. For example the digital strategy will put us amongst the leading councils in the country whilst Derby starts others in respect of maximising commercial opportunities and securing commercial income to support financial sustainability in light of many years of reductions in Government funding. The commercialisation agenda could also bring wider benefits to economic and housing regeneration of the City.

- 4.7.7 The MTFP includes provision for the Change Derby team and upfront investment required for transformation in a number of themes, for example digital workforce. cashable and non-cashable benefits will be identified, measured and captured as part of the Change Derby programme. Cashable benefits when captured will be built into future MTFP updates. Initial forecasts from outline business cases indicate that cashable savings and/or income generation proposals which will be secured from the Change Derby Programme in excess of the forecast MTFP budget gaps in 2021/22 and 2022/23.
- 4.7.8 The combination of a financially sustainable MTFP and the Change Derby programme should allow a shift to a strategic, longer term approach to resource planning and delivering the right outcomes for Derby residents and businesses. The MTFP supports the delivery of improved outcomes and more efficient services from the Council and its partners.
- 4.7.9 Further reports and business cases will be brought to Cabinet for approval as the appropriate. These will be factored into future MTFP updates.

4.8 Delivery of the Council Plan

The MTFP supports the delivery of the Council Plan which is our top level strategic planning document. It sets out our long-term vision for Derby, as well as the three themes for all our actions. Whenever we draw up plans or strategies, or whenever we make decisions about how we use our resources, we should be referring back to the priorities in the Council Plan. Below is a summary:

4.8.1



- 4.8.2 The Council Plan sets our strategic priorities which support the city vision and the outcomes we want to achieve. Considerations of the Council's Plan are reflected where appropriate in the budget plans included in this document.

4.9 Council Tax

- 4.9.1 This report includes proposals to increase Council Tax for 2020/21 by the maximum 1.99% using the flexibility to levy an additional 2% Social Care Precept. This means the headline Council Tax increase for 2020/21 will be 3.99%. The Government in its definition of Core Spending Power for Local Government make the assumption that councils will recommend the maximum increase to support service delivery. Indeed, the levying of the 2% additional social care precept will generate an extra £2m Council Tax income for 2020/21 which will be then incorporated in the baseline funding levels for future years.
- 4.9.2 Derby is a low tax-base council where the majority of properties are in band A, B and C. This, by implication, means that any increase in Council Tax will raise less additional revenues than neighbouring higher tax-base authorities. It is vital therefore that Derby maximises the opportunity to maximise its Council Tax base wherever possible.
- 4.9.3 The Council requires all Council Tax payers of working age to pay at least 30% of the Council Tax before application of Council Tax Support. Council Tax support is provided to 17,396 properties out of the total number of properties of 110,826. The support is targeted at those people in Band A and Band B properties.
- 4.9.4 Council Tax charged includes that levied by Derby alongside the preceptors (Police and Fire and Rescue). Details from the other preceptors will be known in February 2020. The impact of the proposed 4% increase is detailed in the table below:

Band	Number of Properties	% in receipt of Council Tax Support	2019/20 Derby City Council Tax	Proposed 2020/21 Derby City Council - Council Tax	Annual Increase	Weekly Increase
			£	£	£	£
Band A	56,798	24.86	944.71	982.40	37.69	0.72
Band B	21,422	9.57	1,102.17	1146.15	43.98	0.85
Band C	16,569	5.4	1,259.62	1309.88	50.26	0.97
Band D	8,555	2.77	1,417.07	1473.61	56.54	1.09
Band E	4,504	1.22	1,731.97	1801.08	69.11	1.33
Band F	2,280	1.32	2,046.88	2128.55	81.67	1.57
Band G	647	1.24	2,361.78	2456.02	94.24	1.81
Band H	51	0	2,834.14	2947.22	113.08	2.17

- 4.9.5 The proposed 3.99% Council Tax increase for 2020/20 results in 85% of Derby payers not having to pay more than £1 a week more than they paid in 2019/20. The increase will be mitigated for a number of properties in these bands (Band A, B and C) who are in receipt of full or partial Council Tax support.
- 4.9.6 The proposed MTFP currently includes 1.99% increases in 2021/22 and 2022/23; This is in line with current 'capping' limits and not assuming availability of any future Social Care Precept.

5 Capital Budget

5.1 Development of Capital Programme

In February 2019, Council approved a capital programme for the period from 2019/20 to 2021/22 with 2020/21 and 2021/22 as indicative allocations only. This provisionally allocated corporate resources available in order to meet significant investment needs for service improvement.

The Council's Capital Strategy was agreed by Council on 14 February 2019, with an update agreed by Council on 25 September 2019 and included details of the Council's proposed approach to development of the capital programme. Following adoption of this strategy, the proposed capital programme with the following headlines:

- The development of a three year capital programme.
- The addition of a 2022/23 programme funded through Government grants, Single Capital Pot, S106, Major Repairs Allowance and Capital Receipts
- The inclusion of new investment into ICT to help deliver the Digital Vision (Digital Workforce and Digital by Default). This investment is expected to enable revenue efficiencies and savings to support the MTFP
- A further £9.2m addition funded from borrowing has been included in the highways capital programme. This responds to the assessed backlog on the highways stock of £22m and will focus on investment in the longevity of the highways stock and in priority areas
- Inclusion of schemes that are self-funded or rolling programmes for transport, Schools and the Housing Revenue Account.

5.2 The proposed Capital Programme is detailed in Appendix 13 and totals £386.410m over the next three years (General Fund, £280.096m and HRA £106.314m).

5.3 The following schemes are currently being assessed and if approved (and financing in place) will be recommended for inclusion in the Capital Programme at a future date:

- Housing Infrastructure Fund (HIF) - South Derby Growth Zone
- Housing Infrastructure Fund (HIF) - Boulton Moor
- Investment in properties to support provision of services for vulnerable children within the City.

Further schemes will require additions to the Capital Programme following submissions through the gateway process should they meet the £1m threshold, or expected to have a strategic impact or has a high reputational risk for the Council, via the Project Management Office (PMO) and Cabinet approval.

The Capital Programme includes unallocated capital allocations (shown as Corporate in the Capital Programme) for which provision for additional borrowing costs (if required) have been included within the MTFP. These allocations are £6m in 2020/21 and then £10m in each of 2021/22 and 2022/23.

5.4 A number of further schemes have been identified for potential inclusion within future Capital Programmes which are primarily funded from external funding but may require an element of internal funding. These include:

- Future High Streets Fund - A programme of activity to transform Derby's high street
- Heritage Action Zone – an Expression of Interest has been submitted for to rejuvenate the city's historic high street
- Nuclear Advanced Manufacturing Research Centre (AMRC) Osmaston main works site
- Brook realignment Innovation Drive
- IPD iHub plot preparation
- Market Place and Guildhall.

These will be added subject to the appropriate approvals.

5.5 The Cabinet issued a Capital Programme for consultation (excluding the HRA) on 13th November. Since then additional schemes have been through the Capital Gateway approval process and have been added to the Capital Programme. Slippage identified in the 2019/20 Quarter 3 Capital Monitoring has been included in the revised programme. The HRA Capital Programme has been incorporated with the financing detailed in the HRA Business Plan detailed later in the report.

The total proposed programme for the period 2020/21 to 2022/23 is £386.410 million. This represents significant investment in the City through regeneration, economic growth, investment in Council assets and investing in housing through the HRA and right to buy receipts and supporting vulnerable people.

Continued focus on capital delivery arrangements will continue to ensure delivery of capital schemes within this MTFP period.

- 5.6 The following amendments have been made to the Capital Programme since the budget issued for consultation approved by Cabinet on 13th November 2019.

Table: Final changes to 2020/21 to 2022/23 capital programme since the Consultation process.

Change (cumulative)	2020/21 £m	2021/22 £m	2022/23 £m
Capital Programme Consultation	116.585	77.189	6.752
HRA not included in consultation	33.022	39.628	33.664
Changes due to profiling corrections from Q2	(0.002)	-	-
Addition of highways budgets for 3 rd year	-	-	5.900
Addition of provision for future investment	6.000	12.000	12.000
2019/20 Q3 slippage	13.958	7.952	1.074
Addition of Castleward school	5.657	1.863	-
Addition of Castleward CPO	3.216	3.273	1.862
Addition of Decarbonise	0.297	0.377	0.213
Addition of Replacement leased vehicles	0.330	-	-
Addition of Air Quality	3.121	-	-
Addition of Silk Mill Contribution	0.179	-	-
Additional ICT hardware requirements	0.300	-	-
Revised Capital programme	182.663	142.282	61.465
Funding Available at Consultation	116.585	77.189	6.752
Changes due to profiling corrections from Q2 SCE C	(0.002)	-	-
Additional SCE C allocation for Highways future years	-	-	5.900
Additional Corporate borrowing for MTFP future investment	6.000	12.000	12.000
HRA (MRA and Right to Buy receipts)	33.022	39.628	33.664
Additional External Contributions/Unsupported Borrowing Corporate/Capital Receipts/S106 for Castleward School	5.657	1.863	-
Additional Capital receipts/External Contributions/government grants for Castleward CPO	3.216	3.273	1.862
Additional External Contributions for the Silk Mill	0.179	-	-
Additional Unsupported Borrowing Service Financed for vehicle purchases	0.330	-	-
Addition of Government Grant for Decarbonise, ICT and Air Quality	3.718	0.377	0.213
2019/20 Q3 slippage all funding sources	13.958	7.952	1.074
Revised Funding Available	182.663	142.282	61.465

5.7 **Major projects**

The proposed capital programme includes a number of projects that are monitored monthly and reported quarterly to the Corporate Capital Programme Board (CCPB) and the PMO. A brief update on these is provided below.

5.7.1 Performance Venue:

The capital funding envelope for a Performance Venue is £24m. This was originally earmarked for the refurbishment of the Assembly Rooms. Recent cost estimates (following detailed surveys) indicates that the resources required for the refurbishment could be over a 1/3rd more than the £24m funding envelope.

Taking into account the expected lifespan of the refurbishment and its value for money it is proposed that the refurbishment option does not progress and that alternative options for a performance venue and/or development of the Assembly Room site is explored.

Council funds currently within the Capital programme for the Performance Venue will be retained within the indicative Capital programme whilst alternative options are explored.

A more detailed option appraisal and business case is expected to be prepared for Cabinet during 2020/21.

5.7.2 New Swimming Pool:

The current programme for the Swimming Pool at Moorways Sports Village achieves construction of the facility by the end of 2021 as planned. Currently the project is at Royal Institute of British Architects (RIBA) Stage 4 designs and the forecast costs are currently within budget. Construction is due to commence on site as contracts have recently been signed and the discharge of planning application conditions for the project are progressing well.

5.7.3 A52:

The A52 Wyvern Transport Improvement Scheme will bring about network management improvements on the A52 Brian Clough Way and in the area around the Wyvern Retail Park and Pride Park. The scheme will help to reduce congestion, improve journey times and reliability, provide safer travel opportunities, increase sustainable travel and also support wider economic growth. In April 2019 Council Cabinet approval was given to deliver the scheme within £43.2m budget. Construction works are well underway and due to be completed by Summer 2020 on time and within the approved budget.

5.7.4 Market Hall Transformation:

This project will transform the offer in the Market Hall into a vibrant, high quality, flexible market at the heart of the city centre appealing to a diverse customer base. The first phase of the project (roof and external building improvements) has started and a complex scaffolding structure is now in place to enable surveys and works to make the roof safe and maintainable. Detailed design has been progressed and a planning application and Listed Building consent has been submitted. Detailed design of Phase 2 (internal re-configuration) of the Market Hall Transformation is underway. This will transform the interior layout of the market, create a flexible space for pop up markets and events and improve the entrances, public spaces and accessibility to the building. Derby's Future High Street Fund (FHSF) bid includes the Market Hall transformation as one of the key interventions. A draft business case for FHSF was submitted in mid-January and final business case submitted April 2020.

5.7.5 Becketwell:

The regeneration of Becketwell is a key City Centre Masterplan priority and will see the transformation of a much neglected area of the City Centre. The scheme will provide a mixed use live, work and leisure space including new housing (Private Residential Scheme in Phase 1), new public realm, commercial, and leisure development. The Council has completed a land assembly programme and demolition of Debenhams is due to complete by summer 2020. Colyear Street has been sold to St James Securities (SJS) (developer) and sale of Debenhams to SJS will complete once planning is granted and funding is in place, expected by Autumn 2020.

5.7.6 Our City Our River (OCOR):

The objectives of the OCOR programme are to reduce flood risk to 1,500 homes and 700 businesses, 'make space for water', unlock economic potential on land that is at significant flood risk, deliver environmental improvements in the river corridor and protect and enhance heritage assets. Works to the Package 1 area, covering the north of the city centre, commenced in 2015. These are now nearing completion and will provide enhanced flood protection to over 1200 properties.

In addition to initial investment in OCOR by the Environment Agency (EA) and Department for Environment Flood and Rural Affairs (Defra) (£36m), further funding from D2N2 Local Enterprise Partnership was secured in 2016 (£12m) and further funding from the European Regional Development Fund (£3m) has enabled elements of Packages 2 and 3 to be delivered. These works - "Project Munio" – have brought OCOR into the city centre and are now on site. Munio delivers the flood gate on Exeter Bridge (Derwent Street); flood resilience works to the Riverside Chambers, the River Gardens and Pride Park and will deliver environmental enhancements at a number of locations along the OCOR corridor.

Full planning consent is required for flood mitigation and alleviation works beyond the Package 1 area including Derby Riverside and Alvaston Park, which are the next priorities for delivery.

5.7.7 Project Mulberry:

Project Mulberry will bring about the consolidation of a key Derby employer onto a single site and act as a catalyst for further growth and development at Infinity Park Derby. In February 2019 the Council approved the funding of a £19.3m scheme, subject to D2N2 funding. D2N2 funding approval has taken longer than anticipated but is scheduled for the Spring with planning anticipated to be secured in 2020 enabling work to commence on site in 2021.

5.7.8 High Quality Office Space Bold Lane:

A Council owned site on Bold Lane is earmarked for development of a Grade A office scheme to meet the City Centre Masterplan objective of more businesses and jobs in the city centre. A business case was approved in 2018 but since this time the opportunity of supporting commercial development at One Cathedral Green has become the Council's priority office scheme. Options for the Bold Lane site will be reviewed and reported to Cabinet later this year.

5.7.9 Cathedral Green:

This project will provide Grade A office accommodation within the City Centre. The development of this prominent brownfield site will also support the wider regeneration of the Cathedral Quarter and contribute to the city's flood mitigation programme (Our City Our River). In November 2019, Cabinet approved a business case for the Council to fund a 43,000 sq. ft., high quality office development. Key next steps include the exchange of contracts with the developer and submission of a planning application by the summer of 2020 with construction work commencing late 2020 and completion anticipated by the end of 2021.

5.7.10 Waste Disposal Plant:

The project comprises the construction and commissioning of a new waste treatment facility (NWTF), jointly with Derbyshire County Council, to give the councils certainty about how Derby and Derbyshire's waste is managed. The NWTF would deal with the city and county council's residual waste whilst generating renewable energy. The waste contract with RRS was terminated on 2 August 2019. An interim contract was entered into with Renewi to provide continuity services. The termination of the contract means that the waste treatment facility has temporarily ceased to accept waste. Work is taking place to determine the condition and capability of the facility. This will allow the councils to ascertain what measures will need to be in place for the facility to become fully operational. Contingency measures have been put in place by the councils to ensure that residual waste, recycling centres and transfer stations will continue to operate. Future expenditure is currently unknown.

5.7.11 City Living:

As this is a loan fund, to support the development of new homes, there is no budgeted cost to the Council for delivering the initiative and no financial risk arising from slippage.

Of the two applications previously reported in the pipeline one has fallen through as the applicant has gone into administration. The other may progress for funding in 2020/21 but faces some challenges (unrelated to this funding). There will be no expenditure from the fund in 2019/20. Re-phasing has been requested to give the flexibility to fund the one current application in 2020/12 plus other smaller schemes that may come forward.

The limited levels of delivery in recent years have also prompted a review of the functioning of the scheme and prepare proposals for a revamped initiative. This would aim to pool a number of funding streams and allow the Council to invest more directly, for instance by taking a stake in a development and underwriting or pre-purchasing property to be developed. These proposals will be reported to Cabinet later in the year.

5.7.12 SEND 2020/21:

Whilst the City wide SEND strategy is undergoing review, it is proposed to allocate up to £0.183m in available Basic Need capital funding to St Giles School to operate from an additional site on a short term temporary basis. It is proposed that funding will be allocated to making adaptations to the former Aspect building to enable St Giles to provide up to 130 places across two sites, instead of the 118 commissioned places from their single current site. It is proposed that the Council will enter into a three year temporary lease of the Aspect Building to facilitate the increase in pupil numbers, after which pupil numbers are projected to reduce and the City wide SEND strategy will have advanced in addressing SEND provision requirements from September 2023. Proposals have been reviewed by Parent and Carer representatives and the Local SEND Board, as part of the progress being made on the Council's Written Statement of Action.

It is requested that approval be given therefore:

- To add the St Giles–Aspect scheme to the Council's 2020/21 School Capital Programme, with a budget of £0.183m funded from SEND capital projects budget, in order to fund the necessary capital works to allow St Giles Special School to use the Aspect Centre on a temporary basis for additional agreed places
- To provide the £0.183m St Giles-Aspect funding to Spencer Academies Trust as a grant, subject to completion of the Council's standard Grant Agreement.

5.7.13 For block programmes, approval will be needed to the content of programmes, where this is not set out in the initial programme. This will include the Local Transport Plan, Regeneration programme, the Schools programme, the Property programme and the HRA programme details of which will be reported to Cabinet in February/March 2020.

5.8 Capital Delivery

- 5.8.1 The Council is proposing significant investment over the next three years. Historically, the City Council has slipped significant expenditure and funding between financial years impacting on the delivery of improvements and new facilities for the residents and businesses of Derby.

A key priority for 2020/21 is to further strengthen the arrangements implemented in 2019/20 to strengthen the planning, governance and delivery of major capital schemes through the provision of project boards, monthly reporting on the top major projects over £5m via the PMO and improved gateway processes for Capital Business Cases. It is likely that these reviews may identify the need for revised business cases as surveys and other funding information are quantified. If these require capital allocations in addition to the amount identified within the Capital Programme, this will be subject to separate reports to Cabinet. If schemes are contained within the funding envelope within the three year Capital Programme they will progress without the need for additional reports to Cabinet

- 5.8.2 It is important that the Council is agile to the opportunities for delivering the Capital Programme and to bring approved schemes forward if opportunity allows and equally to slip schemes between financial years if required. This flexibility should allow improved delivery and spend against the approved programme.

To facilitate this it is recommended to Council that the movements within the approved Capital Programme is delegated to the Director of Financial Services in consultation with the Cabinet Member for Finance to permits movement of schemes (detailed within the 3 year capital approved programme) and reported in the quarterly financial monitoring reports.

- 5.8.3 The inclusion of Capital 'Headroom' within the programme of £30 million supported by borrowing costs within the MTFP further provide for agility within the Capital Programme without the need for Council approval of revised prudential code permissions. Allocation of this provision will be subject to the development of business case, production of business cases to Cabinet (where required) and reporting through the quarterly budget monitoring report

5.9 Capital Strategy

- 5.9.1 The capital strategy is required under the prudential code and introduced in 2017 edition of the code. Authorities are required to produce this annually as part of the revenue, capital and balance sheet planning. The capital strategy demonstrates 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. It sets out the long term context in which capital expenditure and investment decisions are made and give due consideration to both risk and reward and the impact on achievement of priority outcomes. The updated capital strategy can be found at Appendix 17
- 5.9.2 New Allocations are considered by the Corporate Capital Programme Board (chaired by the Director of Financial Services). These are evaluated using the Capital Gateway process and subsequently monitored through the Council's PMO where appropriate.

5.9.3 **Funding**

The capital programme is financed from several resources, which are defined in Appendix 13

- 5.9.3.1 **Borrowing:** A number of capital allocations for the Single Capital Pot (Supported Capital Expenditure Capital through Government grant allocations which are not ring-fenced) have not been received at the time of writing this report. Where confirmations of allocations have not been received, the previous year's allocations have been used. The programme will be amended in the Quarter 1 budget monitoring if appropriate.

The proposed programme includes total borrowing of £123.698m over the three years. New borrowing has been programmed to contribute to the construction of the A52, Highways maintenance backlog and a provision for future capital investment totalling £64m. In addition new service financed borrowing (through internal loans from working capital) has been added for two new regeneration schemes; Cathedral Green (provision of city centre office space) and project Mulberry (provision of industrial space on Infinity Park). The revenue budget also presented to this meeting includes the borrowing requirements.

Some schemes approved on the capital programme will require a form of temporary borrowing if the scheme is reliant on external funding for which certain conditions should be met but is not received in line with the planned expenditure. Corporate borrowing charged internally (to the service incurring the temporary borrowing) would be applied in this case.

The proportion of the existing three year capital programme funded from borrowing is 38%. The proportion funded from borrowing for the next three years programme is 43%. This meets the requirement contained within the Prudential Code that borrowing needs to be prudent affordable and sustainable. A detailed breakdown of all projects forecast to be borrowed for can be found at Appendix 14.

- 5.9.3.2 **Capital Receipts:** Only those capital receipts that have already been received have been added to the programme. Capital receipts for the years 2020/21 and 2021/22 are indicative and will be dependent on the success of future sales. Therefore the need to revisit the funding position for those years utilising receipts will need to be managed during the future years MTFP setting. Any future capital receipts will be retained and held in a corporate reserve for allocation across the programme to those areas not attracting their own funding sources in accordance with the revised capital receipts policy with the exception of schools, Our City our River and regeneration receipts as specified in the policy. This ensures best use of corporate resources across the different asset categories, e.g. capital receipts would be applied against the ICT programme as these are short life assets that mean it would be less cost effective to borrow for these types of assets.

- 5.9.3.3 **S106 Contributions:** Any allocation of S106 monies is reported to Cabinet during the year to inform members what specific contributions are intended to be used for. Any in year allocations are reported through the monthly Compliance with Contract and Financial Procedure Rules reports, and quarterly Capital Monitoring reports, as they arise. There are no new S106 contributions programmed within the Capital Programme.

- 5.9.3.4 **Revenue Implications:** The cost of unsupported borrowing in the revenue budget is dependent on the profiled spend in each financial year and the useful economic life of each capital asset being funded. The revenue costs of the proposed capital programme have been included in the revenue budget within this report.

A revenue budget provision to cover lifecycle and on-going maintenance costs should be provided from departmental revenue budgets for all schemes in the capital programme, where relevant. The availability of such revenue budgets for capital schemes will need to be confirmed before capital schemes can commence.

The revenue budget provision for the current MTFP includes sufficient treasury provision for the treasury management function including additional borrowing requirements.

The revenue implications of the 2020/21 programme which are programmed as borrowing will create a revenue pressure in the form of MRP (Minimum Revenue Provision) in 2021/22 as there is a one year time lag before the revenue consequences need to be taken into account within the Revenue Budget (provided the scheme has been completed within the financial year). This has been factored into the MTFP.

Self-financing borrowing: This may occur where financing costs are funded by contributions from existing core revenue budgets. In both cases, there is a need for a revenue budget transfer from specific service department budgets to the corporate treasury management budget to fund these schemes.

- 5.9.3.5 **Minimum Revenue Provision (MRP):** The Council is required to declare its MRP (set aside for the repayment of debt) Policy each year. 2020/21 policy is detailed at Appendix 15.
- 5.9.3.6 The Capital Strategy will be reviewed during 2020/21 to incorporate refreshed Capital ambitions and to incorporate the Council's proposed commercial strategy (including property investments) to support the vibrancy of the City and its communities, economic growth, public service delivery and support to the financial sustainability and resilience of the Council's MTFS

6 Housing Revenue Account

- 6.1 The HRA is a ring-fenced account which controls the Council's social housing stock which is managed on a day to day basis by Derby Homes Ltd, an Arms' Length Management Organisation (ALMO).
- 6.2 The HRA and Business Plan support the previously agreed key social housing objectives:
- Providing good value for money for tenants and the Council
 - Maintaining investment in council housing to the Derby Standard
 - Sustaining high quality management and reactive repairs services
 - Maintaining affordable rent levels
 - Delivering more additional affordable and supported homes
 - Working to support broader Council initiatives and priorities

- 6.3 The Council owned 12,809 homes as at 1 April 2019, of which a third are flats and two thirds are houses. Almost half the stock is made up of three bedroom houses with the balance being mainly one or two bedroom homes. There are very few larger properties, with most of these having been lost through Right to Buy (RtB) sales over the years. There remains a significant pressure on four bedroom properties and consequently the aim is to increase stock of that size in particular alongside extra care housing.
- 6.4 The HRA remains in a reasonably robust position due to close management and control with a balance of £48m as at 1st April 2019. It is able to support investment and service delivery aspirations over and above the core management, maintenance and investment requirements. The lifting of the debt cap last year by the Ministry of Housing Communities and Local Government (MHCLG) gives greater flexibility in budget setting and has enabled the plan to be more ambitious in terms of funding more new homes in future.
- 6.5 While the HRA and Business Plan is positive for the residents of Derby, the HRA still faces the challenge of Right to Buy stock losses. Sales have been fairly consistent in recent years, with 173 sold in 2018/19, 185 in 2017/18, and 176 in 2016/17. During 2019/20 there have been 122 sales to the end of December 2019. RtB sales reduce the rental income the Council receives and therefore impacts on future years' budgets. Housing stock must be replenished through the new build and acquisitions capital programme.
- 6.6 **HRA Capital Programme**
The proposed capital programme covers both the development and acquisitions of new homes and major maintenance works.
- 6.6.1 With the removal of the debt cap, the HRA can be more ambitious in terms of development and acquisition of new homes. It is planned to increase the programme to acquire or build around 500 homes within the HRA over the next four years. It is anticipated that approximately 100 of these homes will be for supported housing and which are typically more expensive to deliver and these additional costs are built into the plan.
- 6.6.2 The purchase of empty properties will be actively explored where there is a viable business case and the homes are suitable for inclusion in HRA housing stock.
- 6.6.3 In terms of the capital maintenance programme, this is managed by Derby Homes alongside the revenue maintenance programme. The priorities for investment are:
- The replacement of building components within the lifecycle agreed in our plans
 - Energy efficiency; 30 new bungalows on a site at Grange Avenue to very high standards of energy efficiency will give an insight into the Government's new future home standard
 - Enhanced energy efficiency improvements to seven blocks of non-traditional flats in Mackworth, these are the last few homes without wall insulation and our aim is to insulate the walls and provide low carbon heating, supported by solar panels
 - A refurbishment of Rivermead house. New windows, balcony fronts, side screens and a new roof are required along with a detailed survey of the building and other maintenance work.

- 6.6.4 The summarised position for the capital programme for 2020/21 to 2022/23 is shown below, with the detailed capital programme set out in Appendix 18. As new scheme acquisitions arise through the year, approval will be sought to bring them onto the programme as they become live.

	2019/20 quarter 3	2020/21	2021/22	2022/23
	£m	£m	£m	£m
Major works	11.327	13.184	13.944	13.478
New Homes	15.679	19.838	25.684	20.186
Total	27.006	33.022	39.628	33.664
Funding				
RTB Receipts	4.704	5.951	7.705	6.055
Borrowing	22.302	27.071	31.923	27.609
No of New Homes	62	49	149	177

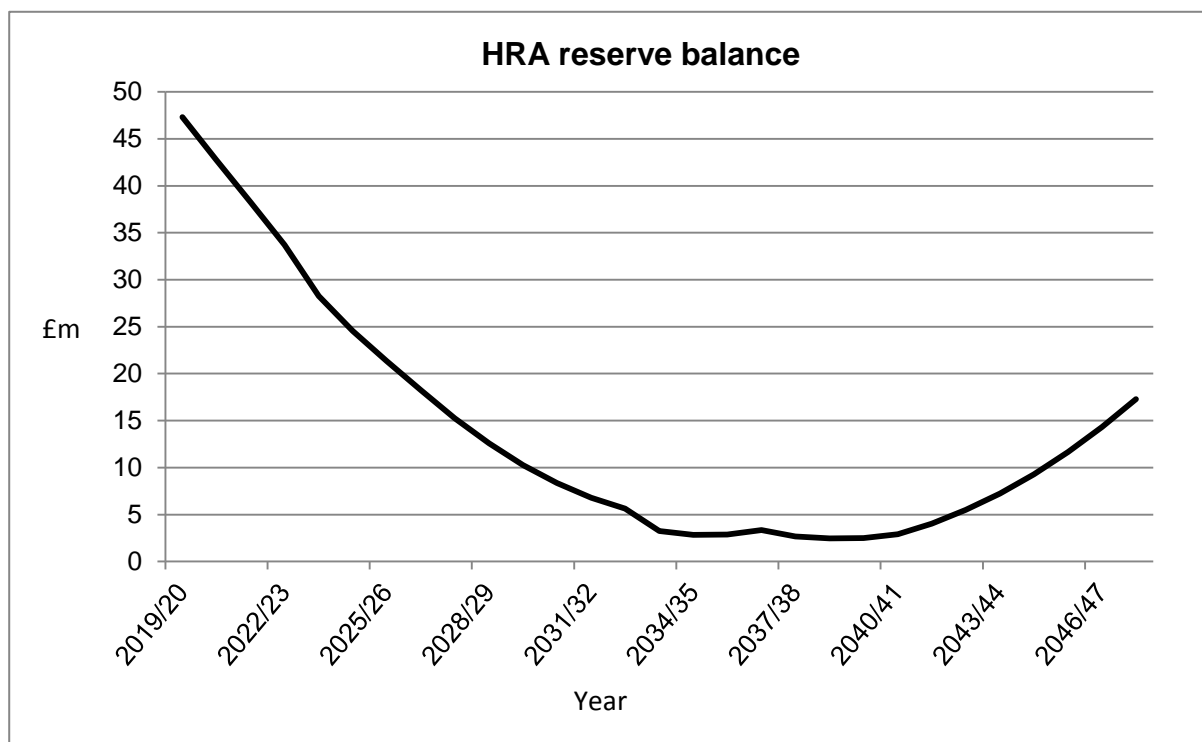
6.7 Revenue

The HRABP is under much greater strain now than it was five years ago as it is no longer operating at significant revenue surpluses.

- 6.7.1 The budgeted position for 2020/21 is a deficit of around £4.6m and will rely on the use of the HRA's reserves. The main reasons for the deficits are:

- the loss of income due to RTB stock losses
- the loss of income due to the 4 year period of rent reductions
- entering a period of investment into the housing stock

- 6.7.2 The 30 year business plan allows us to plan over the longer term and assess the impact of the deficits on the reserve. The current HRA reserve balance of £48m will reduce over the coming years as costs continue to exceed the income generated from the housing stock. Planned increases in rental income over future years, allowed under current government guidance, would mean that although the reserve balance will drop below £5m it will not be fully exhausted and will start to replenish after 2040/41.



- 6.7.3 The table below provides a summary of its operating surplus/(deficit) for the three years including the proposed budget for 2020/21:

	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m
Expenditure	58.394	59.498	60.585
Income	(58.655)	(54.991)	(55.993)
(Surplus) / deficit	(0.261)	4.507	4.592
Capital expenditure	16.910	27.006	33.022

- 6.7.4 Derby Homes manages and maintains the HRA housing stock on behalf of the Council. The proposed management and maintenance fees to be paid to Derby Homes are set out below.

- 6.7.5 Management Fee - The settlement proposes an increase to the management fee of £0.248m, which equates to a 2.4% increase. This includes 1% as a likely increase relating to pension fund contributions. As required in the management agreement with Derby Homes, should the actual level of pension fund contributions be different, the fee would be adjusted accordingly.

Management fee	Core fee £m	Service Charge £m	Total £m
19/20 management fee	10.312	0.296	10.608
Inflation (including 1% LGPS)	0.255	0.003	0.258
Living wage uplift	0.065	-	0.065
Service charge income	-	0.188	0.188
Stock loss / adjustment	(0.072)	-	(0.072)
20/21 management fee	10.560	0.487	11.047

- 6.7.6 Maintenance Fee - The settlement proposes uplift to the maintenance fee of £0.228m, which equates to 1.4%. This also includes a 1% increase relating to pension fund contributions, which will also be adjusted if agreed at a different rate. The rates will become known during the next couple of months.

Maintenance fee	Core fee £m	Service Charge £m	Total £m
19/20 maintenance fee	16.710	1.275	17.985
Inflation (including 1% LGPS)	0.346	0.056	0.402
Stock loss / adjustment	(0.118)	-	(0.118)
19/20 maintenance fee	16.938	1.331	18.269

6.8 Right to Buy 1 for 1 Receipts:

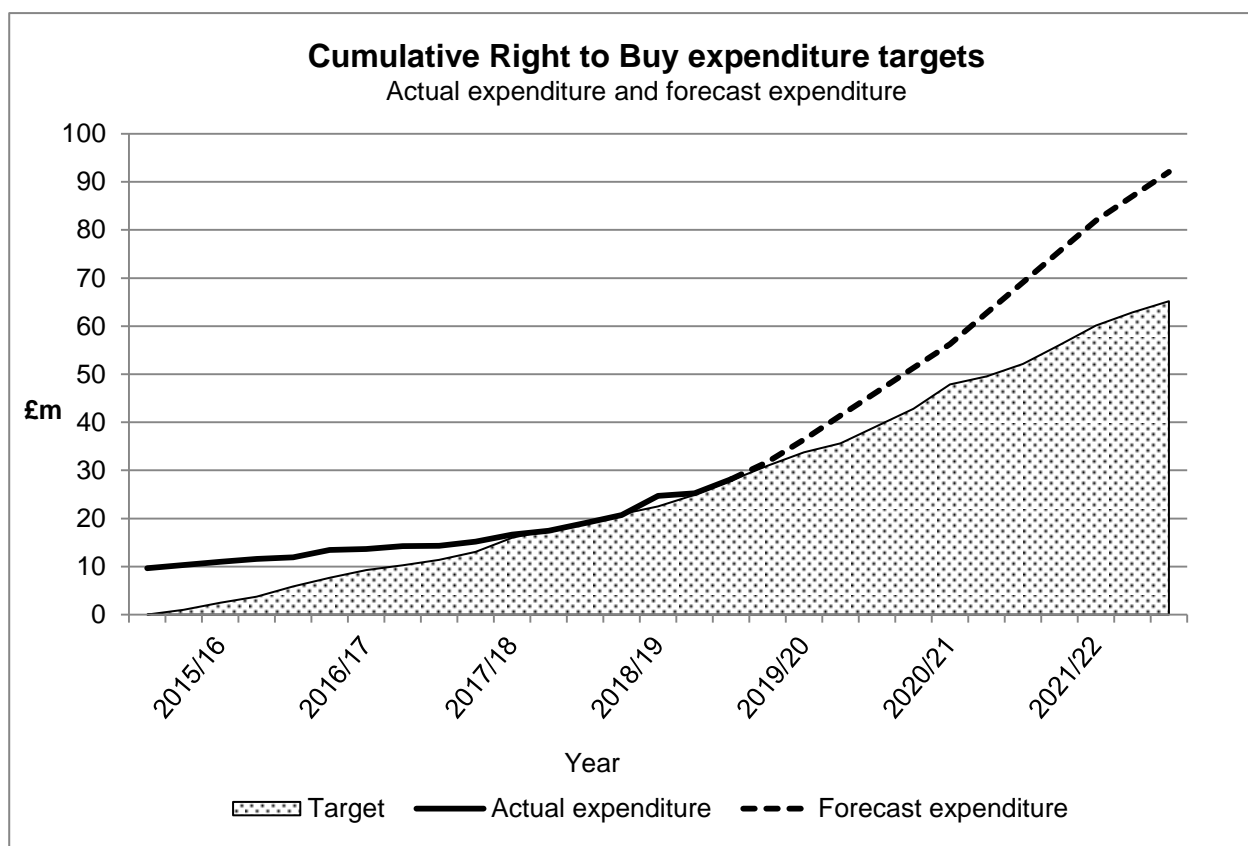
There remains a risk of having to repay some RtB 1 for 1 receipts if acquisitions and new build spending is insufficient to meet government targets. There is a three year period in which to use the receipts and the Council still faces a challenge if it is to meet these deadlines. For 2020/21 alone, at least a further £4.2m of receipts have to be used next year, which requires around £14.1m to be spent on acquisitions or new build homes. This is taken into account when planning the capital programme. To mitigate risk of repayment to government, the current strategy is to purchase individual properties on the open market should planned development not be achieved.

- 6.8.1 However, as the rate of new build and acquisition continues to increase beyond 2020/21, so will the use of the Council's RTB receipts in order to part fund these schemes as described earlier in the report. This will in turn reduce the risk of the Council having to return 'unspent' receipts to MHCLG and at that point, the Council is likely to pursue external grant funding, typically from Homes England, to in part, fund these new developments or acquisitions.

6.8.2 The Council has the ability to use recycled RtB receipts not only for direct investment in replacement council housing but also to give grants of up to 30% of cost to providers of social housing, including Registered Providers. This is with the exception of those in which an Authority holds an interest in, which currently prevents those RtB receipts being paid to Derby Homes. Such grants could be given to enhance the number of affordable homes in Derby beyond the 500 planned to be delivered by HRA. A budget of £0.610m has been set for 2020/21 as part of the Housing General Fund capital programme.

6.8.3 This process remains a useful option for the Council to enhance its overall delivery programme in partnership with other local providers of social housing. It is prudent to develop external funding strategies in order to ensure that the city's overall delivery capacity is sufficient to absorb the required level of RtB receipts to prevent repayment to MHCLG.

6.8.4



6.9 Rent Policy

From April 2020, the Council will be regulated by the Regulator of Social Housing (RSH) in terms of rents. The Council has consistently set rents in line with government guidance and policy and this will continue.

- 6.9.1 The Council is responsible for setting the rents and service charges to be applied to its dwellings for the 2020/21 financial year and the following increases are proposed for approval by Council:

	% Increase	
Council Housing Rents	2.7%	In line with Government guidelines
Other Housing Rents	2.4%	RPI has allowed under relevant legislation. This includes Milestone House, Imari Park, Shelton Lock Park Homes site, garages and other Council set rents
Service Charges	2.4%	RPI to reflect rises in costs, except the following: Cleaning and Grounds Maintenance service charges – 10% capped increase to reflect specific cost pressures associated with these services, including the National Living Wage
Furnished Tenancies/ Furniture Packs	No change	Offering better value for money

6.10 Future Considerations

6.10.1 Rent

With effect from April 2020, there will be some flexibility in terms of setting rents on re-lettings of social housing (which still represents 97.5% of the Council's stock). This flexibility amounts to an additional 5% on general needs and 10% on supported housing rents from the 'standard' formula rent. Whilst it is not proposed to adopt this strategy as a part of this budget setting round, further work will take place to assess the implications of the rise with a view to it being considered at some point in the future.

6.10.2 Further expansion of the new build an acquisition programme

As previously mentioned in this report, the lifting of the debt cap provides an opportunity to significantly increase the rate of the new builds and acquisitions programme in order to maintain the number of homes in the HRA housing stock. Work is currently taking place to identify sites and properties to support this aim

6.10.3 Universal Credit

The roll out of Universal Credit remains currently manageable, as at present it affects new tenants and tenants with a change in circumstances only. In areas in which Universal Credit has been fully implemented rent arrears have increased significantly, thereby reducing the income for the HRA. The impact of Universal Credit on debt levels and therefore HRA income will be closely monitored.

7. Dedicated Schools Grant

- 7.1 In recent years the DSG has been under financial pressure due to changes in the National Funding formula and high level of demand in the High Needs Block and support for young people with special educational needs (SEN). As a result, the DSG reserve has been depleted in recent years with the urgent need for service redesign, engagement with the school community and management of demand.
- 7.2 The majority of the additional Government funding has been targeted at additional per pupil allocations for Schools linked to the National Funding Formula which is welcomed. However the Council's share of the additional £700m for High Needs is unlikely to be sufficient to meet the demand in this area.
- 7.3 Locally demand in the education system remains very high and in 2018/19 there was a 66% increase in new Educational Health and Care Plans issued which was significantly higher than the national average of 16%. This has resulted in a projected £2.6m overspend in 2019/20.
- 7.4 The combination of funding pressures in previous years and demand pressures has required significant drawdowns of the DSG reserve. If Councils exceed a 1% deficit they are required to agree a DSG recovery plan with the DfE. The Council forecast that this trigger is highly probable during 2020/21 if demand continues to grow at this scale.

7.5 Schools Block (£189.480m)

Funding to Local Authorities is distributed using the National Funding Formula (NFF), a local formula is adopted to distribute funding (soft National Funding Formula) although the Department for Education (DfE) has given a strong indication that the move to a full National Funding Formula for individual school allocations is still very much the desired ambition.

- 7.5.1 The Schools Block is the only ring-fenced block of the DSG and for 2020/21 has increased by £13.8m from the 2019/20 allocation. This significant increase in the Schools Block is due to the fact that Derby Schools gain significantly in this area from the introduction of a National Funding Formula and the removal of a gains cap at a national level. This means that the full gains (for the first time) have been passported to individual authorities where applicable. This is welcome news for schools in Derby.
- 7.5.2 The government has stated that it remains committed to a 'hard' national formula; one where local authorities have little or no role in determining schools' budgets, the approach to be applied for the year 2020/21 is that there still remains some local discretion. There are however some national requirements in 2020/21 that need to be adhered to:
- An increase of approximately 4% has been applied to the national NFF multipliers (it is not mandatory to replicate these values at a local level)

- The Minimum per Pupil Funding levels (MPPF) will be set at £3,750 (2019-20 £3,500) for primary schools and £5,000 (2019-20 £4,800) for secondary schools. For 2021-22 the primary MPPF will rise to £4,000. These values are mandatory and have to feature at a local level
- Pupil mobility will be allocated to local authorities via a formulaic approach rather than the historic basis previously used and the threshold for individual schools to trigger this is 6% of their pupil cohort being defined as 'mobile'; defined as pupils entering school outside of the 'normal' admission date
- A Minimum Funding Guarantee (MFG) to be applied locally of between +0.5% and +1.84% per pupil
- There is no gains cap in the allocations applied to local authorities however local formulae can feature one to address, usually used to address affordability issues.

7.5.3 Locally, options for the local funding formula for Derby has been considered by Schools Forum who support the following to apply in 2020/21

- Implementation of the National Funding Formula rates in the local funding formula. Due to the significant increase in funding for schools Derby will be able to fully introduce the National Funding Formula which is an extremely positive position for Derby
- A Minimum Funding Guarantee set at 0.5% (per pupil funding protection mechanism). This can be set at the lowest permissible level because for the very first time over the course of moving towards the NFF no schools in Derby trigger the MFG; there is no protection in the system, all schools are funded at the correct levels. This again is a positive position as a high MFG will cause overall affordability issues and will mean that those schools triggering the MFG will be on a trajectory of reduced funding as the MFG tapers out
- transfer of 0.5% to the High Needs Block
- capping and scaling used as the affordability mechanism.

7.5.4 Schools Forum have the flexibility to approve a transfer of up to 0.5% from the Schools Block to other areas of the DSG. At their meeting of 21 January 2020 the Forum agreed to a transfer of £0.947m (0.5%) from the Schools Block to the High Needs Block.

7.5.6 Table: School Block Allocation

Schools Block	2020/2021 £m	2019/2020 £m	Change £m
Allocation	189.480	175.608	13.872
Transfer to the High Needs Block	(0.947)	(1.756)	0.809
Total Funding Available	188.533	173.852	14.681
Requirement			
Infant Class Size Funding	0.300	0.600	(0.300)
Growth Fund	0.500	0.292	0.208
Balance to be distributed to Schools through the Funding Formula	187.733	172.960	14.773
Total Spend	188.533	173.852	14.681

7.6 **Early Years Block (£20.058m)**

The Early Years Block of the Dedicated Schools Grant funds the 2, 3 and 4 year old entitlement across all settings. The following early year allocations are recommended

- 2 year olds – the funding rates for all local authorities have increase by £0.08 per hour. It is proposed that the hourly rate for Derby is £5.28
- The proposed funding rate for 3 & 4 year olds for Derby is currently £4.23 per hour; it is proposed to increase this by £0.15 to £4.38 per hour.

7.6.1 Table; Early Years Block Allocation

Early Years Block	2020/2021 £m	2019/2020 £m	Change £m
Allocation	20.058	19.183	0.875
Requirement			
2 year old funding	2.910	2.940	(0.030)
3 and 4 Year Old Funding - Universal and Extended hours	14.779	14.239	0.540
Stand Alone Nursery Protection including Lump Sum funding and rates	1.161	1.168	(0.007)
Contingency (to provide for in year census count changes)	0.223	0.105	0.118
Central EY Services	0.200	0.200	-
SEN Locality Funding	0.500	0.250	0.250
EY Pupil Premium & DAF	0.285	0.281	0.004
Total Spend	20.058	19.183	0.875

7.7 High Needs Block (£40.345m)

In recent years the change to the National Funding formula for core school funding and high needs block has limited the ability to transfer funding from the Schools Block to High Needs. This change was accompanied by a significant increase in EHCPs referenced earlier in the report. Nationally the LGA forecast a national projected shortfall in the High Needs Block of £536m in 2018/19. This is expected to have increased significantly by 2020/21.

- 7.7.1 The DfE have announced that 5 years since the implementation of SEND reform a major review will be undertaken into support for children with Special Educational Needs and Disabilities (SEND). The review aims to improve the services available to families who need support, equip staff in schools and colleges to respond effectively to their needs as well as ending the 'postcode lottery' they often face. It will conclude with actions to boost outcomes and improve value for money, so that vulnerable children have the same opportunities to succeed, as well as improving capacity and support for families across England. The timescale for this review is unconfirmed.
- 7.7.2 Currently the system in Derby is facing significant pressure in terms of meeting the needs of children with SEND. The demand for Education, Health and Care Plans (EHCPs) in Derby has seen an increase of 49% to 1,895 EHCPs since 2016 and newly made EHCPs has more than doubled to 444. Mainstream schools are challenged by a greater complexity of need than they have historically dealt with, and there are clear trends in terms of increased EHCPs for autism and social and emotional behavioural needs.
- 7.7.3 Whilst additional funding of £4m for 2020-21 will alleviate some of the pressures it has been recognised that the additional funding for the High Needs Block will only really prevent the DSG falling into a deficit in the short term and that the medium to longer term will require some transformational changes to the system to ensure that outcomes are improved within the constraints of the funding envelope.
- 7.7.4 Since 2018/19 local authorities are able to transfer up to 0.5% of the gross Schools Block to High Needs following consultation with schools and the approval of the Schools Forum. Should the Schools Forum not approve a transfer approval can be sought from the Secretary of State. A transfer of greater than 0.5% of the gross Schools Block can only be made with the approval of the Secretary of State. There are no restrictions on transfers between other blocks. Approval for a transfer is only for the year it is enacted, further approvals are required annually. This was supported by the Schools Forum at their meeting in 21st January to apply in 2020/21.
- 7.7.5 It is the intention that the 0.5% top slice this is used in two ways; firstly to provide some additional funding to the High Needs Block and secondly to invest into making some transformational changes to the sector that will support the inclusion agenda and some of the areas for development as identified within the recent SEND Inspection. Consultation is on-going with the sector to design these transformational investment plans. It is recommended that the approval of these plans is delegated to the Strategic Director of People Services.

7.7.6 Table : High Needs Block Allocation

High Needs Block	2020/2021 £m	2019/2020 £m	Change £m
Allocation	40.345	36.140	4.205
Transfer from Schools Block	0.947	1.756	(0.809)
Import / Export Adjustment	0.366	(0.216)	0.582
Allocation including SB Transfer	41.658	37.680	3.978
Requirement			
Schools Block Transfer – Transformation Project	0.426	-	0.426
Additional High Needs Top Up in Schools (TA support)	4.000	2.380	1.620
Enhanced Resource Schools	2.826	3.315	(0.489)
Special Schools and Pupil Referral Units	17.972	17.075	0.897
Independent Special Schools	10.100	9.300	0.800
Post 16 High Needs Other Providers	4.186	3.086	1.100
High Needs Contingency for new in year costs	0.500	0.820	(0.320)
Alternative Provision	0.420	0.420	-
Hospital Education Provision	0.272	0.254	0.018
Other High Needs Support including Specialist Teaching Support	1.148	1.308	(0.160)
TOTAL Spend	41.850	37.958	3.892
Use of DSG Reserves	0.192	0.278	(0.086)

7.8 **Central School Services Block (CSSB) (£3.414m)**

The Central School Services Block (CSSB) was a newly created block and was introduced for the first time in 2018-2019. It funds local authorities for the statutory duties they hold for both maintained schools and academies. The CSSB brings together funding previously allocated through the retained duties element of the former Education Services Grant (ESG) and funding for ongoing central functions and historic commitments previously held within the Schools Block.

- 7.8.1 The Department for Education (Dfe) have indicated that the historic commitment elements of the CSSB will eventually cease which will mean eventually a loss of funding for Derby City Council of £2.7m as this funding is used to support services provided by the Council. For 2020 21 there is a reduction of £0.543m which has been adsorbed within the Council's MTFP.

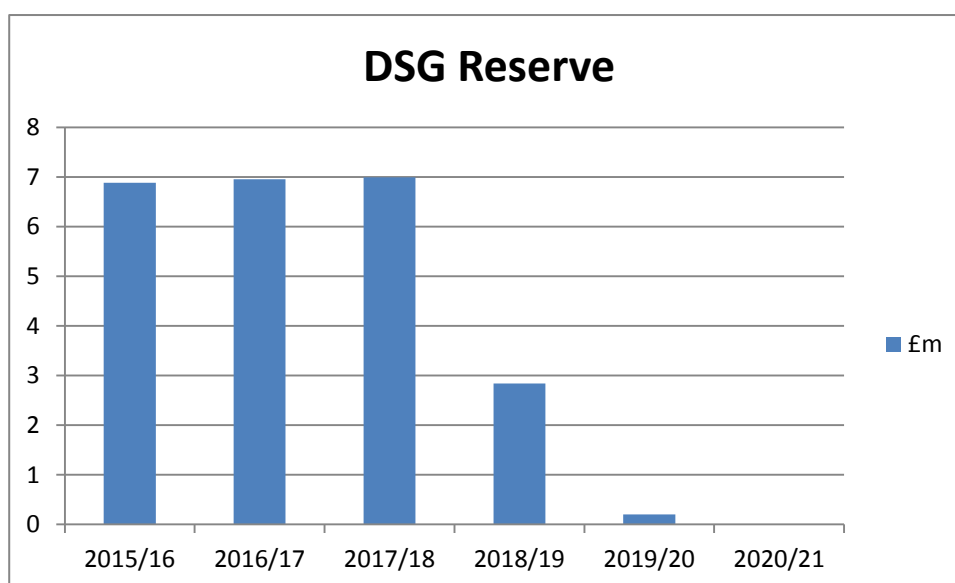
7.8.2 Table: Central Schools Block Allocation

Central Schools Services Block	2020/2021 £m	2019/2020 £m	Change £m
Allocation	3.414	3.955	(0.543)
Requirement			
Historic Commitments	1.410	1.874	(0.464)
Historic retirement costs	1.300	1.300	-
Admissions	0.314	0.394	(0.080)
School Forum	-	0.013	(0.013)
PRU borrowing	0.175	0.175	-
Copyright Subs balance	0.215	0.201	0.014
TOTAL Spent Reduction funded from General Fund in 2020 21	3.414	3.957	(0.543)

7.9

DSG Reserve

In recent years the demands from especially the High Needs Block has depleted the DSG reserve as illustrated below:



- 7.9.1 The Council is permitted by the DFE to operate a deficit budget of no more than 1% - this is £2.5m for 2020/21. Based on current levels of activity the Council is not forecasting a deficit budget in 2020/21 but our ability to respond to unplanned pressures with little or no reserves could mean that this becomes a reality. However, if demands in the High Needs Block continue there is the potential that the Council could breach the 1% deficit threshold and have to agree a deficit recovery plan during 2020/21.

8. Reserves

8.1 The MTFP includes a non-recurrent draw down of reserves in 2020/21 of £2.772m. This secures the Council's finances on a more sustainable basis over the MTFP period and beyond.

8.2 In preparing the MTFP, the previous plan to use significant reserves to support the Capital Programme was reviewed as this would have resulted in the Council having, in the view of the Director of Financial Services, insufficient reserves to respond to unplanned spending pressures, volatility of future changes in the funding framework and the ability to prudently use reserves on a planned basis to transform services and to secure financial sustainability in the future.

The MTFP has replaced £22.669m of reserve use supporting the Capital Programme with prudential borrowing, the costs of which are factored into the revised MTFP. The key project where this change applies is the A52 project, for which prudential borrowing is the most applicable financing source.

8.3 The planned use of reserves is detailed in Appendix 5 and summarised in the table below:

	Estimated Opening Balance 31.03.20 £m	Commitments £m	Residual Balances £m
General Fund	10.993	-	10.993
Earmarked Reserves	70.776	(54.520)	16.256
School Balances	4.549	(4.549)	-

However, it is important to note that through previous decisions and those contained within this MTFP there are commitments to use reserves beyond the MTFP period. This is illustrated in the diagram below:

8.4

Reserve Commitments		
Current Reserves 1st April 2019 £101.908m	Commitments £74.719	Remaining Reserve £27.189m
School Balances £8.049m	School Balances £8.049m	
General Fund £10.933m	Earmarked Revenue Reserves £22.520m	General Fund £10.933m
Revenue Earmarked Reserves £52.038m	Earmarked Corporate Reserves £8.660m	Revenue Earmarked Reserves £15.996m
	Reserves Supporting the Capital Programme £4.862m	
PFI Reserves £27.716m	PFI Reserves £27.716m	Capital Reserves £0.260m
Capital Reserves £3.172m	Capital Reserves £2.912m	

**table excludes HRA reserve balances*

- 8.5 The review of reserves is an integral part of a planned review of the balance sheet to ensure that the combination of the MTFP, capital strategy and balance sheet are aligned to ensure that investment is prioritised on priority outcomes on a sustainable basis for future years.
- 8.6 The level of reserves has been assessed as part of the budget process and is detailed in the Section 25 Report on the adequacy of reserves attached at Appendix 6. In addition, the level of reserves has been reviewed in light of the new CIPFA financial resilience index (detailed in the Section 25 report) which shows that Derby's reserves are in the middle of the range of available reserves when compared to Unitary Councils.

- 8.7 The Council is currently forecasting a £6.445m overspend at Quarter 3 in 2019/20. Whilst, management action plans are being implemented to hopefully reduce this overspend between now and year end the full charge of the overspend against the reserves is included in the table and diagram above. However, any residual overspend would be an additional commitment on the reserves detailed above.

9 Impact on Workforce

- 9.1 The proposals contained in this report will potentially reduce the workforce by an estimated 48.23 FTE posts if implemented across the three years. These are a combination of proposals agreed by Council in February 2019 for 2020/21 onwards and new proposals contained within this report and detailed in Appendix 4. The table below summarises the proposed workforce reductions over the MTFP period:

Directorate	Agreed (Feb 2019) FTE	New Proposals FTE	Total FTE
Peoples	-	2.00	2.00
Communities and Place	23.30	6.43	29.73
Corporate Resources	12.50	4.00	16.50
Total	35.80	12.43	48.23

These proposed post reductions will be managed through the deletion of vacancies where appropriate. Any potential redundancies will be carried out in line with the Council's Consultation, Restructuring and Redundancy Policy. Compulsory redundancies will be minimised, where possible.

10 Risk Management

- 10.1 The budget proposals in this report represent the Council's estimated revenue position for 2020/21 to 2022/23. The identified pressures and savings in future years will change as new factors give rise to different financial consequences in the course of time. Further savings and income generation proposals will need to be identified in future years to balance the MTFP.
- 10.2 The forecast budget for 2020/21 - 2022/23 highlights the manageable levels of savings required to balance the budget in the medium term. This will be reviewed on an on-going basis to find appropriate solutions.
- 10.3 The Government's 2020/21 spending review was a one year spending round; further clarification is still required for 2021/22 and 2022/23. Future levels of Government funding will be dependent on the spending review taking place in the autumn of 2020.
- 10.4 The budget is also modelled on a level of Council Tax increase for 2020/21 of 3.99% and 1.99% thereafter which may change if the Government allow future increases.

- 10.5 The Council must take a view on the risks detailed below and make sure reserves are set aside to address these. In relation to general risks the amount attributed to services includes a best estimate of service inflation and pressures. The Reserves and Adequacy report is included in the Director of Financial Services Section 25 report attached at Appendix 6.
- 10.6 Specific Risks - there are a number of specific risks associated with the planned budget.
- 10.7 Staffing Savings - the further reduction in staffing levels in 2020/21 could have an impact on service response which will need to be managed closely. To manage staff savings vacancy control will be considered, the deletion of vacant posts and voluntary redundancy wherever possible. Compulsory redundancy will be kept to a minimum.
- 10.8 Service Savings – with a significant volume of savings required in 2020/21 there is a risk of slippage through unforeseen delays and the timing of savings delivery. Plans within Directorates need to be managed robustly and services potentially reduced in order to identify alternative savings within each directorate to ensure a balanced position and therefore limit any use of reserves.
- 10.9 Income – the budget is supported by external income and services. The Council therefore need to continually develop creative plans to ensure that this level of income is sustained. Service areas have included proposals within the medium term to increase income which further increases this risk.
- 10.10 Council Tax – collection rates in Derby are forecast at 97.7% and this will need to be continually monitored. The budget also includes a level of known and assumed growth in the Council Tax base for 2020/21, 2021/22 and 2022/23, which is also not without risk.
- 10.11 Pensions – given the range of changes to the future workforce profile, market performance and potential changes to the scheme, this remains as a key risk, which will need to be monitored.
- 10.12 Redundancy Payments – It is anticipated that we have sufficient reserves to finance the required one-off payments for 2020/21 if any redundancy payments are required as a result of the proposals, however the actual impact is only known when specific details come forward, this will need to be monitored throughout the year.
- 10.13 Reserves – The balance of using and holding reserves is a risk that is regularly reviewed.
- 10.14 Treasury Management – the current financial climate impacts on our borrowing and investment strategies, which support the revenue budget and capital programmes. The Council continue to monitor these on a regular basis.
- 10.15 Inflation – Levels of inflation will continue to be monitored to assess the level of risk exposure, and how any such risks could be addressed within existing budgets.

- 10.16 Retained Business Rates – The Council has been liable to pay 49% of the cost of any successful rating appeals. Changes to budget and large appeals cause fluctuations in level of income the Council collects. The Council holds a provision for appeals. The risk is that this provision may not be enough.
- 10.17 Further Opportunities and Risks - The current budget proposals show a balanced revenue budget position for 2020/21. With a legal requirement to set a balanced budget for 2020/21 this position is reliant upon delivering permanent savings of £4.746m during 2020/21 and the Council will face significant challenges in ensuring that these targets are met. The future outlook remains uncertain. The impact of moving to a 75% retained business rates system and fair funding by 2021/22 is still being developed nationally. In all formula changes there are winners and losers across local authorities and this remains a concern.
- 10.18 Future Outlook - Brexit and the future of Social Care bring uncertainty to the national financial outlook as a whole, which could have significant impact on both the Councils funding, but also spending. The medium term plan will be updated as certainty becomes clearer.
11. **Budget Equality Impact Assessments**
- 11.1 The Council has to make sure it pays due regard to the Public Sector Equality Duty during the budget planning process. So we understand whether the budget proposals will have a negative or positive impact on any groups with protected characteristics or could result in direct or indirect discrimination, we complete Equality Impact Assessments – EIA's.
- 11.2 The Council have undertaken a detailed screening process of all pressures and savings proposals identified as part of the 2020/21 budget setting process. This screening focuses on both financial and service factors to determine whether specific equality impact assessments were required. For the financial assessment a significance level of £0.200m as a nominal figure has been used. All relevant EIA's are published on the Council's website and have been considered as part of this report – councillors are reminded that they also need to consider the equality implications before a decision is made. <https://www.derby.gov.uk/community-and-living/equality-diversity/equality-impact-assessments/>
- 11.3 This screening process has allowed the Council to identify key pressures and savings for which an EIA is required. The level of potential risk associated with each proposal has also been considered and all high risk areas were considered to require a specific equalities impact assessment. Lower risk proposals have been considered at a directorate-wide level. For those service areas requiring a significant review, EIAs for specific proposals are currently being developed as part of the project planning work in each case.
- 11.4 The impact of some savings could affect certain groups disproportionately, given the scale of savings required and the level of existing budget supporting customers with a high level of need. However, the Council has considered the impact across all service areas and believes that the approach taken is appropriate in order to reach a balanced position.

12. Public/Stakeholder Engagement

- 12.1 The MTFP process has been through officer, councillor and Cabinet engagement. This report outlines all the approved proposals to date (including those approved at February and November Council), plus those new proposals requiring approval and consultation.
- 12.2 The Council carried out a detailed consultation exercise between 14th November 2019 to 02nd January 2020 with Councillors, key stakeholder groups, members of the public, Trade Unions and the business community. Further details of the consultation process and feedback are included in Appendix 9. The consultation document can be found on the council's website.
- 12.3 The Council carries out consultation on its spending proposals on an on-going basis. The outcomes of many pieces of consultation have influenced what cabinet members and officers have put forward as proposals in this budget. Therefore, when the Council budget proposals are made public each year, maximum effort goes in to communicating the proposals. The Council also carry out a detailed consultation process with Councillors through the Council's Scrutiny Boards and the meetings with statutory bodies including the trade unions and business community.
- 12.4 Consultation has taken place through:
- a. Special meeting of the Council's Executive Scrutiny Board on 7th January. Minutes are attached at Appendix 12
 - b. Meetings including representatives from Business Ratepayers on 22nd January. Minutes are attached at Appendix 10
 - c. Notes from to young people through 'Voices in Action' meeting on 16th November. The notes are attached at Appendix 11
 - d. Publishing of all relevant budget proposal information on the Council's website.
 - e. Meetings and forums with Trade Unions and Staff forums
- 12.5 Cabinet are reminded that they should consider outcomes of consultation and scrutiny prior to recommending the MTFP and associated budgets to Council
- ## **13 Other options**
- 13.1 None, The Council is required to set a balanced revenue and capital budget for 2020/21 by 11th March 2020.
- ## **14 Financial and value for money issues**
- 14.1 The financial and value for money implications are outlined in detail within the report.

14.2 Revenue implications of capital schemes will need to be considered as part of the options appraisal undertaken before each scheme commence, and will be built into future revenue budgets as appropriate. Funding from unsupported borrowing in 2019/20 - 2021/22 is dependent on the approval of the revenue budget.

14.3 The Director of Financial Services has assessed Budget, its delivery and adequacy in the required Section 25 report attached at Appendix 6 and has concluded:

‘The levels of reserves, balances and contingencies held are in my opinion adequate. Clearly, there are risks in the achievement of some of the proposed savings and/or income generation proposals. Whilst it is not possible to guarantee that every single proposal will be achieved.

I consider the overall package to be prudent and affordable, and I am assured of the robustness of the projected savings, and the extent of rigour in their calculation. The retained level of earmarked reserves and general fund balance are sufficient to address and mitigate any unplanned cost pressures or funding changes in the short and medium term.

In my opinion, the estimates are sufficiently robust to allow the Council to set the Revenue Budget, Capital Programme, HRA Budget, Dedicated Schools Grant and Council tax for 2020/21. The budget strategy, level of reserves and MTFP provides a sound approach for balancing the budget in future years.’

15 **Legal implications**

15.1 The report demonstrates that the Council is taking appropriate action to meet its statutory requirement to deliver a balanced budget. What has also become clear during the recessionary period of the past decade is that the public and other stakeholders are becoming more aware of the impact of successive budget cuts. The need to consult before any final decisions are made that translate into a service delivery change is acknowledged within the report. Equally important is the need to ensure that the Council complies with the public sector equality duty and undertakes an assessment of the impact of the savings proposals that may be agreed across all impacted sectors prior to a final budget decision being made.

15.2 It is important to ensure that where changes to public services are proposed particularly in relation to welfare provision, whether that is in the manner of provision or as a result of the need to accommodate budget reductions, consultation with relevant stakeholders is undertaken and its outcome and implications are considered prior to a final decision being made.

15.3 Equally important is the need to demonstrate compliance with the public sector equality duty by undertaking an equality impact assessment and for its outcome and implications to be considered. The report identifies proposals which, if approved, will affect children, older adults and disabled children, all of which groups are statutorily protected equality characteristics under the Equality Act 2010.

- 15.4 The rules governing decisions on the capital programme are set out in the Local Government Act 2003 and in regulations and guidance issued under the Act, including the Prudential Code for Capital Finance in Local Authorities issued by CIPFA. This allows for additional unsupported borrowing provided that this is consistent with the Prudential Code, particularly in terms of affordability.
- 15.5 The Council is required to set a legal balanced budget by 11th March each year

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal		
Finance	Toni Nash, Amanda Fletcher and Alison Parkin	27/01/2020
Service Director(s)	Simon Riley	27/01/2020
Report sponsor	Simon Riley	27/01/2020
Other(s)	Ann Webster	27/02/2020
	Liz Moore	29/01/2020

For more information contact:	Toni Nash Head of Finance, Corporate Resources
Background papers:	Budget consultation documents and strategy reports
List of appendices:	Appendix 1 – MTFP Summary Appendix 2 – Changes to Grant funding 2020/21 Appendix 3a – Revenue Budget Summary 2020/21 Appendix 3b – Revenue Budget Summary 2021/22 Appendix 3c – Revenue Budget Summary 2022/23 Appendix 4a – Schedule of Budget Savings Appendix 4b – Schedule of Budget Pressures Appendix 5 – Reserves Appendix 6 – Section 25 Reserves and Adequacy Report Appendix 7 – Reserves Policy Appendix 8 – Key Themes Appendix 9 – Consultation Feedback Appendix 10 – Non Domestic Rates Budget Consultation Minutes Appendix 11 – Extract from Voices in Action Minutes Appendix 12 – Minutes from Executive Scrutiny Board Appendix 13 – Summary Capital Expenditure Programme 2020/21 – 2022/23 General Fund Appendix 14 – Summary of unsupported borrowing Appendix 15 – Minimum Revenue Position 2020/21 Appendix 16 – Prudential Indicators 2019/20 to 2022/23 Appendix 17 – Capital Strategy 2020/21 Appendix 18 – The proposed HRA capital programme for 2020/21 to 2022/23.

Medium Term Financial Plan 2020/21 to 2022/23
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	Draft MTFP		
	2020/21 £m	2021/22 £m	2022/23 £m
FUNDING			
- Retained Business Rates	62.442	63.691	64.965
- Core Government Grants	13.990	14.174	13.992
- Council Tax	102.552	105.909	109.296
- Estimated Surplus/(Deficit) on Collection Fund (one-off)	(2.580)	0.000	0.000
- Better Care Fund	23.951	24.122	24.296
- Public Health	19.274	19.274	19.274
- Other Grants	18.571	17.456	18.304
Total Resources Available	238.200	244.627	250.127
BUDGET			
People Services:			
Adults & Health:			
- Employee Costs	17.514	17.886	18.265
- Running Costs	71.986	74.435	76.690
- Public Health	15.435	15.435	15.435
- Inflation Estimates	1.302	1.336	1.336
- Grant Income	(3.500)	(3.500)	(3.500)
- Other Income (<i>Client Contributions, FNC, Joint Funding</i>)	(10.677)	(10.966)	(11.264)
- Pressures	1.830	1.400	1.400
- Savings	(0.600)	(0.400)	0.000
Adults & Health Net Budget:	93.290	95.626	98.362
Children & Young People:			
- Employee Costs	37.774	39.810	40.500
- Running Costs	261.630	264.795	265.256
- Inflation Estimates	1.072	1.082	1.082
- Grant Income	(241.060)	(241.060)	(241.060)
- Other Income	(1.790)	(1.796)	(1.803)
- Pressures	5.119	1.025	0.975
- Savings	(0.996)	(0.964)	(0.764)
Children and Young People Net Budget:	61.749	62.892	64.185
Peoples Total Net Budget:	155.039	158.518	162.547
Communities and Place:			
- Employee Costs	33.832	34.556	35.125
- Running Costs	42.084	44.975	45.836
- Inflation Estimates	0.907	0.680	0.680
- Grant Income	(1.987)	(1.987)	(1.987)
- Other Income	(34.773)	(35.174)	(35.444)
- Pressures	3.723	0.812	(1.160)
- Savings	(1.415)	(0.333)	(0.200)
Communities and Place Net Budget:	42.371	43.529	42.850

Corporate Resources:			
- Employee Costs	28.644	29.530	30.098
- Running Costs - <i>includes Housing Benefits</i>	90.779	90.951	90.701
- Inflation Estimates	0.721	0.638	0.638
- Grant Income - <i>Includes Housing Benefit</i>	(72.887)	(72.887)	(72.887)
- Other Income	(13.685)	(13.784)	(13.889)
- Pressures	0.988	(0.005)	0.000
- Savings	(0.750)	(0.420)	(0.045)
Corporate Resources Net Budget:	33.810	34.023	34.616
Corporate:			
- Treasury Management	8.381	8.549	10.417
- Bank Charges	0.080	0.080	0.080
- Pension Cost	0.564	2.067	2.067
- Transport Act	0.081	0.081	0.081
- Schools DSG Grant Income - Corporate	(0.284)	(0.284)	(0.284)
- Corporate Contingency Fund	(0.306)	(0.946)	(0.946)
- Corporate Revenue Budget Contingency	0.265	0.205	0.205
- Pressures - <i>Including Council Wide pressures</i>	1.956	2.026	2.198
- Savings - <i>Including Council Wide pressures</i>	(0.985)	(0.158)	(0.750)
Corporate Net Budget:	9.752	11.620	13.068
Net Budget (prior to movement in reserves)	240.972	247.690	253.081

Operating Surplus/(Deficit) before use of Reserve	-2.772	-3.064	-2.954
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Reserves			
- Use of reserves - MTFP	(0.192)		
- Use of reserves - Business Rates Pilot reserve	(2.580)		
Net Budget Requirement after use of Reserves	238.200	247.690	253.081
Budget Gap/(Surplus)	0.000	3.064	2.954
Total Budget	238.200	250.754	256.036

<i>Total Savings Identified:</i>	<i>(4.746)</i>	<i>(2.275)</i>	<i>(1.759)</i>
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<i>Total Savings as per 19/20 MTFP</i>	<i>(3.719)</i>	<i>(1.436)</i>	<i>(0.658)</i>
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Net Budget Requirement	238.200	247.690	253.081
Total Resources Available (Funding)	(238.200)	(244.627)	(250.127)
Budget Gap/(Surplus)	0.000	3.064	2.954

Changes to Funding

Funding Statement	Final	Final	Difference	
	2019/20 £m	2020/21 £m	£m	%
<u>REVENUE SUPPORT GRANT, TOP UP AND BUSINESS RATES</u>				
Revenue Support Grant	12.524	12.728		
Retained Business Rates	47.631	45.890		
Business Rates Top-Up Grant	16.287	16.552		
Prior Year Business Rates Collection Fund Surplus / (Deficit)	(6.074)	(1.639)		
REVENUE SUPPORT GRANT & BUSINESS RATES	70.368	73.531	3.163	4.50%
<u>SPECIFIC GRANTS</u>				
- Public Health Grant	18.749	19.274		
- Education Services Grant	0.605	0.400		
- Housing and Council Tax Subsidy Admin Grant	1.114	1.026		
- Better Care Fund	21.864	23.951		
- New Homes Bonus	1.694	1.262		
- Independent Living Fund	1.067	1.035		
- Extended Rights to Free Travel	0.083	0.083		
- Local Reform and Community Voices Grant	0.049	0.163		
- SFA s31 grant business rates cap, SBRR, Retail Relief	3.021	6.599		
- Troubled Families	0.960	0.852		
- Adult Social Care and Children's one off funding	3.109	7.050		
- Lead Local Flood	0.015	0.015		
- Business Rates Levy Surplus		1.348		
Total Specific Grants	52.330	63.058	10.728	20.50%
REVENUE SUPPORT GRANT, BUSINESS RATES & SPECIFIC GRANTS	122.698	136.589	13.891	11.32%
<u>COUNCIL TAX</u>				
Council Tax Requirement	97.323	102.552		
Prior Year Collection Fund Surplus / (Deficit)	0.588	(0.941)		
Total Council Tax	97.911	101.610	3.699	3.78%
Total Resources	220.609	238.200	17.591	7.97%

- New Homes Bonus is subject to a government review in Spring 2020 which could affect the forecasts included for 2021/22 and 2022/23

Overall Summary by Directorate - Revenue Budget 2021/22

SERVICE ACTIVITY	Controllable 2020/21 Base Budget £m	Budget Changes			Controllable 2021/22 Base Budget £m
		Inflation	Pressures	Savings	
		£m	£m	£m	
Directorates:					
People Services	155.039	2.418	2.425	(1.364)	158.518
Communities and Place	42.371	0.680	0.812	(0.333)	43.530
Corporate Resources	43.562	0.638	2.021	(0.578)	45.643
Total Directorate Budgets	240.972	3.736	5.258	(2.275)	247.691
Transfer to/(from) reserves:					
To/(from) corporate reserves	(2.772)				0
NET BUDGET REQUIREMENT	238.200				247.691
Funded By:					
Retained Business Rates	(45.890)				(46.808)
Business Rates Top Up Grant	(16.552)				(16.883)
Core Government Grants	(13.990)				(14.174)
Collection fund (surplus)/deficit	2.580				0
Income raised from Council Tax	(102.552)				(105.909)
Other Specific Grants	(61.796)				(60.853)
TOTAL RESOURCES	(238.200)				(244.627)
BUDGET GAP	0				3.064

Overall Summary by Directorate - Revenue Budget 2022/23

SERVICE ACTIVITY	Controllable 2021/22 Base Budget	Budget Changes			Controllable 2022/23 Base Budget
		Inflation	Pressures	Savings	
	£m	£m	£m	£m	£m
Directorates:					
People Services	158.518	2.418	2.375	(0.764)	162.547
Communities and Place	43.530	0.680	-1.160	(0.200)	42.850
Corporate Resources	45.643	0.638	2.198	(0.795)	47.684
Total Directorate Budgets	247.691	3.736	3.413	(1.759)	253.081
Transfer to/(from) reserves:					
To/(from) corporate reserves	0				0
NET BUDGET REQUIREMENT	247.691				253.081
Funded By:					
Retained Business Rates	(46.808)				(47.744)
Business Rates Top Up Grant	(16.883)				(17.221)
Core Government Grants	(14.174)				(13.992)
Collection fund (surplus)/deficit	0				0
Income raised from Council Tax	(105.909)				(109.296)
Other Specific Grants	(60.853)				(61.874)
TOTAL RESOURCES	(244.627)				(250.127)
BUDGET GAP	3.064				2.954

Peoples - Adults Savings			Appendix 4a				
Service	Saving Proposal	Brief Saving Description	20/21 Proposed Saving £m	21/22 Proposed Saving £m	22/23 Proposed Saving £m	Total Saving £m	Potential number of FTE's reduction
Existing Savings formally signed off by Full Council Meeting on 27 February 2019:							
Adult Services	Service Efficiencies	Review of Adults Care Packages - Undertake a review of Adult care packages where there is the potential to incorporate an asset based approach to meet eligible needs	(0.500)	-	-	(0.500)	-
Adult Services	Income Generation	Care Link - Efficiencies from review of Carelink Service	(0.100)	-	-	(0.100)	-
Total Existing Savings:			(0.600)	0.000	0.000	(0.600)	-
Savings approved at 13th November 2019 Cabinet:							
Adult Services	Contract Efficiencies	Extra Care - A review of the commissioned model for additional support	-	(0.200)	-	(0.200)	-
Adult Services	Service Efficiencies	Review of Adults Care Packages - Undertake a review of Adult care packages where there is the potential to incorporate an asset based approach to meet eligible needs	-	(0.200)	-	(0.200)	-
Total Savings approved at 13th November 2019 Cabinet:			-	(0.400)	-	(0.400)	-
TOTAL ADULTS SAVINGS			(0.600)	(0.400)	0.000	(1.000)	-
Peoples - Children's Savings							
Service	Saving Proposal	Brief Saving Description	20/21 Proposed Saving £m	21/22 Proposed Saving £m	22/23 Proposed Saving £m	Total Saving £m	Potential number of FTE's reduction
Existing Savings formally signed off by Full Council Meeting on 27 February 2019:							
Children's Services	Service Efficiencies	A remodelling of Child Placement Service through Social Impact Bonds - A reduction in the costs of placements for looked after children as their care packages are stepped down from high cost residential packages to supported foster care	(0.296)	(0.364)	(0.364)	(1.024)	-
Children's Services	Service Efficiencies	Foster Care - Recruitment of foster carers. Savings deliverable from an increased rate of recruitment and a reduction in the use of agency fostering placements	(0.200)	(0.200)	-	(0.400)	-
Total Existing Savings:			(0.496)	(0.564)	(0.364)	(1.424)	-
Savings approved at 13th November 2019 Cabinet:							
Children's Services	Service Efficiencies	Foster Care - Recruitment of foster carers. Further savings deliverable from an increased rate of recruitment and a reduction in the use of agency fostering placements	(0.200)	(0.200)	(0.200)	(0.600)	-
Children's Services	Service Efficiencies	Edge of care services and reconfiguration of the 'front door' - Reconfiguration of the access and referrals into Children's Social Care	(0.200)	(0.200)	(0.200)	(0.600)	-
Children's Services	Staffing Efficiencies	Early Help - Management Restructure	(0.100)	-	-	(0.100)	2
Total Savings approved at 13th November 2019 Cabinet:			(0.500)	(0.400)	(0.400)	(1.300)	2.0
TOTAL CHILDREN'S SAVINGS:			(0.996)	(0.964)	(0.764)	(2.724)	2.0
TOTAL PEOPLES SAVINGS:			(1.596)	(1.364)	(0.764)	(3.724)	2.0

Communities and Place Savings							
Service	Saving Proposal	Brief Saving Description	20/21 Proposed Saving £m	21/22 Proposed Saving £m	22/23 Proposed Saving £m	Total Saving £m	Potential number of FTE's reduction
Existing Savings formally signed off by Full Council Meeting on 27 February 2019:							
Libraries Services	Service Efficiencies	Strategic Review of Libraries - The council will continue to implement the actions from the Library Strategic Review - Saving Reprofiled to 2020/21	(0.336)	-	-	(0.336)	18.3
Housing Management	Income Generation	Carelink - Extend Carelink provision across all Council owned supported housing	(0.280)	-	-	(0.280)	-
Environmental Protection	Service Efficiencies	Neighbourhood Working - Extended approach to Neighbourhood working through an increase in number of Community Protection Officers and the addition of enforcement powers to incorporate parking offences. There will be a refocus of the Neighbourhood team to community engagement and development and the re-establishment of a small neighbourhood devolved fund.	(0.065)	(0.150)	-	(0.215)	-
Leisure	Service Efficiencies	Queens Leisure Closure - Following the opening of the new swimming pool, there is an expectation that Queens Leisure Centre would be closed.	-	-	(0.200)	(0.200)	-
Highways Maintenance and Parks	Service Efficiencies	Highways/Parks Inspectors - Creation of a hybrid Highway Inspector/Park Ranger/Arb Inspector role	-	(0.114)	-	(0.114)	3.0
Leisure	Income Generation	Generate additional income in Leisure through the development of activities and events	(0.100)	-	-	(0.100)	-
Leisure and Culture	Staffing Efficiencies	Revenue savings being identified from further staff efficiencies and vacancies	(0.085)	-	-	(0.085)	2.0
Highways Maintenance	Service Efficiencies	Efficiencies in Highway Maintenance resources - Efficiency generated by moving to new Code of Practice	(0.020)	-	-	(0.020)	-
Total Existing Savings:			(0.886)	(0.264)	(0.200)	(1.350)	23.3
Savings approved at 13th November 2019 Cabinet:							
Public Protection and Streetpride	Staffing Efficiencies	Land, Flood and Drainage Reduction - Staff Efficiencies	(0.113)	-	-	(0.113)	3.0
Public Protection and Streetpride	Staffing Efficiencies	Grounds Maintenance, Trading Standards & Asst. Compliance Officer - Staffing Efficiencies	(0.091)	-	-	(0.091)	3.0
Planning & Transport	Income Generation	Parking Efficiencies - Additional income through MiPermit App and Virtual Permits	(0.084)	-	-	(0.084)	-
Planning & Transport	Income Generation	Parking Efficiencies - Introduction of selective night time enforcement & introduction of second camera car	(0.080)	-	-	(0.080)	-
Leisure, Culture and Tourism	Service Efficiencies	Allestree Golf Course option	-	(0.069)	-	(0.069)	-
City, Development & Growth	Income Generation	Strategic Housing Income increase through HRA work	(0.040)	-	-	(0.040)	-
City, Development & Growth	Service Efficiencies	Economic Growth - Remodel funding for economic development	(0.038)	-	-	(0.038)	-
Planning & Transport	Income Generation	Parking Efficiencies - Introduction of PCN online tool	(0.025)	-	-	(0.025)	-
Planning & Transport	Income Generation	Parking Efficiencies - Additional parking enforcement through signage	(0.022)	-	-	(0.022)	-
Planning & Transport	Staffing Efficiencies	Traffic and Transport - Staff Efficiencies from vacant post and removal of subsidy for 17A bus service	(0.020)	-	-	(0.020)	0.43
Planning & Transport	Contract Efficiencies	Parking Efficiencies - Efficiencies through new debt registration contract	(0.016)	-	-	(0.016)	-
Total Savings approved at 13th November 2019 Cabinet:			(0.529)	(0.069)	-	(0.598)	6.43
TOTAL COMMUNITIES AND PLACE SAVINGS:			(1.415)	(0.333)	(0.200)	(1.948)	29.73

Corporate Resources Savings							
Service	Saving Proposal	Brief Saving Description	20/21 Proposed Saving £m	21/22 Proposed Saving £m	22/23 Proposed Saving £m	Total Saving £m	Potential number of FTE's reduction
Existing Savings formally signed off by Full Council Meeting on 27 February 2019							
Property Services	Contract Efficiencies	More efficient use of Consultants and Contracts to deliver a percentage saving on spend	(0.125)	(0.125)	-	(0.250)	-
Property Services	Property management savings	Planned closure of Queens Leisure Centre upon opening of the new swimming facility resulting in savings in property management costs	-	(0.225)	-	(0.225)	-
Property Services	Staffing Efficiencies	Staffing efficiencies and reviewing of delivery of Facilities Management functions	(0.128)	-	-	(0.128)	4.0
Business Support	Staffing Efficiencies	Staffing Efficiencies within Business Support	(0.062)	-	-	(0.062)	7.0
Business Support	Contract Efficiencies	Multi-Functional Device reduction & cost/copy savings - Reduction in Print Management Contract	(0.050)	-	-	(0.050)	-
Property Services	Mileage Efficiencies	A review of business travel aimed at reducing mileage the demand management and reducing the use of employee vehicles ("grey fleet") to generate financial savings.	(0.035)	-	-	(0.035)	-
Property Services	Staffing Efficiencies	Using functionality of the Strategic Asset Management system to enable staffing efficiencies	(0.025)	-	-	(0.025)	1.0
Property Services	Buildings Energy Conservation Savings	Develop Buildings Energy Management Improvement Plan, accessing Salix and other funds to achieve energy saving efficiency of our core buildings. An initial plan to improve the top 10 high consumption or poor energy rating buildings	(0.025)	-	-	(0.025)	-
Human Resources and Organisational Development	Staffing Efficiencies	Organisational Development - Reduction in future provision of service	(0.022)	-	-	(0.022)	0.5
Business Support	Income Generation	Providing Document Management Support to Department of Work and Pensions and Lister House	(0.005)	-	-	(0.005)	-
Property Services	Income Generation	Identification and sale of small pieces of land to generate an ongoing revenue saving - this is 'one off' only for next two years as based on number of small land holdings	(0.020)	(0.020)	0.060	0.020	-
Total Existing Savings:			(0.497)	- 0.370	0.060	(0.807)	12.5
Savings approved at 13th November 2019 Cabinet:							
IT	Contract Efficiencies	Application and Contract Review in IT Services (saving to offset Digital Strategy pressure)	(0.163)	-	-	(0.163)	3.0
Business Support	Postage Savings	Document Management Centre (DMC) Reduction In Postage Costs	-	(0.025)	(0.075)	(0.100)	-
Property Services	Staffing Efficiencies	Staffing Efficiencies - Health and Safety	(0.045)	-	-	(0.045)	1.0
Property Services	Income Generation	Increase in Identification and sale of small pieces of land to generate an ongoing revenue saving	(0.010)	(0.010)	(0.020)	(0.040)	-
Business Support	Income Generation	Business Support - Document Management Centre (DMC) income generation (external service offer with NHS and Derby Homes)	(0.025)	-	-	(0.025)	-
Business Support	Income Generation	Document Management Centre (DMC) Additional Income Generation	-	(0.010)	(0.010)	(0.020)	-
Democracy Service	Income Generation	Schools Appeals - Increased Income due to provision of appeals service	(0.010)	-	-	(0.010)	-
Democracy Service	Income Generation	Civic Services Income - Hire of the civic suite for functions and charging for Council House tours in conjunction with Derby LIVE	-	(0.005)	-	(0.005)	-
Total Savings approved at 13th November 2019 Cabinet:			(0.253)	(0.050)	(0.105)	(0.408)	4.0
TOTAL CORPORATE RESOURCES SAVINGS			(0.750)	(0.420)	(0.045)	(1.215)	16.5

Corporate Savings							
Service	Saving Proposal	Brief Saving Description	20/21 Proposed Saving £m	21/22 Proposed Saving £m	22/23 Proposed Saving £m	Total Saving £m	Potential number of FTE's reduction
Existing Savings formally signed off by Full Council Meeting on 27 February 2019:							
Corporate	Treasury Management Savings	Treasury Management Review based on capital requirement (caveat treasury management/capital budgets will continue to be reviewed inline with the capital programme)	(0.235)	(0.158)	(0.154)	(0.547)	-
Total Existing Savings:			(0.235)	- 0.158	(0.154)	(0.547)	-
Savings approved at 13th November 2019 Cabinet:							
Corporate	Treasury Management Savings	Treasury Management Review (caveat treasury management/capital budgets will continue to be reviewed inline with the capital programme)	-	-	(0.596)	(0.596)	-
Council Wide	Staffing Efficiencies	Corporate Themes - Layers and Levels	(0.250)	-	-	(0.250)	TBC
Council Wide	Investments	Corporate Themes - Commercialisation	(0.250)	-	-	(0.250)	-
Corporate	Income Generation	Annual Leave Purchase Saving (All Directorates)	(0.150)	-	-	(0.150)	-
Corporate	Staffing Efficiencies	Bringing trade union facility time into line with our comparator councils	(0.040)	-	-	(0.040)	-
Corporate	Base Budget Reduction	Base Budget Realignment	(0.060)	-	-	(0.060)	-
Total Savings approved at 13th November 2019 Cabinet:			(0.750)	-	(0.596)	(1.346)	-
TOTAL CORPORATE SAVINGS:			(0.985)	(0.158)	(0.750)	(1.893)	-
TOTAL CORPORATE RESOURCES SAVINGS:			(1.735)	(0.578)	(0.795)	(3.108)	16.5

Peoples Pressures - Adults				Appendix 4b	
Service	Pressures	2020/21	2021/22	2022/23	TOTAL
		£m	£m	£m	£m
Existing Pressures formally signed off by Full Council Meeting on 27 February 2019:					
Adult Services	Demographic social care pressures	0.355	0.400	0.400	1.155
Total Existing Pressures		0.355	0.400	0.400	1.155
Pressures approved at 13th November 2019 Cabinet:					
Adults	Demand/Demographic Pressures	-	1.000	1.000	2.000
Adults	National Living Wage	0.698	-	-	0.698
Public Health	Livewell	0.300	-	-	0.300
Adults	Winter Pressures enhanced service	0.252	-	-	0.252
Public Health	Public Health - Potential growth Pressure (New Burdens) total growth £525k but £300k pressure already included for Livewell above.	0.225	-	-	0.225
Total Pressures approved at 13th November 2019 Cabinet:		1.475	1.000	1.000	3.475
TOTAL ADULTS PRESSURES:		1.830	1.400	1.400	4.630
Peoples Pressures - Children's					
Service	Pressures	2020/21	2021/22	2022/23	TOTAL
		£m	£m	£m	£m
Pressures approved at 13th November 2019 Cabinet:					
Children's	DSG - Central Services Schools Block pressure	0.543	1.000	0.850	2.393
Children's	Children's Agency Placements - looked after children placements	2.006	-	-	2.006
Children's	Social Work Teams - Incremental pay pressure	0.800	-	-	0.800
Children's	An increase in demand in Home to School Transport for children with special educational needs and disabilities	0.750	-	-	0.750
Children's	The use of agency social workers to cover long term absence	0.510	-	-	0.510
Children's	Looked after Children demographic pressure	0.125	0.125	0.125	0.375
Children's	To provide continued capacity in relation to SEND service as a result of Send Reform Grant ending	0.150	-	-	0.150
Children's	Adoption - Additional costs due to the transfer of the service to the Regional Adoption Agency (RAA)	0.075	-	-	0.075
Children's	Children's - SEND WSOA Project Management	0.100	(0.100)	-	-
Children's	Education Health and Care Plan preperation (EHCP)	0.060	-	-	0.060
Total Pressures approved at 13th November 2019 Cabinet:		5.119	1.025	0.975	7.119
TOTAL CHILDREN'S PRESSURES:		5.119	1.025	0.975	7.119
TOTAL PEOPLES PRESSURES:		6.949	2.425	2.375	11.749

Communities and Place Pressures

Service	Current Pressures	2020/21	2021/22	2022/23	TOTAL
		£m	£m	£m	£m
Existing Pressures formally signed off by Full Council Meeting on 27 February 2019					
Leisure and Culture	Moorways Swimming Pool Potential Running Costs	-	0.400	-	0.400
Leisure and Culture	Museums - Predicted shortfall in attracting third party funding for operational costs	0.250	-	-	0.250
Leisure and Culture	Moorways Swimming Pool Pre opening costs	0.100	0.700	(0.800)	-
Leisure and Culture	New Assembly Rooms revenue support operational and property maintenance	0.359	(0.114)	(0.269)	(0.024)
Arbore cultural	Tree Management (Part removal of pressure agreed in 18/19).	(0.100)	-	-	(0.100)
Waste	Free Garden Waste Collection Service (Original pressures in 19/20 due to be reduced by £184k in 20/21)	(0.184)	-	-	(0.184)
Total Existing Pressures		0.425	0.986	(1.069)	0.342
Pressures approved at 13th November 2019 Cabinet:					
Waste	Waste Collection and Disposal	2.207	-	-	2.207
Leisure and Culture	Additional Pressure for Museums management fee	0.250	-	-	0.250
Traffic and Transport	Sovereign Car Park Loss of Income due to Castleward proposals	0.150	-	-	0.150
Regeneration	Enterprise for Education (E4E) on going funding	0.100	-	-	0.100
Traffic and Transport	Concessionary Fares	0.100	-	-	0.100
Streetpride	Fuel	0.050	-	-	0.050
Markets	Markets - Underachievement of income	0.045	(0.045)	-	-
Total Pressures approved at 13th November 2019 Cabinet:		2.902	(0.045)	-	2.857
New Pressures					
Housing	Tall Buildings Capacity	0.120	(0.029)	(0.091)	-
Regeneration	Marketing Derby	0.036	-	-	0.036
Regeneration	City Vision Consultancy	0.100	(0.100)	-	-
Regeneration	Opportunity Fund	0.140	-	-	0.140
Total New Pressures		0.396	(0.129)	(0.091)	0.176
TOTAL COMMUNITIES AND PLACE PRESSURES:		3.723	0.812	(1.160)	3.375

Corporate Resources Pressures					
Service	Pressures	2020/21	2021/22	2022/23	TOTAL
		£m	£m	£m	£m
Existing Pressures formally signed off by Full Council Meeting on 27 February 2019:					
Property Services	Property Maintenance - pressure caused by transfer of property to third party service providers whilst retaining full responsibility for maintenance	0.125	-	-	0.125
Legal, Procurement and Democratic Services	Legal Services - Increased workload in legal support including new service areas for example environment enforcement strategy (CPNs), corporate fraud, education welfare and licensing, as well as emerging public law areas of challenge in the Peoples Directorate	0.080	-	-	0.080
Total Existing Pressures:		0.205	-	-	0.205
Pressures Approved at 13th November 2019 Cabinet:					
IT Services	Digital Strategy Emergent Pressures (self-funded within IT - see Application and Contract Review saving included to fund this set of pressures)	0.163	-	-	0.163
Property Services	REMOVAL of free staff and Councillor car parking and implementing charges for permits	0.146	-	-	0.146
IT Services	Wider workforce participation Team Derby (Access to email)	0.139	-	-	0.139
Legal Services	Legal Services - Additional Resource - This is an Invest to Save Scheme to reduce pressures to mitigate increased demand and consequential budget pressure in the Peoples directorate	0.072	-	-	0.072
Property Services	Loss of income at Kedleston Road due to Derbyshire library service vacating part of the building	0.070	-	-	0.070
Human Resources	Employee Assistance Programme contract review	0.065	-	-	0.065
Corporate Core	Consultation Support Officer - Making permanent an existing post which has previously been funded from temporary solutions	0.036	0.012	-	0.048
Total Pressures Approved at 13th November 2019 Cabinet:		0.691	0.012	-	0.703
Proposed New Pressures:					
Human Resources	Base Budget Pressures - DBS checks/Eye care vouchers and Long service awards	0.035		-	0.035
Human Resources	Apprenticeship Team - Additional funding required to extend team to March 2021	0.017	- 0.017	-	-
Property Services	Castleward loss of ground rent from current leases with the Council as a result of some of the land acquisition	0.040	-	-	0.040
Total Proposed New Pressures:		0.092	- 0.017	-	0.075
TOTAL CORPORATE RESOURCES PRESSURES:		0.988	- 0.005	-	0.983

Corporate Pressures					
Service	Pressures	2020/21	2021/22	2022/23	TOTAL
		£m	£m	£m	£m
Existing Pressures formally signed off by Full Council Meeting on 27 February 2019:					
Corporate	Corporate Revenue Contingency Budget	-	-	1.279	1.279
Corporate	Treasury Management Forecast Adjustments (caveat treasury management/capital budgets will continue to be reviewed inline with the capital programme)	(0.097)	1.026	(0.031)	0.898
Total Existing Pressures:		(0.097)	1.026	1.248	2.177
Pressures approved at 13th November 2019 Cabinet:					
Corporate	Prudential Borrowing - Treasury Management flexibility to fund emerging priorities for example Highways Maintenance	0.500	1.000	1.000	2.500
Council Wide	Estimated Pensions Increase following the Triennial review	1.503	-	-	1.503
Total Pressures approved at 13th November 2019 Cabinet:		2.003	1.000	1.000	4.003
New Pressures					
Corporate	Local Government Non Structural Reform	0.050	-	- 0.050	-
Total New Pressures		0.050	0.000	(0.050)	0.000
TOTAL CORPORATE PRESSURES:		1.956	2.026	2.198	6.180
TOTAL CORPORATE RESOURCES PRESSURES:		2.944	2.021	2.198	7.163

Summary of Reserves Movement as at 31 December 2019

Appendix 5

Statement of Reserves	2019/20 Opening Balance £m	In Year Movement £m	2019/20 Commit £m	2019/20 Closing Balance £m	Future Years Commit £m	Ring- fenced £m	Future Years Closing Balance £m
General Fund							
Unallocated General Fund Balance	(10.933)	-	-	(10.933)	-	-	(10.933)
Balances Held By Schools	(8.049)	-	3.500	(4.549)	-	4.549	-
TOTAL	(18.982)	-	3.500	(15.482)	-	4.549	(10.933)
Revenue Earmarked Reserves							
Budget Risk Reserve	(23.901)	(0.505)	12.433	(11.973)	6.951	-	(5.022)
Central Schools Budget Reserve	(2.836)	-	-	(2.836)	-	2.836	-
General Insurance Reserve	(2.580)	-	-	(2.580)	-	-	(2.580)
Trading Services Reserve	(0.173)	-	0.056	(0.117)	0.117	-	-
Year end grants with restrictions	(5.786)	0.922	4.092	(0.772)	0.673	0.099	-
DEGF Interest Reserve	(1.064)	0.187	0.273	(0.603)	0.603	-	-
Regeneration Fund Reserve	(1.988)	-	0.696	(1.292)	1.292	-	-
Assembly Rooms Reserve	(5.511)	1.300	-	(4.211)	4.211	-	-
Delivering Change Reserve	(2.363)	-	1.965	(0.398)	-	-	(0.398)
Better Care Fund Reserve	(2.422)	-	2.422	-	-	-	-
Business Rate Pilot Reserve	(2.947)	-	0.083	(2.864)	0.980	-	(1.884)
Business Rates Smoothing Reserve	(6.995)	-	6.995	-	-	-	-
Treasury Management Reserve	(0.685)	(1.000)	(0.900)	(2.585)	2.585	-	-
Public Health Reserve	-	-	-	-	-	-	-
Adult Social Care Reserve	(0.421)	-	0.272	(0.150)	0.150	-	-
Capital Feasibility Reserve	(1.000)	-	0.399	(0.601)	-	-	(0.601)
Other Service Reserves	(10.348)	-	1.839	(8.509)	2.685	0.313	(5.511)
PFI Reserves	(27.716)	-	(1.348)	(29.064)	29.064	-	-
Earmarked Reserves to support the capital programme	(3.172)	0.211	0.740	(2.221)	-	1.961	(0.260)
TOTAL	(101.908)	1.115	30.017	(70.776)	49.311	5.209	(16.256)

Statement of Reserves	2019/20 Opening Balance £m	In Year Movement £m	2019/20 Commitment s £m	2019/20 Closing Balance £m	Future Years Commitm ents £m	Ring- fenced £m	Future Years Closing Balance £m
Housing Revenue Account (Ring-fenced)							
Housing Revenue Account (Ring-fenced)	(47.310)	(0.683)	4.507	(43.486)	-	42.803	(0.683)
Major Repairs Reserve	(6.589)	-	-	(6.589)	-	6.589	-
Other Earmarked HRA Reserves	(0.683)	0.683	-	-	-	0.683	0.683
TOTAL	(54.582)	-	4.507	(50.075)	-	50.075	-

Section 25 Report of the Director of Financial Services (S151 Officer) on the Robustness of Estimates and on the Adequacy of Reserves 2020/21 – 2022/23

Purpose

- 1.1 The Council's Medium Term Financial Plan (MTFP) has been prepared with consideration to the resources available to the Council and to the demands and priorities included within the Council Plan. Although the funding position of the Council has improved since the previous MTFP, there remain financial challenges and uncertainty ahead.
- 1.2 The MTFP process incorporates a review of current levels of reserves to ensure there is adequate cover for current and future planned needs and unforeseen eventualities and it identifies any reserves which can be released to support the delivery of our three year MTFP.
- 1.3 This report provides an opinion under Section 25 (1) of the Local Government Act 2003 which requires the Chief Finance Officer (Section 151 Officer) to report to Council on the robustness of the MTFP estimates made for the purposes of the budget calculations and the adequacy of Council reserves. Members are required to consider the advice in this report before agreeing the budget requirement and setting a Council Tax

Recommendations

- 2.1 To consider and note the Chief Finance Officer's opinion that the estimates used in the production of the MTFP for 2020/21 – 2022/23 and level of reserves and balances are robust prior to Council determination of its budget requirement and setting of Council Tax.

Reasons

- 3.1 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Director of Financial Services) to report to the Council on the robustness of the estimates it makes when calculating its budget requirement under Section 32 of the Local Government Finance Act 1992 and on the adequacy of its proposed financial reserves.
 - 3.1.2 Under Section 26 (2) of the Local Government Act 2003, it is not considered appropriate for the balance of the Council's General Fund reserve to be less than the minimum amount determined by an appropriate person, in this case the Director of Financial Services as Chief Finance Officer.
 - 3.1.3 Whilst the requirements of the Local Government Act 2003 relate specifically to setting the Budget and Council Tax for the next financial year, these can be more widely interpreted to include the full MTFP period.

Supporting information

4.1 Section 25 of the Local Government Finance Act 2003 requires that when a local authority is agreeing its annual budget and council tax precept, the Chief Finance Officer (S151 Officer) must report to it on the following matters:

- The robustness of the estimates made for the purposes of the (council tax requirement) calculations
- The adequacy of the proposed financial reserves

The Council is required to have due regard to this report when making decisions on the budget. Councillors should consider this advice prior to the setting of the Council's budget requirement and setting of Council Tax.

4.1.1 In expressing my opinion, I have considered the financial management arrangements and control frameworks that are in place, the budget assumptions, the adequacy of the budget process, the financial risks facing the Council and the level of total reserves.

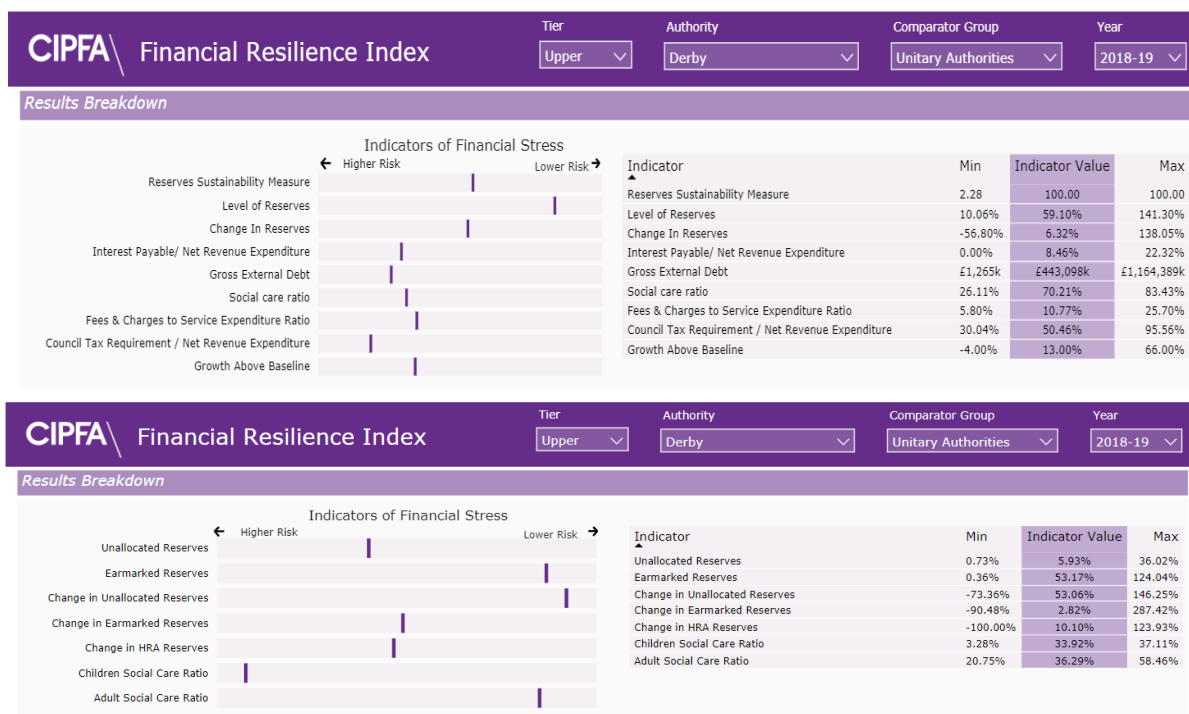
4.1.2 Section 25 of the Local Government Act 2003 concentrates primarily on the uncertainty within the budget year (i.e. 2020/21). However, despite future uncertainties arising from changes in the funding framework for Local Government the Council is proposing a 3 year MTFP. The assessment therefore considers the delivery of savings and the increasing pressures in demand driven services over this period and the adequacy of reserves and balances in the medium term.

4.1.3 The 2020/21 – 2022/23 MTFP builds on a positive assessment of the Council's VFM arrangements by the Council's External Auditors in the summer of 2019 and unqualified statement of accounts. This was a significant improvement from previous years where the Council's VFM and Governance arrangements were subject to both a Public Interest Report and Section 24 recommendations. The Auditor stated that 'The MTFP and the process of identifying achievable savings and quantifiable pressures are sufficiently robust' and that 'Adequate Plans and reporting is in place to deliver and monitor the identified savings.

4.1.4 The robustness of the proposed MTFP and budget for 2020/21 benefits significantly from improvements in systems, processes and governance for delivery of the Council's Capital Programme implemented in 2019/20 and regular reporting of the Council's financial position to Cabinet and the Corporate Leadership Team.

4.1.5 The Council appointed during 2019/20 permanent Section 151 Officer (Strategic Director of Corporate Resource) and Deputy s151 Officer (Director of Financial Services). Their appointment since August 2019 has strengthened the financial capacity of the Council and the development of proposals for a balanced budget for 2020/21 and a broadly sustainable budget for future years. Since 23rd January 2020 the Director of Financial Services has been appointed the Council's S151 Officer.

4.1.6 Financial management remains a key focus for the Council with a focus on moving to a position of financial sustainability and resilience after a couple of years of overspends and in-year demand pressures especially relating to Social Care. CIPFA in December published its Financial Resilience Index to assist Councils in understanding (relative to other Councils) areas of financial stress. This assessment is shown below:



The index indicated that the Councils' overall financial resilience and adequacy of reserves is not assessed as experiencing high financial stress for the last financial year. However, the index illustrates that the proportion of spend on Social care (especially Children Social Care) is higher than the majority of other Unitary Councils. This has been the area of significant pressure faced by the Council over the past few years. Whilst it remains a key demand led pressure the stabilisation of the number of Looked after Children (LAC) and significant increase in Social Care funding through Settlement funding and ability to levy a specific 2% Social Care precept has reduced this stress assessment for 2020/21 and beyond.

4.1.7 The Council will during 2020/21 undertake a self-assessment against the new CIPFA financial management code and develop appropriate action plans to strengthen the Councils financial management arrangements.

4.1.8 Budget Assumptions

The formation of the 2020//21 budget and indicative budgets for the following two years to 2022/23 have allowed for best estimates of the total financial envelope over the medium term taking into account anticipated unavoidable pressures plus investments and the savings then required to match the funding available. In forming the estimates various assumptions have been made.

The key assumptions behind the estimates are attached at Annex 1. There is volatility with changes in the Government funding framework from 2021/22. The MTFP assumptions in Annex 1 detail the mitigations to manage this over the medium term.

A quantitative assessment of the budget assumptions and the retention of reserves is detailed in Annex 2 and 3.

4.1.9 The Medium Term Financial Plan and Budgetary Controls

Work to develop the revised 2020/21 budget has continued through the development of the 2020/21 Medium Term Financial Strategy. The budget strategy was approved by Council on the 17th July 2019 and outlined a number of key principles which would be applied and explored during the budget development stage.

- 4.1.10 A series of budget challenge meetings were held between the Leader of the Council, appropriate Cabinet Members and Chief Officers during the summer and autumn of 2019 to challenge base budgets, scrutinise budget savings, pressures and financing.
- 4.1.11 The Council carried out a detailed consultation exercise from 14 November 2019 to 02 January 2020 with Councillors, key stakeholder groups, members of the public, trade unions and the business community. Further details of the consultation process and feedback are included in the Budget Setting report 2020/21 report presented as a separate item to this Cabinet. The Council ensures it pays due regard to its Public Sector Equality duty during the planning process by completing Equality Impact Assessments. Proposals are assessed to understand the potential impact on any particular group that could result in direct or indirect discrimination.
- 4.1.12 In recent years, close control of the Council's budget has been achieved despite some very challenging budget pressures in a number of key service areas. Regular budget monitoring provides an overview of the forecast financial outturn for the current year and provides financial information to ensure budgets are managed throughout the year. 100% of the savings target for 2019/20 has been delivered.
- 4.1.13 The Council has identified permanent savings of £8.780m over the period of the MTFP address the impact of funding reductions, meet rising costs, maintain priority services and invest for the future, the use of £2.772m of reserves has been included in the MTFP. There is still a budget gap of £3.064m forecast that needs to be addressed from 2021/22.

- 4.1.14 Due to the continued need for savings in the 2020/21 – 2022/23 MTFP, there will be a continuous programme of reviews, interventions, innovation to provide the best services within available resources. The Council has approved additional capacity through the Change Derby team for a couple of years to support this transformation. There may be one-off costs required to support the delivery of these changes.
- 4.1.15 The Council have also identified a number of potential, future financial risks. It is not considered appropriate to create a formal budget for these risks as this would 'ring-fence' resources that might not be required. An assessment of material risks has therefore been made as part of determining the adequacy of reserves for 2020/21.
- 4.1.16 **The Adequacy Of Reserves**
- The Council's financial environment is subject to volatility, as are the demands on services and the needs of the City's population and environment. The Council updates its priorities in response to these issues. Reserves balances and the use of reserves are therefore an important part of the Council's financial strategy. They are held to help manage the long-term budgetary stability and allow the Council to be able to change without undue impact on Council Tax income forecasts. The adequacy of the Council's General Fund Balance is also a key indicator for the robustness of the budget as a whole, as it provides assurance that potential financial impact of variations to budgets can be managed.
- 4.1.17 Reserves are set at a level that recognises the financial risks facing the Council. The greater the level of uncertainty, the more likely reserves will be needed. The Council prepares its budget using the best information available at the time but inevitably includes some uncertainty. In setting the budget, it is important that Cabinet take account of the uncertainties involved, both in establishing a suitable level of balances and contingencies, and in setting an overall strategy for the budget and MTFP.
- 4.1.18 A prudent approach needs to be maintained between holding too much and too little money in reserves. If reserves are too low, this increases the Council's exposure to risk and endangers its capacity to deliver priorities in a planned and prudent fashion. Demand led services, Major Projects, an environment of ever changing legislative requirements, combined with delays in the Fair Funding review all threaten financial stability. However, money held unnecessarily in reserves is not being spent on front line services and the public may not receive full value for money. The Council therefore regularly reviews the reserves position to ensure reserves remain adequate.
- 4.1.19 The Council's primarily manages financial risk through:
- (a) Budget Risk Reserve (Annex 2)
 - (b) General Fund (Annex 3)
- 4.1.20 The Council's policy is to hold a General Fund Balance between 3% and 5% of the net budget requirement to mitigate the financial impact of major events. The projected value of the Council's General Fund balance at 31 March 2020 is £10.933m; this is equivalent to 4.59% of the 2020/21 net budget requirement and is therefore within the recommended target range.

- 4.1.21 Each individual Council-controlled school in Derby also has its own financial reserve, collectively known as 'School Balances'. Schools balances are delegated directly to schools and are not available to the Council for general use. The uses of any surplus balances are considered by the Council's Schools Forum on an annual basis. The projected value of the Council's School Balances at 31 March 2020 is £4.549m.
- 4.1.22 The Council also holds a number of earmarked reserves to fund specific projects, or to manage risks or uncertainty in specific areas. Annex 3 shows the projected balance as at 31 March 2020 of £70.776m as being the Council's more significant earmarked reserves.
- 4.1.23 In the unlikely event of a significant financial loss which cannot be addressed through the Council's budget risk reserve, the Council could look to reallocating its other Revenue Earmarked Reserves (except for the General Fund, Reserves with restrictions and school balances) which taken together are projected to amount to £70.776m at 31 March 2020 and £16.256m in future years, as shown in Annex 3.

4.1.24 **Overall Opinion of the S151 Officer**

The levels of reserves, balances and contingencies held are in my opinion adequate. Clearly, there are risks in the achievement of some of the proposed savings and/or income generation proposals. Whilst it is not possible to guarantee that every single proposal will be achieved.

I consider the overall package to be prudent and affordable, and I am assured of the robustness of the projected savings, and the extent of rigour in their calculation. The retained level of earmarked reserves and general fund balance are sufficient to address and mitigate any unplanned cost pressures or funding changes in the short and medium term.

In my opinion, the estimates are sufficiently robust to allow the Council to set the Revenue Budget, Capital Programme, HRA Budget, Dedicated Schools Grant and Council tax for 2020/21. The budget strategy, level of reserves and MTFP provides a sound approach for balancing the budget in future years.'

Basis of Estimates

Budget Assumption	Commentary
Government Funding	The 2020/21 Budget is based on the Local Government Finance Settlement. It is assumed that the funding levels for 2020/21 will be built into the Government control totals going forward on a recurrent basis. The MTFP assumes settlement funding increases by CPI in the following two years. The Government has stated that it wishes to introduce its fair funding proposals in 2022/22 (delayed from 2020/21). Based on modelling by our external financial advisors Derby could be a 'gainer' from these changes. The potential for additional funding (over and above CPI) has not yet been factored into the MTFP. Equally, it is not felt necessary at this stage to plan for a decrease in core settlement funding from Central Government.
Specific Government Grants	The MTFP includes specific grant announcements announced by Government for 2020/21. It is anticipated that the majority of specific grants will be absorbed into the fair funding and business rate changes scheduled for 2021/22 onwards – this may include new responsibilities and burdens. The Government has signposted that the potential cessation of New Homes Bonus (NHB) (current value to Derby £1.262m and potential replacement with an alternative approach to stimulate Housing Growth. As NHB is a top slice nationally of Revenue Support Grant (RSG) the funding remains within the Local Government finance framework. At this stage any changes in NHB are assumed as being fiscally neutral for Derby. Other specific grants are assumed to increase by the Consumer Price Index (CPI)
Business Rates	The MTFP assumes that baseline business rate funding increases by CPI in future years and that the retained growth above baseline since 2013 (which is higher than many Unitary Councils) is retained when changes to the Business Rate Retention scheme are implemented in 2021/22. However, there is significant uncertainty over the cumulative impact of this change and proposed changes to the period of business rate revaluations and business rate 'resets'. This could impact on the period that the Council retains growth above the nationally set baseline and whether previous growth is retained by the Council. Currently the retained growth is £4.6m per annum. At this stage any changes in the business rate framework is assumed to be fiscally neutral. Any changes in the framework are likely to be initially mitigated through a system of floors and ceiling set by Government to manage between year changes.

Council Tax	The MTFP assumes the Council maximises Council Tax within referendum levels for the next three years (1.99% increases per year for 2020/21 to 2022/23) and a specific 2% Social Care Precept for 2020/21. Increases in the Council Tax base are forecast for the MTFP period and will be maximised through regular reviews of discounts and reliefs each year. It is expected that the Government will continue with its recent policy of allowing Councils to levy specific social care precepts in future years. However, until further clarity is provided on future referendum criteria these are not factored into the MTFP for 2021/22 and 2022/23
Inflation	The MTFP assumes general inflation of 2% and specific contract inflation (where applicable). The Office of Budget Responsibility is assuming that the consumer price index rate in the United Kingdom is expected to rise slowly to 2 percent and remain at this level for the period of the MTFP. There are emerging inflationary pressures in respect of waste markets and the costs of disposing and recycling linked to National and International Markets volatility. The MTFP does not currently make additional provision for these changes (which are still to be quantified). Additional costs pressures could therefore be a call on the Corporate Contingency in year or against reserves
Pay Award	The MTFP assumes Pay Awards of 2% per annum for the MTFP alongside an increase in Pension Fund contributions of 1% for 2020/21 only. Historically recent pay awards have been frozen or no more than 2%. However, there remains a risk that pay awards may exceed 2% for 2020/21 and future years as Government fiscal rules are loosened. If this was to materialise the Council may need to provide for additional costs from the Corporate Contingency or Reserves in-year.
Demographic and Demand Growth	The MTFP provides for significant investment in Social Care (£155.206) linked to current level of service provision and interventions to manage future demand and cost of provision. The main demand pressure is within the area of Children's Social Care which in 2019/20 is forecast to overspend by £6.6m. The MTFP has factored this increase in costs into the base budget going forward. Current indications are that the increase in looked after children (LAC) has stabilised and is being closely monitored. The MTFP provides for an additional £1m of demand and demographic pressures in each of 2020/21 and 2021/22 to address additional pressures. A key focus of the Change Derby programme is demand management and market sustainability which is expected to contribute significantly to managing future demand and demographic pressures.

Delivery of Savings Targets	The MTFP includes £8.870m of savings and income targets
Capital Programme	<p>The MTFP includes a Capital Programme (including the HRA) totalling £386.410 million. The prudential borrowing costs of this programme are included within the Revenue Budget. Historically there has been significant slippage on the Capital Programme. Stronger programme management arrangements have been introduced to strengthen delivery of the Capital Programme. This should reduce risks of costs increases and/or losing external funding. A number of schemes within the programme have specific funding dates – these will be monitored closely.</p> <p>Future capital liabilities in respect of the Joint Waste Disposal facility at Sinfin and the new Performance Venue are being assessed and may require additional capital approvals during the MTFP Period.</p> <p>The MTFP includes provision for a further £30 million of capital schemes to be funded future prudential borrowing.</p>
Treasury Management and Investments	All existing debt is under fixed interest rates and is not subject to interest rate variation and the MTFP assumes an extension of the strategy to borrow internally for prudential borrowing schemes. The MTFP assumes new borrowing at a rate of 4.33% and average return on investments of 0.6%. Economic Forecasts indicate that the period of low interest borrowing will continue for the period of the MTFP.

BUDGET RISK RESERVE RISK ASSESSMENT 2020/21 – 2022/23

Risk Description	Controls in Place	Proposed Management Actions	Calculation	Estimated Risk Value (mid-point)
Variation from Estimates – Inflation	The Council bases its inflation provisions on multiple indices, which are regularly monitored for accuracy and relevance. A large proportion of the inflation increase is due to contractual arrangements, many of which include known inflationary indices.	Inflation levels are monitored, with assumed future levels built into the MTFP process. The Budget Risk reserve is available to offset minor variations.	5% - 15% variation in assumed levels of inflation excluding payroll inflation as this has been agreed 19/20 and included in budget requirements	£146,551
Variation from Estimates – Other Pressures	MTFP pressures accurately show levels of pressures and related risks and effects. Early budget-setting allows services to better plan savings into their forward budgets.	Pressures are continually monitored and Directorates will seek to contain emerging pressures. Any additional financial impact, and supporting explanations, would be reported to Members.	5% - 10% variation in other pressures	£977,625
Variation in Assumptions - Achievability of Savings	MTFP savings proposals show levels of savings achievable and related risks and effects. These are based on the latest information available. Early budget-setting allows services to better plan savings into their forward budgets.	Directorates are required to find alternative savings proposals or take alternative mitigating actions. Any undelivered savings, and supporting explanations, would be reported to Members.	5% - 15% variation in savings	£479,300

Risk Description	Controls in Place	Proposed Management Actions	Calculation	Estimated Risk Value (mid-point)
Funding Risk – Variations from assumptions	Technical assessment via expert external advisors and work with the Special Interest Group of Municipal Authorities (SIGOMA).	Regular reviews through settlement working group, LGA and SIGOMA etc.	0.5% to 1.5% variation in funding from specific grants	£629,320
Total MTFP risks with assumed 2 year time delay to reach permanent solution				£4,465,593
Estimated slippage of specific savings targets (3 months delay on 75% of savings targets)				£898,688
Unidentified future pressures/Emergency pressures including Property Maintenance	Early warnings through horizon scanning and monthly revenue monitoring.	The ability to address these issues has been limited because global pressures and corporate contingencies have been reduced in the MTFP in previous years. They will therefore have to be addressed in year, as they arise. The number and financial impact of such occurrences has been rising each year.	Nominal Allocation	£1,000,000
Minimum level of Budget Risk Reserve required				£6,364,281
Projected Budget Risk Reserve as at 31 March 2020*				£11,973,000

- * Future commitments for the budget risk reserve are £6.9m over the next 4 financial years

GENERAL FUND RESERVES RISK ASSESSMENT

Area of Risk	Risk Description	Controls in Place	Calculation	Estimated Risk Value (£m)
Treasury Management (Deposits)	Risk of an institution where the Council has deposits going bankrupt	Only financially sound institutions with high financial standing are included within the Council's approved lending list. Maximum lending limits are applied. A series of management controls are in place to ensure lending limits are not breached. The Treasury Management team also carries out regular reviews of approved institutions, in conjunction with the Council's advisors, Arlingclose Ltd.	10% of £10m maximum deposit in any one institution	£1,000,000
Civil Emergencies	The risk of significant floods or fires etc., to cover immediate cash flow requirements prior to possible Bellwin Scheme payments	In practice such events are outside of the scope of management control. However, in the event of a civil emergency or disaster, the Council may be eligible for some relief funding from Central Government through the Bellwin Scheme.	Nominal Allocation	£1,000,000 to £2,000,000
Contract Compliance & Retendering	Risk of challenge post contract award	Detailed contract procedure rules in place and the Council has a dedicated procurement team to provide robust internal challenge to contracting and tendering processes.	Contract value based on £100m x 1% risk x 20% fine. Plus £0.1m retendering cost	£300,000

Area of Risk	Risk Description	Controls in Place	Calculation	Estimated Risk Value (£m)
Impact of Partner Funding	Pressure on Council budget if partner funding is withdrawn from critical services which require, as a minimum, continuation funding for a short term period.	The Council works closely with key partners to develop forward looking plans, including discussions regarding funding.	6 months funding cover of a range of £0.5m to £1m risk	£250,000 to £500,000
Business Critical Systems	Cost involved in setting up alternative arrangements to ensure legal obligations are met, including emergency payments and additional staffing costs	Detailed emergency plans in place and subject to regular review.	Nominal Allocation	£250,000 to £1,000,000
Impact of Adverse Weather Conditions	Risk of unforeseen costs for potholes, winter gritting, minor flooding etc.	In practice such events are outside of the scope of management control. However, the Council does have an ongoing programme of highways maintenance, which includes an element for emergency works.	5% - 10% of highways maintenance budgets	£233,974 to £467,947
Legislative Changes	Changes in legislation may place additional financial burdens on the Council.	Legislative changes may be accompanied by associated funding changes but this might not be adequate to cover costs.	Nominal Allocation	£100,000 to £250,000
Dedicated Schools Grant (DSG)	Impact of funding risk not covered by general fund budget risk reserve.	Rigorous review of current DSG assumptions based on latest information from central government and historic experience.	£81m DSG (Maintained excluding High needs) x 3% plus £34m x 1% High	£2,77,000

Area of Risk	Risk Description	Controls in Place	Calculation	Estimated Risk Value (£m)
			Needs block	
Bad Debt Provision	In the current economic climate it is not certain that the Council's provision for bad and doubtful debt would be sufficient.	The Council sets aside a provision for bad and doubtful debts based on the age of debt and historic experience of rates of recovery. Robust debt collection procedures are in place.	5% increase in bad and doubtful debts per 2018/19 debt figures (based on value from 2018/19 Statement of Accounts)	£1,316,750
Current Provisions	Level of current provisions made are insufficient.	Anticipated liability cost calculations are based on the best available information.	Nominal Allocation	£250,000 to £1,000,000
Redundancy Funding	There is a risk of a temporary shortfall in the Council's redundancy funding to cover staff exits.	Anticipated redundancy cost calculations are based on the best available information, including data from the previous redundancy programmes. The funding calculations include a small element of flexibility to allow for changes in the actual costs incurred against budgeted values.	Nominal Allocation	£250,000
Recommended General Reserve Target Range				£7,157,310 to £11,928,850
Projected General Fund Balance as at 31 March 2020:				£10,932,999

Reserves Policy

Introduction

The requirement for financial reserves is acknowledged in statute.

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

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

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

- a) General - non-specific reserves which are kept to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed over the period of the Council's MTFP. The Council's General Fund Balance, Budget Risk reserve and MTFP Reserve are held for this purpose.
- b) Earmarked reserves which are held for specific purposes and which are established either by statute or at the discretion of the Council.

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

Types of Reserves

When reviewing MTFP's and preparing their annual budgets local authorities should consider the establishment and maintenance of reserves. These are held for 2 main purposes:

- A contingency to cushion the impact of unexpected events or emergencies
- Means of building up funds often referred to as earmarked reserves, to meet known or predicted requirements;

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

- Ensuring the projected level of General Reserve balance at the end of the MTFP is within the appropriate range calculated.
- The annual planned use of reserves in each year of the MTFP;

- The impact of sudden large changes in annual use of balances on services or Council Tax levels.
- The adequacy of the General Reserve Balance will be determined by assessing the financial risks associated with meeting continuing obligations to provide services. The risk assessment will be reviewed annually.

Guidance

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

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

The General Reserve Balance will be reviewed and projections on future earmarked reserve balances will be made at key points during the financial year, namely as part of the budget setting process and update of the MTFP. Only in exceptional circumstances, would the actual level of the Council's balance fall below the level which is considered appropriate. This is consistent with the need to provide to meet short-term unforeseen expenditure. The Council has not previously used its General fund balance and has contained all unforeseen uses within the Budget Risk Reserve. The actual level will be monitored against balances outlined in the MTFP.

The Reserves report will set out the level of planned balances, as well as confirming acceptable thresholds above or below the balance. If the balance falls outside of the planned tolerance levels, a plan will be agreed by the Council to restore balances to the appropriate levels as assessed by the Director of Financial Services.

Balances from in year underspends will in the first instance be used to reduce any use of reserves supporting the current year budget. Any amounts in excess of this will be allocated to the general reserve and proposals for their use will be subject to final approval by Council Cabinet.

Balances should be reasonable for the purpose held and must be used for the item for which they have been set aside, if circumstances arise to which the reserve is no longer required for its original purpose, they should be transferred to the General Reserve and any alternative use approved by Council Cabinet

Financial Limits

The use of reserves and delegated levels of approval are included within the Council's Financial Procedure Rules.

Corporate Leadership Team may approve the use of an earmarked reserve up to £100,000, per financial quarter, in line with the original intended use, including the general use of the budget risk reserve.

The relevant portfolio member may approve the use of an earmarked reserve up to £250,000, per financial quarterly period, in line with the original intended use.

Any use of Council reserves over £250,000 or where reserves are to be used for an alternative purpose to their original intention must be approved by Council Cabinet.

Movements in reserve balances are to be reported to cabinet on a quarterly basis.

Further Legislative Control

There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. These include:

- The balanced budget requirement.
- Chief Finance Officer's duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its budget requirement.
- Chief Finance Officer's duty to report on robustness of estimates and adequacy of reserves.
- The legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the Chief Finance Officer/Proper Officer has responsibility for the administration of those affairs, section 151 of the Local Government Act 1972.
- The requirements of the Prudential Code.

These requirements are reinforced by section 114 of the Local Government Finance Act 1988 which requires every Chief Finance Officer in England and Wales to report to the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and

it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year.

Whilst it is primarily the responsibility of the local authority and its Chief Financial Officer to maintain a sound financial position, external auditors have a duty to confirm that there are no material uncertainties about the going concern financial longevity of the Council.

Change Derby Key Themes:

I. **Organisation Structures – Layers and Levels**

Layers and levels of colleagues are being considered to ascertain if any efficiency can be made in the way we currently work and deliver services

II. **Demand Management**

By reviewing and in some cases updating the nature of the council's role and relationship with customers, the Council will be seeking alternative mechanisms to meet customer needs and thereby better manage demand within the resources available. For example, there is a significant level of concern within the Council over the pressures building in the system for demand for children's services. We are reviewing processes to try and curtail the volatility and increasing demand.

III. **Fees and Charges and Income Generation and Collection**

Fees and charges and income generation will be reviewed across the Council to ensure that the appropriate amounts are being costed across the services. As an option, we can include differential charging based on people's ability to pay, i.e. need to satisfy and challenge on fairness. Using discretionary fees and charges is one of the key income-generating options available to local authorities. This theme will also encompass protecting public funds by optimising the recovery of funds due to the Council, for example Business Rates, Council tax and Sundry Income.

IV. **Bureaucracy and Inefficiency**

We will have a root and branch review of the set methods of doing things and challenge that they are not seen as being more important than having an efficient, effective organisation. Strong corporate grip and governance will mean red tape and duplication is minimised and lead to efficiencies.

V. **Channel Shift and Digital**

The basic aim of channel shift is to take communication and customer contact and shift it from expensive to in expensive mediums. There are opportunities to 'shift' communication to digital as technology continues to evolve. This will identify efficiencies and cashable savings.

VI. **Commercialism**

We will apply commercial principles to all service areas across the Council – whether generating income or simply becoming more effective and business like. The aim being to make us accountable for every £ of spend.

VII. **Procurement and Commissioning**

Commissioning is the process of continuously identifying our needs and then designing and planning services to meet those needs, securing these services at the best value for money cost and then monitoring and evaluating them.

Procurement is the process of buying of goods and services from an external agency. Both of these activities are going to be re-examined to ascertain if further efficiencies can be made either separately or in conjunction with one another, sharing expertise and lessons learnt.

VIII. Lean and Effective

Lean is a continuous improvement methodology that understands value from all perspectives and focusses on improving processes that deliver value and cuts out waste. Lean thinking is a methodology that aims to provide a new way to organise human activities and processes to deliver more benefits to society and value to individuals while eliminating waste.

IX. Spending and Income Outliers

We will do more benchmarking with other public sector organisations for both spending and income generation to identify areas for potential efficiency gains



Medium Term Financial Plan 2019/20 – 2022 Consultation Results

Introduction

On 14 November 2019 we launched the annual consultation on our Medium Term Financial Plan (MTFP). The consultation was open for 7 weeks, closing on Thursday 2 January 2020. Each year the Council consults on this three year plan, seeking views on the savings we propose in order to balance our budget; the capital investment we plan to make; and on our proposed changes to Council Tax.

The consultation was primarily conducted through an online survey with paper versions available at local libraries and The Council House. Different versions and translations were available on request. People were also given the opportunity to write in with any other comments they had.

81 people gave their view through the online survey

3 via a paper questionnaire

11 sent additional emails or letters

A note on the data in this report: Data from the ‘closed’ option questions is presented in the report as a % score. The data in the text of the report is rounded up or down to the nearest whole percentage point. Charts or tables therefore may result on occasions adding up to 99% or 101%. If a table or chart does not match exactly to the text in the report this occurs due to the rounding up or down when responses are combined. Results that differ in this way should not have a variance that is any larger than 1%.

When reading the data, please note that there is a base number against all charts and tables; this is the valid number of responses for that particular question and the figure that the percentages are calculated from.

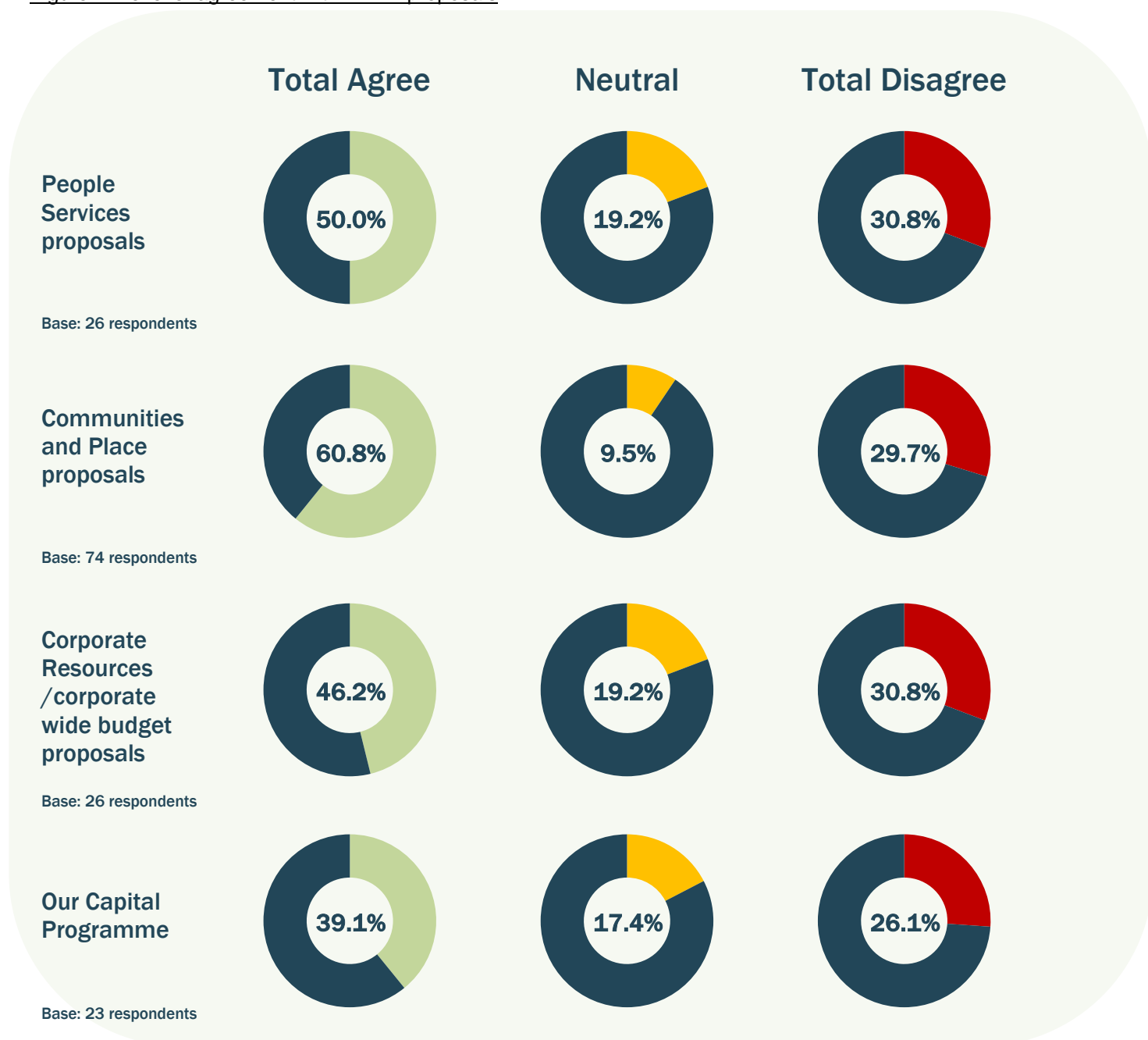
Feedback on savings proposals and pressures

Respondents could choose the budget areas they wanted to give their view on. The majority of those completing the survey (**74**) chose to give their view on the Communities and Place proposals with smaller numbers giving feedback on the proposals for People Services (**26**), Corporate Resources (**26**) and the Capital Programme (**23**).

Overall more respondents agreed with the proposals than disagreed. The most support came for the Communities and Place proposals (**60.8%, 47.3% strongly**), the least for the Capital Programme (**39.1%**) [Figure 1].

The consultation responses were dominated by the large number of participants who took part specifically to support the proposed continuation of funding for Derby Museums and to urge future investment across this sector.

Figure 1: Level of agreement with MTFP proposals



Comments on proposals for People Services

Twelve respondents commented further on the budget for People Services, many voiced their support for the services commissioned and provided by the Council and the importance they have in our communities. Three comments were made in opposition to the additional 2% Social Care Precept on Council Tax.

There is a wider issue of how the money is spent. It's not just about spending more, rather about transforming how services are delivered and working more closely with the NHS.

More investment needed for people with disability and long term illness. Also more awareness of older generation.

Comments on proposals for Corporate Resources/ corporate wide proposals

Eleven respondents commented on corporate budget proposals; three stated their opposition to staff cuts and two comments were supportive of the proposals. Other comments urged more savings or for the Council to be more commercial.

Why do we need to lose front line staff when the Council is missing huge opportunities to make alternative sources of income through tourism, the arts and business rates?

Comments on the Capital Programme proposals

Nine respondents made further comments on the Capital Programme. Whilst two were supportive of the proposals, others voiced their concerns about the handling of major projects in the city, and the need to invest more in regeneration, art and culture.

Bringing the Assembly Rooms back into operation would actually increase visitation to the city and increase revenue generally. At the moment the market place is dead so it needs this.

This is not ambitious enough. Regeneration and investment in schools should be Derby City Council's top priorities. Tied in with regeneration is the city's future prosperity. As well as the modern inward investment portfolio we need to invest in our heritage assets as it is these sites which will set the city apart and attract visitors.

Comments on proposals for Communities and Place

54 respondents made further comments on the Communities and Place proposals. Two thirds voiced their support for funding the pressure identified against the museum budget. Also just over a third of the comments related to the need to invest more in arts and culture and build on the heritage of the city.

I am specifically concerned with the proposal regarding museums - I would like to register my strong support for the net sum of £700,000 revenue support/management fee that has been put forward in the budget consultation. The work that Derby Museums continue to do in the local community is invaluable and this proposal acknowledges and supports an institution we are lucky to have in our city.

We need to invest in our heritage in order to build a stronger future. We can then turn the tables from a city which is constantly on the back foot begging for money to keep services running to a thriving bustling city that makes a surplus and doesn't budgetary constraints every year. It is absolutely essential that we maintain, if not boost funding for Derby's three museums. The Derby Museum and Art Gallery, Pickford's House and the Silk Mill are essential to Derby's economic survival. After the Silk Mill is completed we MUST look at a similar capital investment scheme for the Derby Museum and Art Gallery to replace the 1960s wing of the museum with something that complements the Victorian splendour of the old library.

Maintaining Derby's Cultural Heritage by properly funding Derby Museums and Art Gallery is an essential activity. While there may well be financial pressures which could be addressed by imaginative sponsorship maintaining the excellent and free exhibitions can only benefit all Derby residents and visitors.

Other respondents were sceptical about the income generation plans and the delays to major projects. Two were concerned about the impact of losing posts in Land, Flood & Drainage Reduction; other comments urged more commercialism and also voiced concern over staff cuts.

There is a lot of ambiguity around the saving areas and reduction in some services that are particularly important based on events last month (flooding). Will the parking proposals really generate the amounts proposed as they read like some expenditure is needed to put it in place.

Comments made on all the proposals have been coded into themes for the purpose of the analysis. The top themes emerging from these comments are summarised in Chart 1 below.

Chart 1: Most common themes emerging across all sections of the budget (amalgamated)

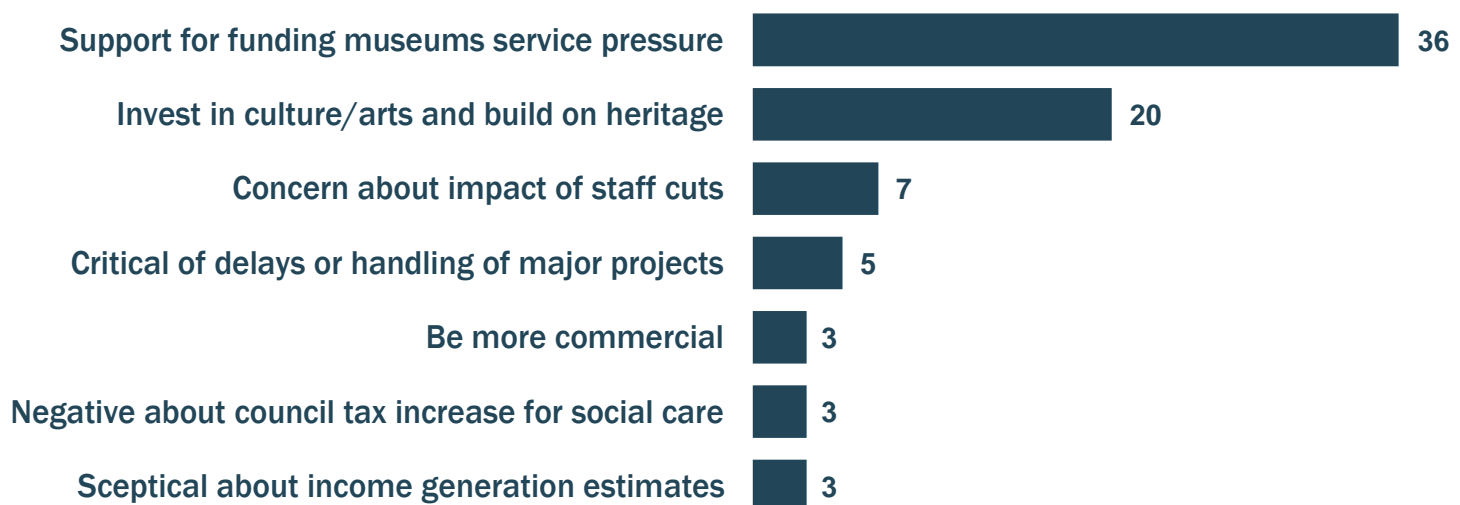
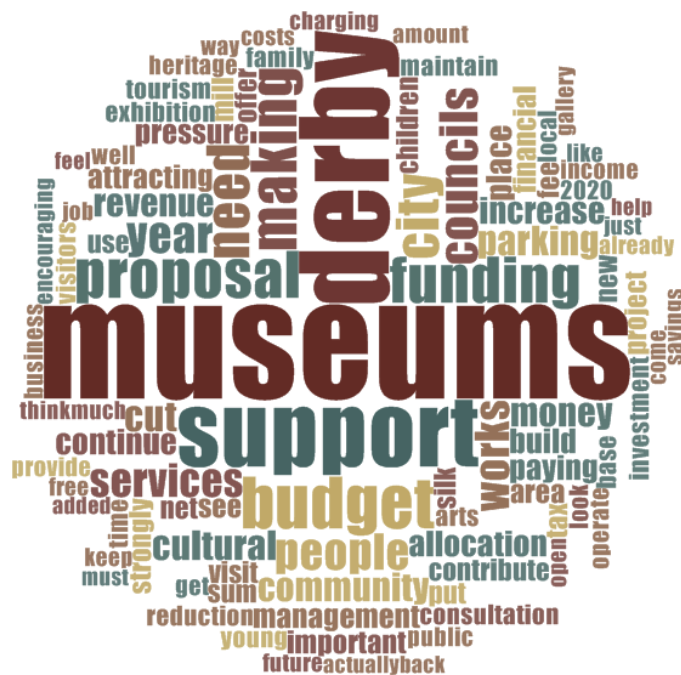


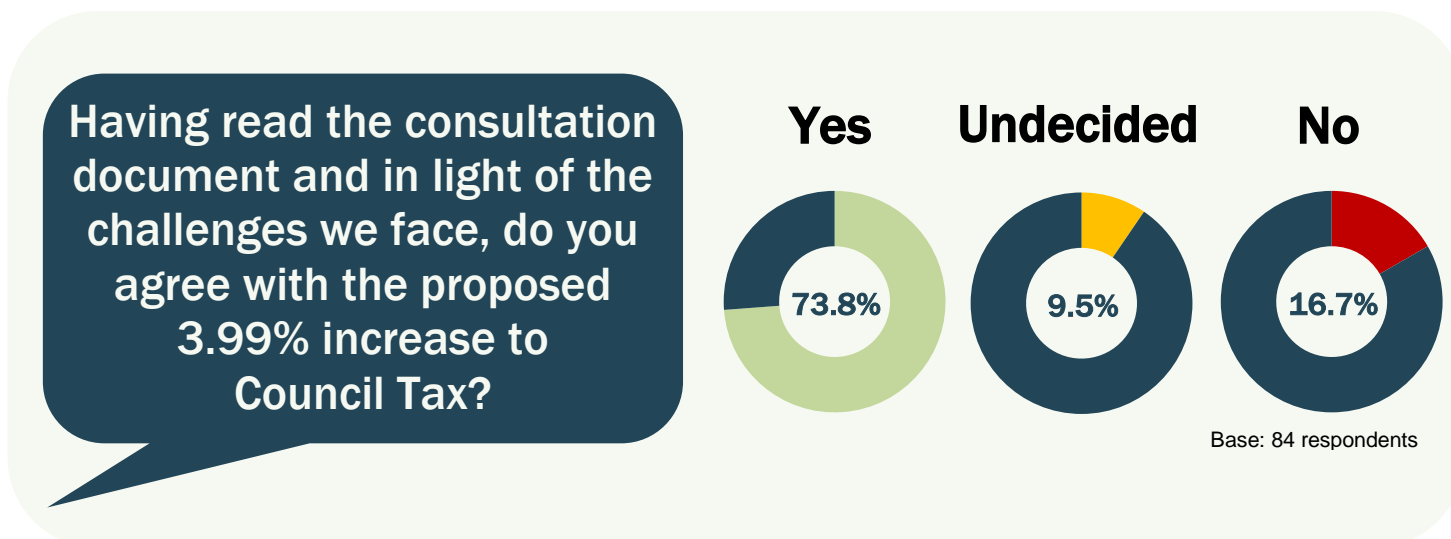
Figure 2: Word cloud - Most common words across feedback on proposals



Feedback on Council Tax proposals

The majority of participants were supportive of the increase in Council Tax that was proposed in the MTFP (Figure 3).

Figure 3: Level of agreement with proposed Council Tax increase





General comments and suggestions

Consultees were also given the opportunity to make any broad comments or suggestions on the MTFP as a whole – 25 responded, some making multiple comments. The themes emerging from these comments are set out in Figure 5. They ranged from opposition to the proposed increase in Council Tax to suggestions about how our services could be improved and what our focus should be going forward.

Figure 4: Word cloud - other comments and suggestions



Figure 5: General comments and suggestions given

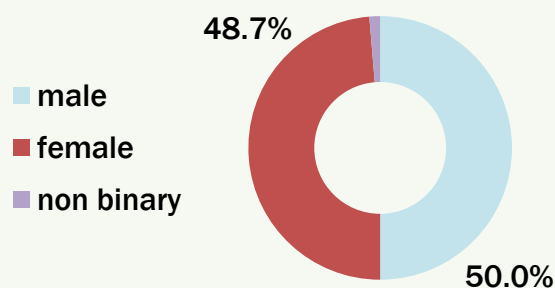
	Theme	No. of responses
Comments 	Oppose the Council Tax increase or how it is used	4
	Increase museum funding further/ continue to support museums	3
	Negative about Council handling of budgets and/or projects	2
	Criticism of the budget consultation	2
Suggestions 	Lobby national government for funding	1
	Change the election cycle to make savings	1
	Increase Council Tax by more	1
	Improve city centre parking options	1
	Suggestion for better use of the market	1
	Better location and availability of public toilets	1
	Maintain the funding of all universal services	1
	Plan to increase tourism	1
	Improve management of major contracts	1
	Focus on getting the basics right	1

Emails and letters

In addition to the survey responses we also received 3 letters and 8 emails including responses from Derbyshire County Council and the Royal Lancers Museum Trust. 7 of 8 emails were in support of the continued funding of Derby Museum, highlighting the benefits that the museum brings to the city and our communities. There was also feedback about the proposed removal of subsidy from the 17A bus service with concerns raised that this shortfall of funding would likely result in this service being withdrawn completely.

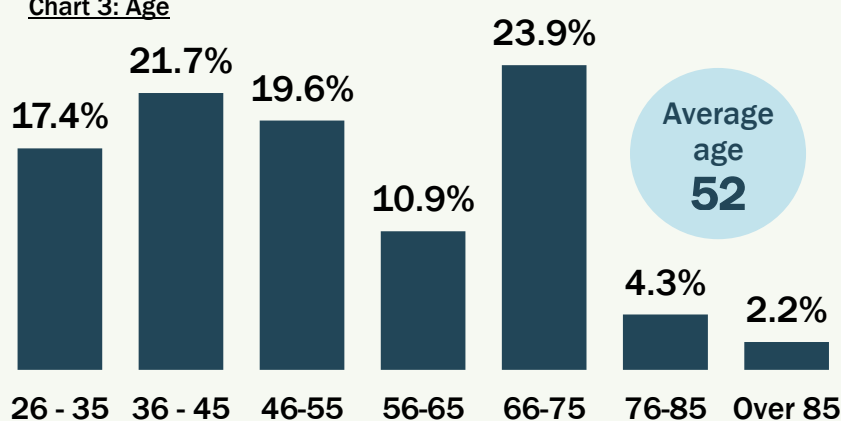
Who took part?

Chart 2: Gender



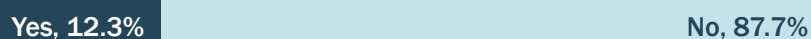
Base: 76 respondents

Chart 3: Age



Base: 46 respondents

Chart 4: Do you consider yourself to be a disabled person?

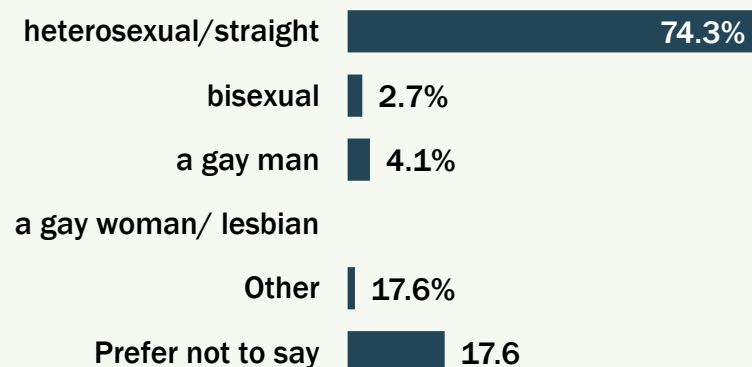


Base: 73 respondents

Table 1: Ethnicity

	Number	%
Asian or Asian British - Indian	2	2.7
Asian or Asian British - Pakistani	1	1.3
Asian or Asian British - Bangladeshi	1	1.3
Black or Black British - African	1	1.3
Dual Heritage - White and Asian	1	1.3
Any other Dual Heritage background	1	1.3
White - English / Welsh / Scottish /	64	85.3

Chart 5: Sexuality



Base: 74 respondents

Northern Irish / British		
White - Irish	1	1.3
Any other White background	1	1.3
Any other ethnic group	2	2.7

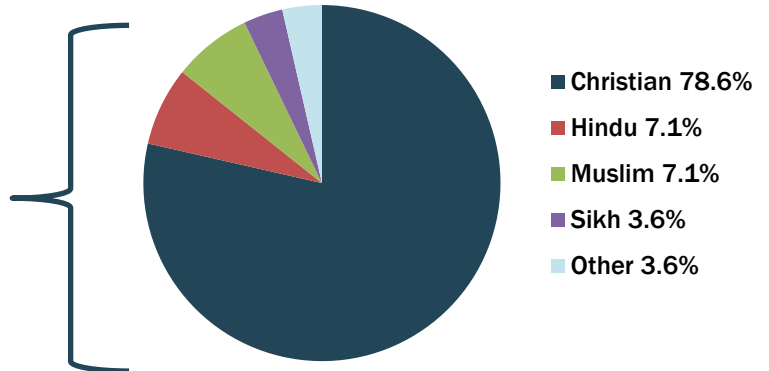
Base: 75 respondents

Table 2: Do you have any religious beliefs?

	Number	%
Yes	28	37.3
No	35	46.7
Prefer not to say	12	16.0

Base: 75 respondents

Chart 6: If yes, to which religion do you belong?



Base: 28 respondents

Appendix A: Data Tables

Table a: How strongly do you agree or disagree with the budget proposals for People Services?

	Number	%
Strongly agree	8	30.8
Agree	5	19.2
Neither agree nor disagree	5	19.2
Disagree	6	23.1
Strongly disagree	2	7.7
Total	26	100.0

Table b: How strongly do you agree or disagree with the budget proposals for Communities and Place?

	Number	%
Strongly agree	35	47.3
Agree	10	13.5
Neither agree nor disagree	7	9.5
Disagree	16	21.6
Strongly disagree	6	8.1
Total	74	100.0

Table c: How strongly do you agree or disagree with the budget proposals for Corporate Resources and the corporate budget?

	Number	%
Strongly agree	9	34.6
Agree	3	11.5
Neither agree nor disagree	5	19.2
Disagree	5	19.2
Strongly disagree	3	11.5
Don't know	1	3.8
Total	26	100.0

Table d: How strongly do you agree or disagree with the proposals identified for our Capital Programme?

	Number	%
Strongly agree	7	30.4
Agree	2	8.7
Neither agree nor disagree	4	17.4
Disagree	5	21.7
Strongly disagree	1	4.3
Don't know	4	17.4
Total	23	100.0

Table e: Having read the consultation document and in light of the challenges we face, do you agree with the proposed 3.99%* increase to Council Tax (2% of which will specifically help support adult and children's social care needs in our communities)?

	Number	%
Yes	62	73.8
No	14	16.7
Undecided	8	9.5
Total	84	100.0

DERBY CITY COUNCIL

NOTES OF BUDGET CONSULTATION MEETING WITH REPRESENTATIVES OF NON-DOMESTIC RATEPAYERS AND THE BUSINESS COMMUNITY AND PARTNERS

HELD 22 JANUARY 2020 AT COUNCIL HOUSE, CORPORATION STREET, DERBY

Present: Representing Derby City Council

Councillor Poulter – Leader of the Council
Councillor Roulstone – Cabinet Member for Finance and Procurement
Simon Riley – Director of Financial Services

Representing Non-Domestic Ratepayers and the Business Community and Partners

Yvonne Gorman – Essential Print Services
Mo Suleman – Debry Museums

1 Introduction

Simon Riley (Director of Financial Services) and Councillor Poulter (Leader of the Council) outlined the budget position.

They explained that Council Cabinet would be meeting on 12 February 2020, to make recommendations to the City Council about setting the budget for the four financial years, 2020/21, 2021/22 and 2022/23. This meeting was part of the programme of consultation, which would help to inform the decisions made by the Council Cabinet and its recommendations to Council.

2 Budget Process

The Director of Financial Services explained the Council's priorities and budget for the 2020/21 onwards revenue budget. He explained the changes to the medium term financial plan, funding, reserves and financial sustainability, and funding source.

It was noted that over the three years the position only remained manageable through approximately £13m of additional Government Funding and the ability to increase Council Tax by £5m. The current budget gap for 2021/22 was less than £3m.

The Leader explained that the public accepted Council Tax increases to help with the position with social care.

3 Comments from the Meeting

Comments were invited from those present, both on the budget consultation document which was available before hand and on the information presented at the meeting. The substance of these and the replies given were:

Mo Suleman stated that there was a perception from the public that they needed to contribute to services, particularly social care. Additional residents in the City meant that more money would be brought into the City.

Simon Riley explained that the City was trying to encourage city centre living, but there was a need to encourage cultural development as well.

In relation to resilience for the future, it was felt that reserves needed to be bolstered and the Council was working to increase the reserves. A balanced budget was proposed in 2020/21 and there was a small funding gap in 2022/23. Investment was being made in services with a revenue budget of over £200m and a capital budget of around £200m. There were transformational projects across the city, whilst at the same time managing the position of vulnerable people. The budget was designed to deliver the right outcomes for the City. There was still an issue with the costs and demand for children's social care.

Councillor Roulstone asked if businesses could help support foster carers.

Mo Suleman suggested that the Council approach businesses to see if they could help. Councillor Roulstone undertook to speak to the Cabinet Member for Children and Young People with a view to approaching businesses.

Simon Riley explained that in relation to commercialisation and income generation, there were benefits to the local area if the Council retained most of the growth in business rates and that there was a commercial investment strategy being drawn up.

Mo Suleman suggested that the Council may be able to lend money to developers to support gaps in projects. Councillor Poulter explained that options would be considered but that they needed to be within the rules, particularly in relation to state aid.

Simon Riley gave an example of how the Council had helped to bring in development at Cathedral Green.

Councillor Poulter recognised that there was no one answer to issues in the city centre, but that hopefully the Future High Street Fund may help with increasing footfall and improving public realm.

In relation to big projects the Council needed to make sure it was getting value for money and establish if the risks were acceptable.

Mo Suleman referred to the pausing of the Assembly Rooms project. Whilst he understood the reasons for the pause he was concerned that this left a big void and asked what the next steps would be.

Yvonne Gorman reiterated the need for vibrancy in the City and concerns about the first impressions people got when visiting, particularly in relation to people begging and street sleeping at the Assembly Rooms Car Park.

Councillor Poulter explained that there would be consultation, budgets would be reviewed and a way forward found as quickly as possible. In relation to people begging and sleeping on the streets, there were projects tackling this issue.

In relation to economic growth, the requirement for city centre living and a diversity of jobs helped to influence what was needed from the Local Enterprise Partnership (LEP). Footfall had a massive impact on the vibrancy of the City and needed to be increased.

Councillor Roulstone asked what the business community needed to see in the City to increase footfall in the City.

Councillor Poulter stated that in relation to focus on delivery, the Capital Programme was being reviewed to ensure it was more realistic.

Mo Suleman referred to an integrated type of procurement (IPI) which was a cost effective way of making sure project did not go over budget. This method had been used for the Silk Mill.

Councillor Roulstone explained that it was not necessary for the Council to do everything and that other options should be considered where ever possible.

Simon Riley explained that the Council wanted to move to a more sustainable platform to give the best services to the residents and businesses. The Council should not be seen as the funder of last resort, it was more about working together for mutual benefit.

The key messages were that it was a positive budget for 2020/21 with increased funding and a refreshed Medium Term Financial Plan. Council Tax would need to increase, but investment was being made by the Council into Children's Social Care and there was a significant capital programme with additional monies for infrastructure works.

There were uncertain times ahead including major changes in the funding framework for Local Government. A change programme with robust business cases would more effectively target Council resources to priority outcomes. The Council would be more commercial exploiting opportunities and improving services to residents and businesses. Longer term financial plans would be developed alongside partners.

There was a discussion around funding of the Museums.

Councillor Roulstone explained that the Council needed to balance an overspend in children's services, against other competing priorities.

Yvonne Gorman asked if there was any intention to extend business rates relief and gave examples of areas where this was a particular problem.

Simon Riley explained that the Council was lobbying for a fairer rateable system but that this was difficult to achieve.

Mo Suleman referred to other issues including

- elections every 4 years
- extension to the City boundary
- a suggestion for north/south unitary split in the County.

Councillor Poulter explained that all these issues were being considered.

4. Conclusion

The Director of Financial Services reported that responses to the consultation would be considered by Council Cabinet on 12 February 2020 and thanked the representatives and the businesses and partner representatives for attending the meeting.

MINUTES END

Extract from Voices in Actions Minutes

Notes of Voices in Action Youth Council Meeting

Derby City Council

Monday 18 November 2019


Who was there?

Voices in Action Members	Abdul-Moiz Siddiqi – Youth Mayor – Chair	Gagandeep Kaur – Deputy Youth Mayor – Secretary	Adele Styles – Co-ordinator
Adele and Holly – Signing in & Membership forms	Patrick - Facilitating	Holly - Facilitating	Chloe – Facilitating
Natalie- Facilitating	Russell - Facilitating	Connor - Facilitating	

Guests:

- Andy Smith – Strategic Director of People
- Bernie Brown – Public Health Manager

What we talked about

1.	Derby City Council Budget Consultation - Placements
	<p>Young people watched a video about children's homes. Andy gave a presentation on Early Help Services.</p>  <p>Budget Consultation 18 Nov 19 v2.ppt</p> <p>Young people were asked:</p> <p>1. What do you think are the advantages of our children in care to live in children's homes run by Derby City Council?</p> <p>The key themes were:</p> <ul style="list-style-type: none"> • Quality Service – more confident, consistent, YP friendly, trustworthy, accountability, inclusive, equality, right facilities, safer children • Support in the community – networks, local connections, involvement in community, grounded, easy access, more familiar, same school, near family, more at home • Cost – cheaper, no one profiting from disadvantaged children

	<ul style="list-style-type: none"> • Voice of the child – opinions and preferences valued <p>2. What do you think are the disadvantages of our children in care to live in children's homes run by Derby City Council?</p> <ul style="list-style-type: none"> • Impact on CYP – resentment of being in care, turnover of staff can affect child's wellbeing, social anxiety, anti-social if home schooled, don't like people they live with, limited space, too big and mix of ages, not familiar with people/area, overwhelmed, less social life, affect mental health, lack of privacy/freedom, not have same advantages, affect self-esteem, no enrichment, different surroundings and routine, getting a new start, safer • Needs not met – can't meet needs, workforce pressures, not able to meet complex needs, not get one to one support, potential clashes of working practice between D2N2 <p>3. How could we get more and keep foster carers for our children in care with complex needs in Derby?</p> <p>The key themes were:</p> <ul style="list-style-type: none"> • Complex needs training – training programs, support, strategies, how to care for children, better training • Support - mental health support, one to one sessions, opportunities for support, old foster carers offering support • Finance – evaluate budget available to pay carers, payment to reflect needs of children, more incentives for services around Derby • Avoid labelling – complex needs gives the wrong idea, complex = thinking they are not normal, remove stereotypes • Promotion – social media to educate people about foster care, evidence of the benefits of foster care, positive stories, advertisement, children in care to speak at events • Process – shorten the process, target relevant people/ hospitals/people who work with children with complex needs, infertile women/couples, information on the child <p>Please see appendix 1 for full details.</p>
Action	Andy to feedback outcome from the consultation.

Minutes from Corporate Services Scrutiny Review Board

Time Commenced – 18:00

Time Finished – 19:46

Executive Scrutiny Board

07 January 2020

Present: Councillor Anderson (Chair)
Councillors Ashburner, Care, Cooper, Hudson, Pattison, Peatfield, Shanker, Testro

In attendance: Councillors Atwall, Lind, Naitta, Skelton, Willoughby
Councillor Barker – Cabinet Member for Governance and Licensing
Councillor M Holmes – Deputy Leader of the Council and Cabinet Member for Regeneration and Public Protection
Councillor Roulstone – Cabinet Member for Finance and Procurement
Councillor Webb – Cabinet Member for Adults, Health and Housing
Councillor Williams – Cabinet Member for Children and Young People
Councillor Wood – Cabinet Member for Leisure, Culture and Tourism
Pauline Anderson – Director of Learning and Skills
Kirsty McMillan – Director of Integration and Direct Services (Adults)
Steven Mason – Democratic Services Officer
Toni Nash – Head of Finance Organisation and Governance
Rachel North – Strategic Director of Communities and Place
Simon Riley – Director of Financial Services
Paul Simpson – Strategic Director of Corporate Resources
Andy Smith – Strategic Director of People Services
Elly Tomlinson – Principal Accountant

62/19 Apologies for Absence

Apologies for absence were received from Councillor Eldret.

63/19 Late Items

There were none.

64/19 Declarations of Interest

There were none.

65/19 Budget Proposals 2020/21

The Board considered a report of the Strategic Director of Corporate Resources, allowing scrutiny members to consider the 2020/21 Budget Proposals.

The Strategic Director for Corporate Resources introduced the item and wished to place on record his thanks to all the colleagues and Councillors who had helped to shape the budget report.

It was reported that the Council was legally required to set a balanced budget for the next financial year, by 11th March 2020. It was also reported that following a period of consultation, Council Cabinet would recommend a budget to Full Council on 27 February 2020.

Members noted that the MTFP included a proposal for consultation of a 3.99% increase in the City's share of the Council Tax for 2020/21. It was also noted that this incorporated a core increase of 1.99% and a further 2% for the social care levy. It was reported that this levy would possibly be available for future years but was not currently factored in for the second and third years of the MTFP. It was also reported that indicative Council Tax increases for 2021/22 and 2022/23 of 1.99% had been forecast.

It was noted that the Chancellor had outlined his budget for 2020/21 on 4 September 2019 and that the announcements had detailed a 4.3% real term increase for 2020/21 for Local Government. It was also noted that the Government had announced that the spending review delivered the largest real growth in day-to-day departmental spending for 15 years.

It was reported that over the MTFP period, an additional £20.7m was being invested into services from Government funding and maximising the flexibility to levy Council Tax at the maximum permitted level.

The Strategic Director of People Services outlined the headline revenue savings proposals and pressures for the People's Directorate, including:

Adults & Public Health

- Provision for increased demand for Adult Services, £1.255m in 2020/21 and a further £2m by 2022/23. This reflects increases in the adult population aged over 85 and the number of adults with severe or chronic learning and/or physical disabilities supported by social care. It is expected that the success of Adult Social Care in managing demand in recent years will mean that these relatively small increases in the commissioning budget will be sufficient to meet new demand and dependency pressures in this area.
- Funding £0.3m Livewell investment within the base budget.

Children's Services

- Additional £2.006m Children's Agency Placements - Looked After Children (LAC) placements. There was significant growth in 2018/19 and the first quarter of 2019/20 in the number of LAC and Unaccompanied Asylum Seeker Children (UASC). This now appears to have plateaued with encouraging signs that demand can be managed within this increased budget envelope through the intervention programmes in place.
- Additional budget to meet a £0.750m increase in demand for home to school transport for children with special educational needs and disabilities.

Members questioned the increase in the home to school budget. It was reported that this was due to high numbers of young people with Educational Health Care Plans and that the numbers were disproportionately high in Derby.

It was reported that transformational activity continued to help manage or stabilise demand and improve outcomes for vulnerable adults and children within the City that required support. It was also reported that the MTFP proposals built on the change programmes approved by Council in February 2019 including:

Adults & Public Health:

- Review of younger adults care packages - c 300 adult care packages are to be reviewed, which may benefit from adopting an asset based approach to meeting eligible needs (£0.500m).
- Restructure and targeting of the Carelink service (£0.100m).

Children's Services

- Social impact bonds - these are a different way of providing services since payments are made on the basis of clear outcomes being achieved rather than traditional methods of how the council funds or commissions services. Derby has been working closely with Nottingham City and Nottinghamshire County Councils in developing a joint approach, with a clear focus on developing a social impact bond approach for children in care and on the edge of coming into care – an area that has one of the most significant impacts on council budgets. These efficiencies will be delivered by reducing the cost of care (£1.024m).
- Remodelling of the service model for the provider of fostering and residential provision for children in care. This programme is demonstrating real success in securing foster placements within the City; providing increased stability for our looked after children and reducing expensive out of City placements. Further benefits are planned to accrue from the remodelling of residential provision (£0.400m).

Members questioned why Derbyshire County Council was not involved in the Social Impact Bonds approach. It was reported that it had been Derbyshire County Council's decision.

In relation to the restructure of the Carelink service, Members asked whether income generation was being considered. It was confirmed that this was being considered but that the restructure was also about creating resilience in the service.

The Strategic Director of Communities and Place outlined the revenue savings proposals and pressures for the Communities and Place Directorate.

Members noted that there was continued implementation of change programmes initiated in previous years and agreed at Council in February 2019. It was also noted that the Directorate had also responded to a projected £2.2m increase in the cost of waste collection and disposal. It was reported that there were external demand pressures and market led pressures, especially in the area of waste collection and disposal.

Members noted that other headlines included:

- Museums management fee £0.250m
- Sovereign car park loss of income due to development of Castleward primary school. £0.150m
- Enterprise for Education (E4E) on going funding £0.100m
- Concessionary fares £0.100m.

Members asked whether the £2.2m increase in the cost of waste collection and disposal was due, in part, to the Sinfen waste treatment plant. It was confirmed that this was the case.

It was reported that transformation activity continued through the re-provisioning of services and the targeting of services direct to communities. It was also reported that service efficiencies were being sought with minimal impact on front line service delivery and adoption of a more commercial approach.

It was noted that headlines in respect of new proposed savings and income proposals included:

- Implementation of new staffing structures within Public Protection and Street Pride (£0.204m).
- Parking efficiencies – introduction of more electronic means of parking payments alongside additional enforcement (£0.211m).
- Library transformation programme (£0.047m).
- City growth and regeneration efficiencies and income generation (£0.078m).

Members welcomed the commercial approach being taken.

Members questioned the proposals in relation to Land, Flood and Drainage – Staff Efficiencies. It was confirmed that the whole service was being remodelled to increase resilience and generate income. It was also reported that one of the aims was to bring part of the service (low level prevention) in-house.

The Strategic Director of Corporate Resources outlined the revenue savings proposals and pressures for the Corporate Resources Directorate.

It was reported that the MTFP factored into the budget provision for the treasury management implications of the revised capital programme, resulting from proposals for additional investment in highways infrastructure and the substitution of borrowing instead of reserves in respect of the A52 project in order to provide financial resilience in respect of reserves.

It was also reported that in February 2019, Council approved an ambitious capital programme to deliver significant benefits to residents and businesses in Derby over the MTFP period and that this programme, along with new investment in highways and provision for additional borrowing in future years linked to the emerging capital strategy, had been factored into the MTFP.

Members noted that the MTFP had also been updated with the potential net impact of the tri-annual pension review administered by Derbyshire County Council. The headlines were outlined, including:

- Corporate revenue contingency budget - this is a corporate contingency budget to hold for emerging in year pressures across the council of £1.279m.
- Prudential borrowing linked to capital programme - treasury management flexibility to fund emerging priorities for example highways maintenance £3.398m.
- Estimated pensions increase following the triennial review £1.503m.

Members questioned the substitution of borrowing for the use of reserves. It was reported that the Council was in a good position in relation to its level of borrowing and that it was important that there was financial resilience in respect of reserves.

It was reported that the directorate continued to make significant savings on contract management arrangements; income generation and improved management of the Council's property estate and that other savings would be delivered across the organisation through the Change Derby Programme. The headlines were reported, including:

- Planned closure of Queens Leisure Centre upon opening of the new swimming facility resulting in savings in property management costs (£0.225m)
- Contract efficiencies - multi-functional device reduction & cost/copy savings - reduction in print management contract (£0.050m)
- Document Management Centre (DMC) reduction in postage costs (£0.100m)
- Bringing trade union facility time into line with our comparator councils (£0.040m)
- Change Derby – development of a commercialisation approach and ethos to maximise income, maximise capacity and to understand costs of service delivery. Early opportunities in respect of property investment within the City are being explored alongside review of street pride tradeable services (£0.250m).

Members discussed the proposed changes to Trade Union facility time.

Members wished their thanks to all officers involved, for all of their hard work, to be recorded.

Resolved:

- 1. to note the report; and**
- 2. to agree that the thanks of the Board to all officers involved, for all of their hard work, be recorded.**

MINUTES END

Summary Capital Expenditure Programme 2020/21 – 2022/23 General Fund

Programme Area	2020/21 Revised	2021/22 Original	2022/23 Original	Total
	£m	£m	£m	£m
Expenditure				
Schools	32.325	3.893	-	36.218
Housing General Fund	6.167	8.918	3.050	18.135
Property	29.552	21.684	0.037	51.273
Flood Defence	0.250	0.250	-	0.500
Highways & Transport	28.313	8.900	5.900	43.113
Vehicles Plant & Equipment	2.092	2.520	1.854	6.466
Regeneration	41.021	43.919	4.440	89.380
ICT	3.921	0.570	0.520	5.011
Corporate	6.000	12.000	12.000	30.000
Total	149.641	102.654	27.801	280.096

Summary Capital Funding 2020/21 - 2022/23

Funding Source	2020/21 Revised	2021/22 Original	2022/23 Original	Total
	£m	£m	£m	£m
Supported Capital Expenditure Capital (SCE C)	25.420	1.517	5.937	32.874
Devolved SCE C Direct to Schools	0.300	0.300	-	0.600
Government Grants	15.954	13.332	4.276	33.562
External contributions	8.525	1.360	1.597	11.482
Section 106	1.901	0.326	-	2.227
Total External Funding	52.100	16.835	11.810	80.745
Funding Requirement	97.541	85.819	15.991	199.351
Funded By				-
Capital Receipts	9.314	17.544	1.738	28.596
Revenue Funding	2.867	3.166	-	6.033
Serviced Financed Borrowing	16.536	19.241	2.024	37.801
Service Financed Invest to Save Borrowing	3.223	-	-	3.223
Potential Borrowing	65.601	45.868	12.229	123.698
Total Internal Resources	97.541	85.819	15.991	199.351
Total Funding	149.641	102.654	27.801	280.096

Housing Revenue Account Capital Programme 2020/21 – 2022/23

Programme Area	2020/21 Revised £m	2021/22 Original £m	2022/23 Original £m	Total £m
Expenditure	33.022	39.628	33.664	106.314
Funding Source				
Capital Receipts	5.951	7.705	6.056	19.712
Grant	0.385	-	-	0.385
Borrowing	-	-	-	-
MRA	26.686	31.923	27.608	86.217
Total Funding	33.022	39.628	33.664	106.314

Key of Funding Sources

UBC	Corporate Unsupported Borrowing
USBSF	Unsupported Borrowing Service Financed
SCE C	Supported Capital Expenditure - Capital
GG	Government Grants
CR	Capital receipts
CRES	Capital Reserves
SR	Service reserves
RCCO	Revenue Contributions to Capital outlay
S106	Section 106 Contributions
EC	External Contributions
MRA	Major Repairs Allowance

Schools 2020/21 -2022/23 Summary Capital Programme

Strategy Area	Title	Source of Funding	Revised 20/21 £m	Revised 21/22 £m	Revised 22/23 £m
Schools	Adaptions For Foster Carers	SCE C	0.080	0.080	-
Schools	Basic Need/Additional Places	SCE C	11.190	-	-
Schools	Derby Moor Expansion	SCE C	0.026	-	-
Schools	Murray Park Expansion	SCE C	0.015	-	-
Schools	Bemrose School secondary expansion	SCE C	0.200	-	-
Schools	Brackensdale Infant & Junior - Expansion	S106	0.400	-	-
Schools	Buildings at Risk urgent condition and suitability schemes	SCE C/UBC	0.436	-	-
Schools	Springfield Primary - Additional Classroom 2017	UBC	0.102	-	-
Schools	Ashgate Primary School - Final Phase Refurbishment	SCE C/ EC	0.025	-	-
Schools	Hackwood Farm Primary	SCE C	0.034	-	-
Schools	Fellows Lands Way Primary S106	S106	1.186	-	-
Schools	Chellaston Secondary School - Homeleigh Way Contribution	SCE C/S106	1.657	-	-
Schools	Capital works delivered by schools	RCCO	0.250	0.250	-
Schools	Wren Park Additional Classroom Feasibility	SCE C	0.035	-	-
Schools	Mickleover Primary School - Fire Risk Mitigation Works	SCE C	0.084	-	-
Schools	Rosehill Infant School - Guttering, Roof Void and Fire Safety Works	SCE C	0.045	-	-
Schools	Devolved Formula Cap	SCE C	0.300	0.300	-
Schools	School Condition work	SCE C	1.500	1.400	-
Schools	Derby Cathedral School - New Secondary School	SCE C	2.000	-	-
Schools	New Castleward School	EC/UBC/C R	5.657	1.863	-
Schools	Grant to St Giles Special School	SCE C	0.183	-	-
Schools	Special educational Needs (SEN)	SCE C	6.920	-	-
	Total Schools Programme		32.325	3.893	-

Housing General Fund 2020/21 -2022/23 Summary Capital Programme

Strategy Area	Title	Source Of Funding	Revised 20/21£m	Revised 21/22 £m	Revised 22/23£m
Housing General Fund	Disabled Facilities Grant 96 Act	GG/CR	2.300	2.234	1.865
Housing General Fund	Capitalised Salaries	EC	0.085	0.085	0.085
Housing General Fund	Healthy Housing Assistance	EC	0.200	0.200	0.200
Housing General Fund	Empty Property Assistance	EC/GG	0.212	0.150	0.150
Housing General Fund	City Living	CR	1.500	3.651	-
Housing General Fund	Community Energy Savings Project (CESP)	EC	0.200	0.760	0.250
Housing General Fund	Works at Shelton Lock	GG	0.150	-	-
Housing General Fund	Temporary Accommodation	CR	0.600	0.378	-
Housing General Fund	Affordable Housing external RP	CR	0.500	0.960	-
Housing General Fund	Milestone House	CR/EC	0.380	-	-
Housing General Fund	Rapid Rehousing Pathway - Property Refurbishment	GG	0.400	-	-
Housing General Fund	Grants (RTB receipts)	CR	-	0.500	0.500
	Total Housing General Fund Programme		6.167	8.918	3.050

Property Improvement 2020/21 -2022/23 Summary Capital Programme

Strategy Area	Title	Source Of Funding	Revised 20/21 £m	Revised 21/22 £m	Revised 22/23 £m
Property	Planned Improvements	UBC/SCE C	1.345	2.887	-
Property	Darley Abby Village Hall	UBC/SCE C	0.100	-	-
Property	Nottingham Road Cemetery	UBC/SCE C	0.175	-	-
Property	Lift Replacement	UBC/SCE C	0.250	0.150	-
Property	Fire Precaution Works	UBC/SCE C	0.300	-	-
Property	Southgate East PRU	UBC/SCE C	0.032	-	-
Property	Boiler Replacements	UBC/SCE C	0.587	-	-
Property	Friargate Studios	UBC/SCE C	0.015	-	-
Property	Markeaton Crematorium	UBC/SCE C	0.035	-	-
Property	Wisgreaves PRU	UBC/SCE C	0.030	-	-
Property	Littleover Community School Bungalow	UBC/SCE C	0.050	-	-
Property	Electrical Rewiring	UBC/SCE C	0.100	-	-
Property	External Areas	UBC/SCE C	0.200	-	-
Property	Preliminary Design structural & Buildings at risk	UBC/SCE C	0.150	-	-
Property	Capitalised Valuer	UBC/SCE C	0.037	0.037	0.037
Property	Demolition Projects - Normanton Park	SCE C	0.100	-	-

Strategy Area	Title	Source Of Funding	Revised 20/21 £m	Revised 21/22 £m	Revised 22/23 £m
Property	Darley Park playing fields changing mess	SCE C	0.165	-	-
Property	Nottingham Road Cemetery - Toilets	UBC	0.094	-	-
Property	Homes for older People (HOP)	GG/SCE C	0.705	1.750	-
Property	Property Rationalisation 2	UBC/SCE C	0.096	-	-
Property	City Centre Infrastructure	SCE C/UBC	0.200	-	-
Property	Swimming Pool / Leisure Centre strategy	UBC/CR	21.930	15.060	-
Property	Corporate Capital Contingency S151 approval only	CRES	-	1.800	-
Property	Libraries refurbishment project	SCE C/UBC	0.100	-	-
Property	Energy Projects	UBC	0.200	-	-
Property	Milestone house	UBC	0.150	-	-
Property	Council House Detailed survey	UBC	0.075	-	-
Property	Bold lane Car Park	UBC	0.123	-	-
Property	218a Osmaston rd. & Ashtree House roof work	UBC	0.052	-	-
Property	Nunsfield House	UBC	0.070	-	-
Property	Rosehill Children's Centre	UBC	0.051	-	-
Property	Council House Rain water Harvesting	UBC	0.050	-	-
Property	QLC Steel shell Calorifer	UBC	0.090	-	-
Property	Council House High Voltage Enclosure	UBC	0.015	-	-
Property	Roe Farm Community Centre	UBC	0.048	-	-
Property	Guild Hall roof covering and stonework replacements	UBC/SCE C/GG	0.400	-	-
Property	Mackworth Road Allotment Garden Access Bridge	UBC	0.050	-	-
Property	Nunsfield House Fire related Works	SCE/UBC	0.068	-	-
Property	Darley Park Changing Rooms- Pressurisation of the cold water system.	UBC	0.038	-	-
Property	HOP Perth House Car Park	UBC	0.555	-	-
Property	HOP Perth House Electrical Upgrade	UBC	0.017	-	-

Strategy Area	Title	Source Of Funding	Revised 20/21 £m	Revised 21/22 £m	Revised 22/23 £m
Property	HOP Perth House Fire Door Replacement	UBC	0.065	-	-
Property	HOP Arboretum House Fire Door Replacement of fire alarm system	UBC	0.057	-	-
Property	Disabled access	UBC	0.100	-	-
Property	Chellaston Park	UBC	0.025	-	-
Property	Arboretum Park- Specialist Play Equipment	SCE C	0.012	-	-
Property	Darley Playing Fields	UBC	0.445	-	-
	Total Property Programme		29.552	21.684	0.037

Strategy Area	Title	Source Of Funding	Revised 20/21 £m	Revised 21/22 £m	Revised 22/23 £m
Property	Milestone house	UBC	0.150	-	-
Property	Council House Detailed survey	UBC	0.075	-	-
Property	Bold lane Car Park	UBC	0.123	-	-
Property	218a Osmaston rd. & Ashtree House roof work	UBC	0.052	-	-
Property	Nunsfield House	UBC	0.070	-	-
Property	Rosehill Children's Centre	UBC	0.051	-	-
Property	Council House Rain water Harvesting	UBC	0.050	-	-
Property	QLC Steel shell Calorifer	UBC	0.090	-	-
Property	Council House High Voltage Enclosure	UBC	0.015	-	-
Property	Roe Farm Community Centre	UBC	0.048	-	-
Property	Guild Hall roof covering and stonework replacements	UBC/SCE C/GG	0.400	-	-
Property	Mackworth Road Allotment Garden Access Bridge	UBC	0.050	-	-
Property	Nunsfield House Fire related Works	SCE/UBC	0.068	-	-
Property	Darley Park Changing Rooms- Pressurisation of the cold water system.	UBC	0.038	-	-
Property	HOP Perth House Car Park	UBC	0.555	-	-
Property	HOP Perth House Electrical Upgrade	UBC	0.017	-	-
Property	HOP Perth House Fire Door Replacement	UBC	0.065	-	-
Property	HOP Arboretum House Fire Door Replacement of fire alarm system	UBC	0.057	-	-
Property	Disabled access	UBC	0.100	-	-
Property	Chellaston Park	UBC	0.025	-	-
Property	Arboretum Park- Specialist Play Equipment	SCE C	0.012	-	-
Property	Darley Playing Fields	UBC	0.445	-	-
	Total Property Programme		29.552	21.684	0.037

Highways & Transport 2020/21 – 2022/23 Summary Expenditure

Strategy Area	Title	Source Of Funding	Revised 20/21 £m	Revised 21/22 £m	Revised 22/23 £m
Highways & Transport	Integrated Transport Programme - smaller scheme	UBC	1.000	1.000	1.000
Highways & Transport	Asset Management - Highways Maintenance	SCE C/EC	3.915	3.915	3.915
Highways & Transport	Structures Maintenance	SCE C	0.940	0.610	0.610
Highways & Transport	Network Management	UBC	0.016	-	-
Highways & Transport	Network Management - Local Traffic Management	UBC	0.024	-	-
Highways & Transport	Network Management - Casualty Reduction	UBC	0.017	-	-
Highways & Transport	Public Transport - Cleaner Taxis	GG	0.710	-	-
Highways & Transport	Active Travel -Cycle Derby	S106	0.199	-	-
Highways & Transport	Air Quality	GG	3.121	-	-
Highways & Transport	Intelligent Transport Systems Maintenance	SCE C	0.432	0.375	0.375
Highways & Transport	A52 Strategic Transport Scheme	UBC/GG/S106	10.972	-	-
Highways & Transport	Active Travel - Smarter Choices	GG	0.834	-	-
Highways & Transport	St lighting lifecycle	SR	0.133	-	-
Highways & Transport	Highways infrastructure	UBC	6.000	3.000	-
	Total Highways & Transport programme		28.313	8.900	5.900

**Flood Defence 2020/21 -2022/23
Summary Expenditure**

Strategy Area	Title	Source Of Funding	Total Revised 2020/21 £m	Total Revised 2021/22 £m	Revised 2022/2023 £m
Flood Defence	Local flood alleviation scheme	UBC	0.250	0.250	-
	Total Flood Defence Programme		0.250	0.250	-

Vehicles Plant & Equipment 2020/21 -2022/23 Summary Capital Programme

Strategy Area	Title	Source Of Funding	Total Revised 2020/21 £m	Total Revised 2021/22 £m	Revised 2022/2023 £m
Vehicles Plant and Equipment	Grounds Plant & Equipment	UBSF	0.400	0.400	0.400
Vehicles Plant and Equipment	Highways Fleet	USBSF	1.200	-	-
Vehicles Plant and Equipment	Replacement of previously leased vehicles	UBSF	0.330	-	-
Vehicles Plant and Equipment	Refuse Vehicles & Plant	USBSF	-	1.900	0.950
Vehicles Plant and Equipment	Street Cleaning Equipment	USBSF	0.162	0.220	0.504
	Total Vehicles Plant & Equipment		2.092	2.520	1.854

Regeneration 2020/21 -2022/23 Summary Capital Programme

Strategy Area	Title	Source Of Funding	Revised 20/21 £m	Revised 21/22 £m	Revised 22/23 £m
Regeneration	Market Hall Refurbishments	SCE C/CR/UBC	1.500	3.634	0.447
Regeneration	Cathedral Green	USBSF	3.909	5.056	-
Regeneration	Project Mulberry	USBSF	10.535	8.490	0.170
Regeneration	Becketwell Colyer Street acquisition	GG	1.190	2.000	-
Regeneration	Castleward Compulsory Purchase Order (CPO)	SR	3.216	3.273	1.862
Regeneration	Performance Venue	GG/SR/CR	10.884	9.612	-
Regeneration	Alvaston District Centre	UBC	0.731	-	-
Regeneration	High Quality Office Space (Bold Lane)	USBSF	3.223	3.175	-
Regeneration	Decarbonise	GG	0.297	0.377	0.213
Regeneration	Silk Mill Contribution	EC	0.179	-	-
Regeneration	IPD Contingency	USB	0.360	-	-
Regeneration	ihub plot preparation	GG/SR/UBC	0.200	-	-
Regeneration	Creative Pathways	EC	0.014	-	-
Regeneration	Access Osmaston	SCE C/GG/RCCO	1.200	-	-
Regeneration	Derby Enterprise Growth Fund - Recycled	CR	0.350	-	-
Regeneration	D2EGF Growth & Innovation	CR	0.450	0.586	-
Regeneration	Our City Our River	GG	2.783	7.716	1.748
	Total Regeneration Programme		41.021	43.919	4.440

ICT 2020/21 - 2022/23 Summary Capital Programme

Strategy Area	Title	Source Of Funding	Total Revised 2020/21 £m	Total Revised 2021/22 £m	Revised 2022/2023 £m
ICT	ICT Stabilisation - Hardware Renewal	SCE C	1.071	0.520	0. 520
ICT	Major IT Systems Development	SCE C	2.619	0.050	-
ICT	Liquid Logic	SCE C	0.231	-	-
	Total ICT		3.921	0.570	0. 520

Corporate 2020/21 -2022/23 Summary Capital Programme

Strategy Area	Title	Source Of Funding	Total Revised 2020/21 £m	Total Revised 2021/22 £m	Revised 2022/2023 £m
Corporate	Provision for future investment	UBC	6.000	12.000	12.000
	Total Corporate		6.000	12.000	12.000

HRA 2020/21 -2022/23 Summary Capital Programme

Strategy Area	Title	Source Of Funding	Revised 20/21£m	Revised 21/22 £m	Revised 22/23 £m
HRA	Kitchens and Bathrooms	MRA	3.000	3.000	3.725
HRA	Unallocated Maintenance funding	MRA	-	0.072	1.298
HRA	Disability Adaptions	MRA	0.700	0.700	0.700
HRA	Hackwood Farm	MRA/CR	-	2.000	-
HRA	The Knoll New Build	MRA	2.750	0.950	-
HRA	New Build and Acquisitions	MRA	4.347	2.773	4.461
HRA	Barlow Street	MRA/CR	0.500	1.050	-
HRA	Bridge Street	MRA/CR	0.250	1.500	0.250
HRA	Estates Pride - General	MRA	0.250	0.250	0.250
HRA	PVCU Windows & Doors	MRA	1.250	1.500	1.500
HRA	Capital Salaries Mods Liaison	MRA	0.700	0.700	0.700
HRA	One-off Mods/Major Refurbishments	MRA	0.700	0.700	0.700
HRA	Re-Roofing	MRA	1.500	1.500	1.500
HRA	Communal Door Entry Systems	MRA	0.050	0.050	0.050
HRA	New & Replacement Central Heating	MRA	2.055	2.055	2.055
HRA	Rewiring/Electrical Upgrades	MRA	0.500	0.500	0.500
HRA	HRA shops	MRA	0.100	0.150	0.250
HRA	Solid Wall Installation	MRA	0.350	0.350	-
HRA	Fire Safety Work	MRA	0.250	0.250	0.250
HRA	Emergency call system replacement	MRA	0.300	-	-
HRA	Energiesprong Partnership	GG/MRA	0.855	0.791	-
HRA	Rivermead refurbishments	MRA	0.624	1.376	-
HRA	Potential Extra Care	MRA/CR	3.700	4.400	9.620

Strategy Area	Title	Source Of Funding	Revised 20/21£m	Revised 21/22 £m	Revised 22/23 £m
HRA	The Grange	MRA/CR	1.400	3.500	0.500
HRA	Chesapeake	MRA/CR	0.600	0.600	-
HRA	Bosworth Ave	MRA/CR	0.700	-	-
HRA	Gerard St	MRA/CR	0.100	-	-
HRA	Riverview site	MRA/CR	1.000	2.486	1.500
HRA	Oakland Ave	MRA/CR	0.400	0.200	-
HRA	Crompton	MRA/CR	0.400	0.200	-
HRA	Paterson St	MRA/CR	-	0.600	-
HRA	Aida Bliss	MRA/CR	1.525	5.425	3.855
HRA	Parliament Street	MRA/CR	2.046	-	-
HRA	Berwick Avenue	MRA	0.120	-	-
	Total HRA		£33.022	£39.628	£33.664

Summary of Unsupported Borrowing

	Corporate Borrowing			
Strategy Area	Scheme	2020/21 £m	2021/22 £m	2022/23 £m
Flood Defence	Local flood alleviation scheme	0.250	0.250	-
Highways & Transport	Integrated Transport Programme - smaller scheme	1.000	1.000	-
Highways & Transport	Asset Management - Highways Maintenance	3.915	3.915	-
Highways & Transport	A52 Strategic Transport Scheme	10.972	-	-
Highways & Transport	Asset Management - Structures Maintenance	0.940	0.640	-
Highways & Transport	Asset Management - ITS Network Management Maintenance	0.432	0.345	-
Highways & Transport	Network Management - Strategic Network Management	0.016	-	-
Highways & Transport	Network Management - Local Traffic Management	0.024	-	-
Highways & Transport	Network Management - Casualty Reduction	0.017	-	-
Highways & Transport	Highways Infrastructure	6.000	3.000	-
Parks & Open Spaces	Chellaston Park	0.025	-	-
Parks & Open Spaces	Arboretum Park	0.012	-	-
Property Improvement	Planned Maintenance	1.345	2.887	-
Property Improvement	Various sites fire precaution	0.300	-	-
Property Improvement	Homes for Older People (HOP) Reconfiguration - Perth House - Car Park	0.555	-	-
Property Improvement	HOP Reconfiguration - Perth House - Upgrade to Electrics	0.017	-	-
Property Improvement	HOP Reconfiguration - Perth House - Replacement of Fire Doors	0.065	-	-
Property Improvement	HOP Reconfiguration - Arboretum House - Replacement of Fire Alarm	0.057	-	-
Property Improvement	Normanton Park - Demolition works	0.100	-	-
Property Improvement	Council House - Detailed Survey	0.075	-	-
Property Improvement	Darley Playing Fields	0.445	-	-

Strategy Area	Scheme	2020/21 £m	2021/22 £m	2022/23 £m
Property Improvement	Lift Replacement/ Maintenance	0.250	0.150	-
Property Improvement	Preliminary Design- Structural and Buildings at risk	0.150	-	-
Property Improvement	Swimming Pool New Build	21.930	15.060	-
Property Improvement	Milestone House Capital Works	0.150	-	-
Property Improvement	Various Replacement Boilers	0.587	-	-
Property Improvement	Various Electrical Rewiring	0.100	-	-
Property Improvement	External Areas	0.200	-	-
Property Improvement	Homes for Older People - Reconfiguration, Redevelopment, Relocation, Remodelling	0.705	1.750	-
Property Improvement	Mackworth Road Allotment Garden Access Bridge	0.050	-	-
Property Improvement	Nottingham Road Cemetery - Toilets	0.094	-	-
Property Improvement	Darley Park Playing Fields:- Rangers Office/Changing Mess	0.165	-	-
Property Improvement	Nunsfield House: Fire-related works	0.068	-	-
Property Improvement	Darley Park Changing Rooms	0.038	-	-
Property Improvement	City Centre Infrastructure	0.200	-	-
Property Improvement	Council House - Rain Water Harvesting	0.050	-	-
Property Improvement	Council House - High Voltage Enclosure	0.015	-	-
Property Improvement	Bold Lane Car Park	0.123	-	-
Property Improvement	Queens Leisure Centre - Steel Shell Calorifier	0.090	-	-
Property Improvement	218A Osmaston Road & Ashtree House - Roof Repairs	0.052	-	-
Property Improvement	Darley Abbey Village Hall	0.100	-	-
Property Improvement	Nunsfield House, Boulton Lane	0.070	-	-
Property Improvement	Nottingham Road Cemetery	0.175	-	-
Property Improvement	Southgate East PRU	0.032	-	-
Property Improvement	Rosehill Children Centre - fire risk assessment works	0.051	-	-

Strategy Area	Scheme	2020/21 £m	2021/22 £m	2022/23 £m
Property Improvement	Friar Gate Studios - relocation of air conditioning unit	0.015	-	-
Property Improvement	Markeaton Crematorium - improvements to ventilation system	0.035	-	-
Property Improvement	Wisgreaves Pupil Referral Unit (PRU) - Boiler replacement	0.030	-	-
Property Improvement	Littleover Community School - Bungalow	0.050	-	-
Property Improvement	Roe Farm Community Centre	0.048	-	-
Property Improvement	Energy Projects	0.200	-	-
Property Improvement	Disabled Access	0.100	-	-
Property Improvement	Property Rationalisation 2	0.096	-	-
Corporate	Contingency for Approval of S151 only	-	1.800	-
Regeneration	Infinity Park Derby Contingency	0.360	-	-
Regeneration	Alvaston District Centre Improvement	0.731	-	-
Regeneration	iHub plot preparation	0.050	-	-
Regeneration	Market Hall Refurbishments	0.100	1.784	0.229
Regeneration	Performance Venue	5.450	-	-
Schools	Rosehill Infant School - Guttering, Roof Void and Fire Safety Works	0.020	-	-
Schools	Springfield Primary School - 2017 Additional classroom accommodation	0.102	-	-
Schools	New Castleward school	0.207	0.263	-
Corporate	MFTP provision for future Investment	6.000	12.000	12.000
	Corporate Borrowing	65.601	44.844	12.229

Strategy Area	Scheme	2020/21 £m	2021/22 £m	2022/23 £m
	<u>Temporary Borrowing</u>			
	New Castleward school	-	1.024	-
	Total Corporate Borrowing	65.601	45.868	12.229
	<u>Service Financed Borrowing</u>			
Regeneration	Cathedral Green	3.909	5.056	-
Regeneration	Project Mulberry	10.535	8.490	0.170
Regeneration	High Quality Office Space (Bold Lane)	-	3.175	-
Strategy Area	Scheme	2020/21 £m	2021/22 £m	2022/23 £m
VPE	Grounds Plant & Equipment	0.400	0.400	0.400
VPE	Replacement of previously leased vehicles	0.330	-	-
VPE	Refuse Vehicles & Plant	-	1.900	0.950
VPE	Street Cleaning Equipment	0.162	0.220	0.504
VPE	New Vehicle Fleet	1.200	-	-
	Total Service Financed Borrowing	16.536	19.241	2.024
	<u>Spend to Save Service Financed</u>			
Regeneration	High Quality Office Space (Bold Lane)	3.223	-	-
	Total Spend to Save	3.223	-	-

Minimum Revenue Provision Statement 2020/21

Annual Minimum Revenue Provision Statement 2020/21

An underpinning principle of the local authority financial system is that all capital expenditure has to be financed either from capital receipts, capital grants (or other contributions) or eventually from revenue. The amount charged to the revenue budget for the capital expenditure is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008.

The Local Government Act 2003 requires the Council to have regard to the Ministry of Housing Communities and Local Government (MHCLG) '*Guidance on Minimum Revenue Provision*'. The latest guidance was issued in February 2018.

The broad aim of the MHCLG Guidance is to ensure a prudent provision is made from revenue over time to cover the total amount of capital expenditure needed to be met from revenue. A prudent provision is considered to be where the period over which MRP is charged is aligned to the period over which the capital expenditure provides benefits.

The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. However the guidance gives flexibility in how MRP is calculated, providing the calculation is 'prudent'.

The following policy included in the statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

Minimum Revenue Provision Policy

- For capital expenditure incurred before 1st April 2008 and for supported capital expenditure incurred on or after that date, MRP will be determined by charging an appropriate annuity rate over the remaining life in respect of that expenditure.
- For unsupported capital expenditure incurred after 31st March 2008 MRP will be determined by charging the expenditure over the expected useful life of the relevant assets in equal instalments or as the principal repayment on an annuity basis, starting in the year after the asset becomes operational. For annuity basis the interest rate charged is 4.3% for unsupported capital expenditure incurred after 31st March 2017. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over the number of years specified in the CLG Guidance.
- For assets acquired by finance leases or Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- For the transferred debt from Derbyshire County Council an appropriate annuity basis will be used over 50 years.
- For capital expenditure purely to build/purchase to sell no provision for MRP will be made as the capital receipt will be applied to any liability.

- Where loans are made to other bodies for their capital expenditure, no MRP will be charged. However, the capital receipts generated by the annual repayments on those loans will be put aside to repay debt instead.
- Where loans are accepted as funding for a specific project, the MRP charged will be equal the loan principal repayments.
- Voluntary MRP may be made at the discretion of the Director of Financial Services.
- No MRP will be charged in respect of assets held within the Housing Revenue Account.

Capital expenditure incurred during 2020/21 to be met from revenue will not be subject to an MRP charge until 2021/22 or the year after the asset becomes operational if later than.

Prudential Indicators 2019/20 to 2022/23

	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Capital Expenditure				
General Fund	82.3	149.6	102.6	27.8
HRA	27.0	33.0	39.6	33.6
Total Capital Expenditure	109.3	182.6	142.2	61.4
Capital Financing Requirement (CFR)				
General Fund	439.2	508.6	560.2	563.9
HRA	233.9	233.9	233.9	233.9
Total CFR	673.1	742.5	794.1	797.8
External Debt				
Borrowing	339.0	482.3	550.1	558.1
Other long-term liabilities	87.6	83.4	78.8	74.7
Gross Debt	426.6	565.7	628.9	632.8
Operational Boundary for External Debt				
Borrowing	585.5	659.1	715.3	723.1
Other long-term liabilities	87.6	83.4	78.8	74.7
Total	673.1	742.5	794.1	797.8
Authorised Limit for External Debt				
Borrowing	745.1	832.6	899.1	907.7
Other long-term liabilities	87.6	83.4	78.8	74.7
Total	832.7	916.0	977.9	982.4
Ratio of Financing Costs to Net Revenue Stream	%	%	%	%
General Fund	3.20	3.95	5.46	6.54
HRA	18.70	18.35	18.34	18.34
Notional Increase Impact of Capital Investment Decisions	£	£	£	£
Notional Impact on Band D Council Tax (Non HRA)	0.02	11.62	28.49	51.54
Increase in Average Weekly Housing Rents (HRA)	0.24	0.87	2.67	4.35

Capital Strategy 2020/21

1. Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £10,000 are not capitalised and are charged to revenue in year.

For details of the Council's policy on capitalisation, follow link

<https://iderby.derby.gov.uk/media/intranet/documents/finance/capitalandassets/procure-notes-capitalisation-policy-P1.pdf>

1.2 In 2019/20, the Council is planning capital expenditure of £130.074m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/2023 Budget £m
General fund Services	57.228	82.3	149.6	102.6	27.8
Council Housing (HRA)	16.910	27.0	33.0	39.6	33.6
Capital Investments	0	0	0	0	0
TOTAL	74.138	109.3	182.6	142.2	61.4

1.3 The main General Fund capital projects include:

- £2m contribution to a new secondary school, the Derby Cathedral School which is being delivered by the DFE
- £7.520m for the build of a new school in Castleward
- £6.920m for the development of special needs facilities
- £2.455m for the redevelopment/remodelling of Homes for Older people.
- £43m for the A52 highway improvements
- £11.180 for the Market Hall refurbishment
- £42m for a new swimming pool at Moorways
- £12.2m further expenditure for the Our City Our River flood defence project.

- 1.4 In addition to the above approved schemes a number of schemes have been proposed as submissions for bids for external funding as identified in the capital budget report paragraph 4.92 and 4.93. In order to facilitate these bids going forward a £2m annual provision has been set aside in the revenue budget to allow for borrowing within the capital programme to bring forward and encourage new investment. Further to this future investment in new schemes £9m additional borrowing has also been included for highways infrastructure improvements.
- 1.5 The Housing Revenue Account (HRA) is a ring fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately.
- 1.6 The Government's lifting of the debt cap in October 2018 was intended to herald a new era for Council house delivery, with an expected 10,000 Council homes a year being delivered across the country. There remain, however, considerable challenges in bringing this about – not only financial: the scale of Right to Buy discounts being the prime one; but also the availability of land and appropriately trained building workers and development expertise.
- 1.7 After careful consideration this year, the HRA Business Plan (HRABP) and capital programme have been adjusted to reflect the increased opportunity as a result of the lifting of the debt cap. The Council intends to increase its rate of new homes delivery from around 50 to around 100 a year. The updated plan remains affordable within the HRABP albeit with higher levels of HRA debt.
- 1.8 **Governance**
Programme Managers put forward their proposed capital programme around September each year to include in the Council's capital programme. New bids for new schemes are also put forward and dependent on value will be subject to the Gateway process. This process includes going through a number of gateways to allow for acceptance of a new idea against service objectives and council need, feasibility, design full business case, financial appraisal and eventually new scheme. The Project Management Office (PMO) is policing this process which involves the project managers reporting to the PMO for each gateway they have reached. Other new bids are of a lesser value are put forward and would be considered by the Corporate Capital Programme Board (CCPB) to put forward as schemes to be considered by members for corporate funds or are fully self-funded via grants and external contributions. The final capital programme is then presented to Cabinet in January following a consultation process and then to Council in February each year.
- 1.9 For full details of the Councils capital programme see the main budget (Section 5)
- 1.10 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and

Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table: Financing of the Capital Programme

	2018/19 Actual £m	2019/20 Forecast £m	2020/21 budget £m	2021/22 Budget £m	2022/23 Budget £m
External Sources	31.357	41.795	52.485	16.835	11.810
Own resources	42.101	67.553	130.178	125.447	49.655
Debt	0.680	0	0	0	0
Total	74.138	109.348	182.663	142.282	61.465

- 1.11 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as (minimum revenue provision (MRP)). Alternatively proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned (MRP/repayments) and use of capital receipts are as follows:

Table :Replacement of debt finance

	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m
Own resources	6.903	7.137	7.652	9.415	10.670

The Councils full MRP statement is available at: (see Appendix 15)

- 1.12 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with (MRP) and capital receipts used to replace debt. The CFR is expected to (increase by £38.4m) during 2019/20. Based on the above figures for expenditure and financing. The Council's estimated CFR can be found in Appendix 16

1.13 **Asset Management:**

To ensure that capital assets continue to be of long-term use, the council has adopted a corporate approach to the planning and management of the property portfolio to support the delivery of the Council's service needs and achieve corporate objectives, an asset management strategy is in place. The Corporate Asset Management Plan (2018-2023) was adopted by Cabinet in September 2018 and sets the strategic direction for the use, management and development of Derby City Council's property assets.

The Councils asset management strategy can be found at

<https://www.derby.gov.uk/media/derbycitycouncil/contentassets/documents/business/estates/Corporate%20Asset%20management%20Plan%20-%20September%202018.pdf>

1.14 **Asset Disposals**

When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts. The council plans to receive £57.4m of capital receipts in the coming financial years as follows including RTB receipts:

Table 5: Capital receipts

	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m
Asset Sales	4.922	12.616	15.600	12.100	11.000
Loans Repaid	0.622	1.301	1.668	2.386	0.738
TOTAL	5.544	13.917	17.268	14.486	11.738

1.15 **Treasury Management**

Treasury Management is concerned with keeping sufficient but not excessive cash available to meet the Councils spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank's current account. The Council is typically cash rich in the short term as revenue income is received before it is spent, but cash poor in the long term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing. Due to the decisions taken in the past the Council currently has £430.821m borrowing at an average interest rate of 4.33% and £71.34m treasury investments at an average rate of 0.60%.

1.16 **Borrowing Strategy:**

The Council's main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.60%) and long term fixed rate loans where the future cost is known but higher (currently 1.21).

1.17 Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases can be found in the Treasury Management Strategy.

1.18 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. The gross debt indicator and CFR can be found in the Treasury Management Strategy.

1.19 IFRS 16 is being applied to the public sector from 1 April 2020, the main change resulting from the implementation of this standard is the introduction of a single lessee accounting model, whereby the lessee has to recognise assets and

liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value (thus removing the distinction between operating and finance leases). An introduction of this standard will therefore increase the assets value included on the balance sheet which in turn will have an impact on the Capital Financing Requirement (CFR). The authorised limit for external debt has therefore been increased accordingly.

1.20 **Liability Benchmark**

To compare the Councils actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £20m at each year end. This benchmark is currently £309.8m and is forecast to rise to £555.1m over the next three years. The Treasury Management Strategy provides full details.

1.19 **Affordable Borrowing Limit:**

The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

See the Treasury Strategy for these limits.

1.20 Further details on borrowing are in the Treasury Management Strategy.

1.21 **Investment Strategy**

Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

1.22 The Councils’ policy on treasury investments is to prioritise security and liquidity over yield that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including bonds, shares and property to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the council may request its money back at short notice.

Further details on treasury investments are included in the Treasury Management Strategy.

1.23 **Governance**

Decisions on treasury management and borrowing are made daily and are therefore delegated to the Director of Financial Services and staff, who must act in line with the treasury management strategy approved by Council/Cabinet.

Quarterly reports on the treasury management budgets are presented to Cabinet, along with a midyear report on the treasury management activities. The audit committee is responsible for scrutinising treasury management decisions.

1.24 Investments for Service Purposes

The Council makes investments to assist local public services, including making loans to local service providers, local small businesses to promote economic growth. In light of the public service objective, the Council is willing to take more risk than with treasury investments; however it still plans for such investments to breakeven/generate profit after all costs, included in the Treasury Management Strategy.

1.25 Governance

Decisions on service investments are made by the relevant service manager in consultation with the Director of Financial Services and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

1.26 Commercial Activities

With Central Government financial support for local public services declining, the Council could choose to invest in commercial property purely or mainly for financial gain. However the Council has no specific (or approved) Commercial Property Investment Strategy [CPIS], in which to operate within the current financial year. No property investment activity is anticipated which is not linked to a cabinet approval to meet other (than investment) requirements. All commercial properties are managed in accordance with the approved Corporate Asset Management Plan. The Council will be seeking options to implement a CPIS in future years as part of the capital strategy and MTFP, which will require cabinet and council approval.

1.27 Liabilities

In addition to debt of £430.821m detailed above, the council is committed to making future payments to cover its pension fund deficit valued at £466.552m; It has also set aside £9.6m to cover risks of Business Rates appeals and Insurance losses. The Council also has potential liabilities for the Derby Homes pension deficit and Business rates losses pending the outcome of a national legal case brought by the NHS, but have not put aside any money due to the level of uncertainty around the liability.

1.28 Governance

Decisions on incurring new discretionary liabilities are taken by service directors in consultation with the Strategic Director of Corporate Resources. The risk of liabilities crystallising and requiring payment is monitored by corporate finance and reported in the Council's year-end financial statements.

Further details on liabilities and guarantees are on pages 33 and 118 of the 2018/19 Statement of Accounts.

1.29 Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants. The proportion of financing costs to net revenue stream can be found in the Treasury Management Strategy.

1.30 Sustainability

Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Director of Finance is satisfied that the proposed capital programme is prudent, affordable and sustainable because of the rigorous budget setting process undertaken during the last six months in conjunction with members programme officers and the finance team.

1.31 Knowledge and Skills

The council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Financial Services is a qualified accountant with 27 years post qualification experience, the recently appointed Director of Property is a Fellow of the RICS and formally also a registered valuer. He also holds a Bachelor's degree with Honours and ILM level 7 qualifications and brings with him over 25 years of commercial property, asset management, investment, development, and valuation experience. The Council pay for junior staff to study towards relevant professional qualifications including CIPFA, and AAT.

1.32 Where Council staff does not have the knowledge and skills required, use is made of external advisors and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as Treasury Management Advisors, the District Valuer's Office (DVO) as property consultants and valuers. 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.

1.33 Public/Stakeholder Engagement

This report has been prepared with engagement from the Estates section, Housing and the treasury section to comply with the requirements of the code.

Appendix 18

The proposed HRA capital programme for 2020/21 to 2022/23 is set out below:

	2020/21 £m	2021/22 £m	2022/23 £m
Major works (delivered and managed by Derby Homes)			
Kitchens and Bathrooms	3.000	3.000	3.725
Disability Adaptions	0.700	0.700	0.700
Estates Pride – General	0.250	0.250	0.250
PVCU Windows & Doors	1.250	1.500	1.500
Capital Salaries Mods Liaison	0.700	0.700	0.700
One-off Mods/Major Refurbishments	.0700	0.700	0.700
Re-Roofing	1.500	1.500	1.500
Communal Door Entry Systems	0.050	0.050	0.050
New & Replacement Central Heating	2.055	2.055	2.055
Rewiring/Electrical Upgrades	0.500	0.500	0.500
Solid Wall Installation	0.350	0.350	-
Fire Safety Work	0.250	0.250	0.250
Emergency call system replacement	0.300	-	-
Energy Efficiency	0.855	0.791	-
Rivermead refurbishments	0.624	1.376	-
HRA maintenance not yet allocated	-	0.072	1.298
HRA Shops	0.100	0.150	0.250
Total Maintenance	13.184	13.944	13.478
New Build and acquisitions			
Supported Housing to include a potential Extra Care scheme	3.700	4.400	9.620
The Grange	1.400	3.500	0.500
Chesapeake	0.600	0.600	-
Bosworth Avenue	0.700	-	-
Bridge Street	0.250	1.500	0.250
Aida Bliss	1.525	5.425	3.855
Hackwood Farm	-	2.000	-
The Knoll	2.750	0.950	-
New Build and Acquisitions	4.347	2.773	4.461
Barlow Street	0.500	1.050	-
Gerard Street	0.100	-	-
Oakland Avenue	0.400	0.200	-
Crompton	0.400	0.200	-
Paterson Street	-	0.600	-
Riverview site	1.000	2.486	1.500
Parliament Street	2.046	-	-
Berwick Avenue	0.120	-	-
Total New Homes	19.838	25.684	20.186
Total HRA	33.022	39.628	33.664