

Council Budget – Frequently Asked Questions

Derby City Council is consulting about our budget for the next three years. Here are answers to some questions you may have.

Why is the Council making cuts when council tax bills are going up?

Even with the proposed council tax increase, the Council still faces a major gap in its finances in 2017/18 and beyond. The main cause of this is the continuing cuts in central government funding. It is reducing by more than £10m in 2017/18 and by a total of £18m over the next three years. In fact, by 2019 the grant to the Council will be much less than half that we received in 2010. The Council has already had to implement savings of £135m since then – to manage funding reductions and rising demand.

As a result of the funding cuts, the proportion of the council budget which comes from council tax and business rates is growing. We are planning to increase council tax bills by 4% next year, with a particular focus on protecting services for the most vulnerable. For example, half of the increase is specifically to address the ever-growing costs of social care.

The council tax increase will raise an extra £3.7m for 17/18, with a further £1.3m coming from growth in the number of houses in Derby. However, we must still save £15m to balance the books next year, and a total of £28m over the next three years.

If the cut in Government funding is £18m over the next 3 years, why does the Council need to save so much more - £28m?

The Council faces a range of additional financial pressures over which we have very little control. These include:

- Population changes which increase demand for our services. An extra £2.6m is needed just to meet the extra demands of adult social care in 2017/18.
- Inflation, which puts up the price of everything from fuel and electricity to stationery.
- Almost £5m added to the cost of contracts the council has with service providers, particularly in social care
- A review of the Local Government Pension Scheme is expected to cost the Council an extra £1m.
- Increased insurance costs of over half a million pounds a year by 2018/19.
- The new national levy on employers to fund apprenticeships, which will cost the council £455,000 next year and a further £325,000 in 2018/19

All these factors have to be taken into account when the budget is set. This is why the Council needs to save even more than the £18m we are losing from the Government.

What has the council tried to do about these government funding cuts?

A council delegation went to Westminster to make the case for Derby. We explained how the level of funding given to the city is not aligned with our need to spend. Unfortunately, there has been little change in the funding we receive. The Chancellor's Autumn Statement in November indicated that the reduction in core government funding to local government remains. We will not know the exact amount of overall funding Derby will receive until the Local Government Finance Settlement, which is traditionally announced in mid/late December.

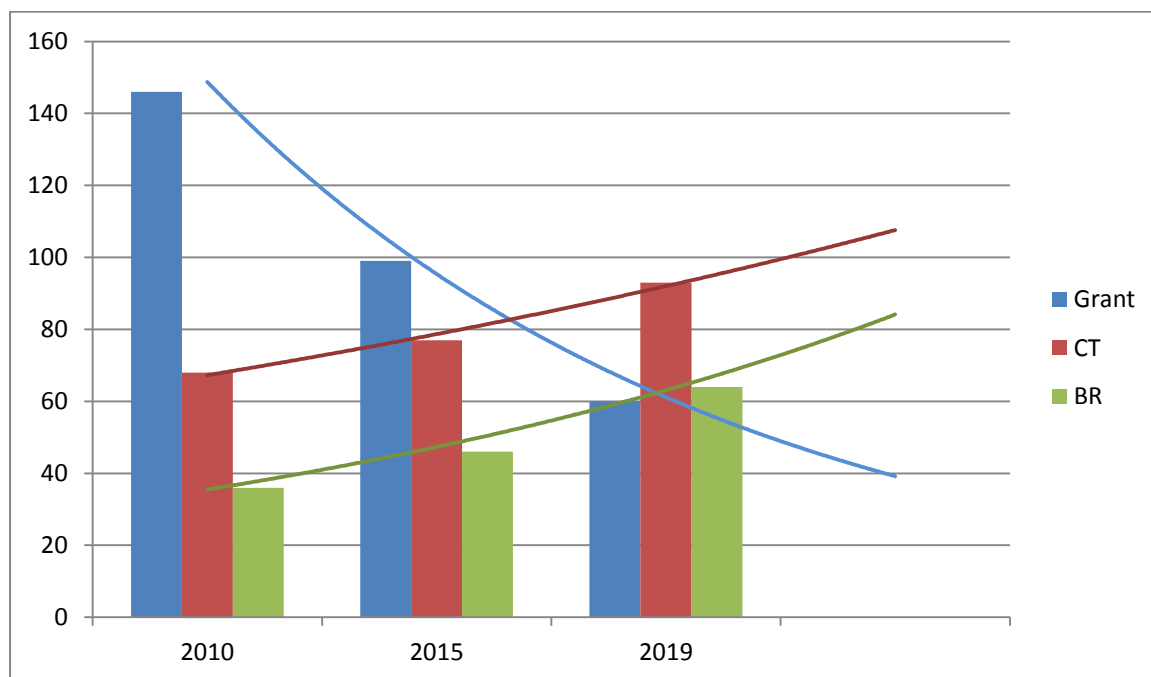
Things can't be that bad if the council still has £220m to spend next year, can they?

The Council provides a wide range of services for the city of Derby, which is a big place with varied needs. It is important to realise that many of those services are statutory, which means that the Council has a legal duty to provide them. They include support to our schools, social care for both children and adults, road safety, social housing and homelessness, planning and refuse collection.

It is a long list – and as the population grows, so does the demand for these services. All of this means that the council budget is under huge pressure. In fact, many services which the council does not legally have to provide (such as parks and leisure) are at risk of ceasing completely unless they are provided externally and at no cost to the council.

How much of your budget comes from council tax?

The proportion of the council budget which comes from council tax is increasing as government funding and overall spending declines. This graph shows the change since 2010 – with the government grant in blue, council tax in red and business rates in green. In 2010 council tax income made up around 19% of the budget. By 2015, this had grown to 35%. By 2019 it will be 43%. The graph shows that the contribution of business is also growing, with the council able to keep more of that income to spend locally. The figures on the left are millions of pounds.



What is the thinking behind the new swimming pool?

In recent times Derby has had two public pools, at Queen's Leisure Centre and Moorways. Council cuts have already forced the closure of Moorways to the general public. Both pools are in older buildings which would require significant investment to keep them fit for purpose in the long term.

However, the Council is committed to safeguarding the future of swimming in Derby. That is why plans are being drawn up for a brand new state-of-the-art Olympic-sized pool to replace the others. The details are still being worked on and a feasibility study will determine exactly what the facility looks like. To ensure it goes ahead, the Council has earmarked up to £20m for development costs. This will be funded through borrowing (like a home mortgage), but the Council will ensure that enough money is in ongoing budgets to meet loan repayments and the new pool's running costs. The ultimate aim is for the pool to be self-funding.

How can you afford to build a new pool when money is so tight?

Development of the new pool will be a one-off capital project, funded through borrowing. So the Council does not have to fund the building cost from the revenue budget used to run services. The Council will ensure that enough money is in ongoing budgets to meet loan repayments over a number of years and the new pool's running costs. The ultimate aim is for the pool to be self-funding. See the next question for a further explanation of capital and revenue costs.

What is the difference between revenue and capital – and why can't capital be used to ease the financial pressure?

It is important to understand the difference between the two types of spending to fully appreciate the pressures on the council budget. Revenue covers the ongoing daily running costs of the Council and our services. These include salaries, utility bills and other overheads, plus money paid to other organisations contracted to provide services. Revenue costs continue from year to year.

Capital spending is for things that need doing only once, such as repairs to schools and council houses, refurbishing parks and libraries, repairing roads, buying new vehicles and investing in flood defences. The Council is planning to spend £100m on capital projects in 2017/18. Some of this is funded differently, such as from grants, selling land or other assets, and the income received from council housing.

The Council has cash reserves. Why can't they be used to offset the cuts?

Reserves are made up of money that doesn't need to be spent now, but has been earmarked for specific uses at a later date. This includes being prepared for any sudden unexpected costs which could arise. Known as contingency planning, this is essential for big organisations to ensure that they remain financially viable. Reserves are a cash amount and can only be spent once. Because reserves are already committed in this way, the Council's ability to use them to ease financial pressures is severely limited. Having said that, the level of reserves needed is always carefully assessed when budgets are set – with £10m specifically set aside to ease the pressure on services between 2016 and 2019.

What will be the effect on jobs?

Salaries and other workforce costs make up a big part of the council budget – about £100m. The intention is to reduce this by 3% (about £3m) by 2019/20. It is inevitable that the council workforce will continue to become smaller in response to the financial pressures, and around 65 jobs are expected to be lost in 2017/18. This is a situation facing local authorities across the country. It is not possible to this stage to precise about the impact on jobs beyond next year, because it depends how much of the savings are made by changes in productivity and other efficiencies. It is not possible to be precise at this stage about the number of jobs involved or any other changes which may be made to achieve savings. The council will work closely with the unions on the implications for staff of budget cuts.