Council Cabinet
14 February 2024
Report sponsors:
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ITEM 12

Medium Term Financial Plan (MTFP) 2024/25 – 2026/27

(Revenue Budget, Capital Budget, Dedicated Schools Grant, Reserves and Capital Strategy)

Purpose

1.1 This report outlines the Council's budget proposals for the period 2024/25 to 2026/27 which are proposed to recommend to Council.

1.1.1 The budget includes estimates of future demand and economic pressures as the Council plans for the City whilst shaping the financial framework for future service delivery.

1.1.2 The MTFP is ongoing and continues to be managed within extremely challenging circumstances. Pressures have continued to emerge during the 2023/24 financial year which has resulted in a more challenging position for the 2024/25 budget. The Council has responded to the emerging pressures responsibly and with a degree of success as overspends have been driven down by over £4m from £6.5m reported earlier in the year. The reform of local government funding has long been in the planning but has not yet materialised. This continued uncertainty, coupled with over a decade of funding reductions makes delivering a balanced budget over the medium term difficult without impacts on service delivery. The Council continues to lobby Central Government for a fair deal for the sector in the context of the underfunding of Council services, the Local Government Association (LGA) also reports a £6bn funding shortfall for the sector. It is evident that the cocktail of over a decade of cuts to local authority funding, rising demand, particularly in social care (both adults and children's), and the more recent societal and economic shocks of the COVID pandemic, energy and food price increases exacerbated by the war in Ukraine, high interest rates and soaring inflation, have pushed a growing number of local authorities to the edge, in terms of their financial sustainability.

1.1.3 Delivering a balanced budget for next financial year has been a challenge but the Council has delivered on that legal requirement despite having delivered over £226m of savings since 2010. Whilst the Council is not in immediate danger of issuing a S114 notice it would be misleading to suggest that our financial position is anything less than the most challenging it has been. Challenging savings targets exist for years two and three of the strategy.
The national and local context of the Medium-Term Financial Plan - MTFP is set out in the Medium-Term Financial Strategy that was approved at Cabinet 11 October 2023.

Medium Term Financial Strategy

1.1.4 The recent Autumn Statement and Provisional Settlement has had little impact on the assumptions in the councils MTFP model. No funding was announced for local authorities beyond the increases that were already expected. There was further reaffirmation about the grant increases for social care in 2024/25 that were announced in the 2022 Autumn Statement. The Chancellor announced that more pressure will be applied to the public sector, with a target of 0.5% annual productivity improvements. The Chancellor has stated he wants to improve productivity in the public sector and to reduce the size of the civil service. This is against a backdrop of continued austerity and reductions in the workforce.

1.1.5 On the 24 January, the 'Local Government Finance Update' in the House of Commons announced additional funding ringfenced for Social Care of £500m of which the Councils share is estimated to be circa £2.389m, however this is a local estimate based on previous grants and is not confirmed. The announcement states this funding will enable councils to continue to provide crucial social care services for their local communities, particularly for children. Whilst welcome, this late announcement has meant that the commencement of the consultation process for the Council has launched without considering this funding and at time of writing no final allocation or detail is available. This paper notes the allocation, but it is not yet included in the calculations because of lack of clarity at this stage around the burdens associated with it and the type of funding, for example one off or permanent.

Where possible, councils should invest in areas that help place children's social care services on a sustainable financial footing, whilst being mindful of the level of adult social care provision. This includes investment in expanding family help and targeted early intervention, expanding kinship care, and boosting the number of foster carers. This increase in funding will be reflected in the local authority allocations published at the final Local Government Finance Settlement.

1.1.6 The key objectives of the report are:

- To ensure that the Council is financially resilient, stable, and sustainable in the short term and to highlight medium term challenges to financial sustainability
- To ensure that effective financial planning contributes to the delivery of the Council Plan

1.1.7 The MTFP sets out the Council's approach to the prudent management of its finances against a reducing reliance on central government funding and increased reliance of local funding sources from council tax and business rates.

1.2 Revenue budget:

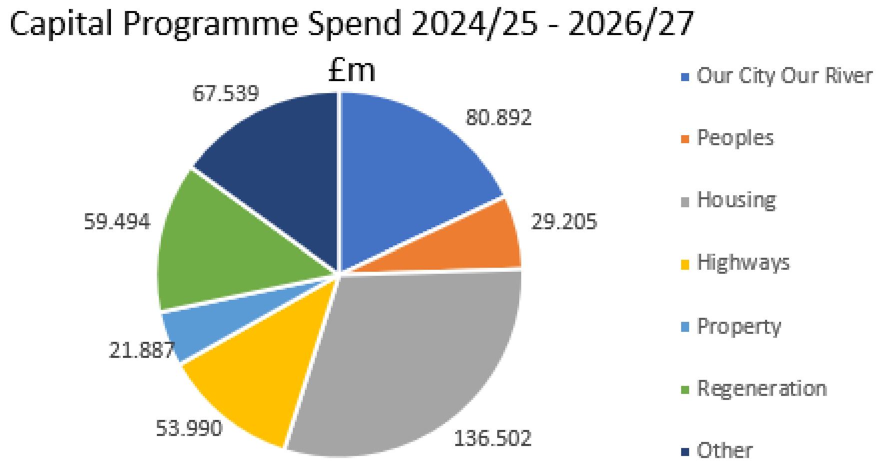
This report outlines proposals to recommend to Cabinet a net budget requirement of £309.350m for 2024/25 and outlines further initial indicative budget proposals for the following two years.

1.2.1 The report proposes a savings requirement of (£7.991m) in the medium term. These savings include (£8.121m) in 2024/25 and net reversal of one-off savings of £0.130m in 2025/26 and nil in 2026/27. The savings outlined are to address the impact of demand pressures, rising inflationary costs, maintaining priority services, and investing in the Council Plan.

1.2.2 The identified budget gaps in 2025/26 and 2026/27 will require further savings, income, and transformation proposals to address. The budget proposals include planned contributions to reserves that support the financial resilience and sustainability of the Council.

1.3 Capital budget:

The report sets out the 2024/25 to 2026/27 capital programme to recommend to Council. The main headings of the £449.509m programme (including HRA) over the next three years are and are outlined in detail at Appendix 13:



1.3.1 The programme includes slippage from the 2023/24 approved Capital Programme. This has been reported in the Qtr.3 Revenue Monitoring included on this agenda. The capital programme includes assumptions made on future year's government allocations which are still to be confirmed.

1.3.2 The report contains a 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 the associated risk is managed as detailed in Appendix 17.

1.4 Reserves:

The report details an assessment 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 for 2024/25 and to plan its finances in the short term on a sustainable basis although this is not without some significant risk. Any major unplanned, unbudgeted shock will potentially undermine the financial position of the Council.

1.4.1 Council is required to consider the Section 25 report from the Section 151 officer (attached at Appendix 7). This details the adequacy of reserves and robustness of the estimates for the period 2024/25 to 2026/27.

1.5 Dedicated Schools Grant:

On 19 December 2023, the Department for Education (DfE) announced the Dedicated Schools Grant (DSG) for Derby City.

The DSG allocations reflect the change in the process for national non-domestic rates from the 2024/25 financial year when ESFA will pay billing authorities directly for both academy and maintained schools.

1.5.1 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 2024/25 allocation for the DSG is £338.291m and is made up of four blocks of funding:

- Schools Block £245.966m (included the Mainstream Schools Additional Grant and £1.5m NNDR)
- Central School Services Block £2.556m
- High Needs Block £58.596m
- Early Years Block £31.173m (includes adjustment for amended week as per the 11 January 24 announcement)

Recommendations

2.1 To note:

(a) The outcomes of the Budget Consultation detailed in Appendix 9, and Notes from the 'Voices in Action' at Appendix 11 and notes from the Meeting including representatives from Business Ratepayers at Appendix 10

(b) The outcomes of the Executive Scrutiny Board of the 15 January, detailed in the minutes Appendix 12

(c) The Section 25 Report of the Section 151 officer on the robustness of estimates and on the adequacy of the reserves 2024/25 to 2026/27 detailed in Appendix 7

2.2 Subject to the above to recommend to Council to approve:

2.2.1 **Revenue Budget**

a) The Councils net budget requirement for 2024/25 of £309.350m

b) Once confirmed, to transfer the new Social Care funding announced on 24 January to an Earmarked reserve to utilise in line with requirements of the funding

c) The increase the City Council element of Council Tax by 4.99% as set out in in section 4.6

d) The current list of savings options outlined in Appendix 4 with an associated estimated reduction in posts by 12.40 full time equivalent – FTE outlined in 2024/25 as outlined in section 4.5

e) The estimated service pressures outlined in Appendix 5

f) The estimated savings proposals included in Appendix 4

2.2.2 **Reserves**

a) The transfer to reserves of £4.187m to maintain the adequacy of reserves in the medium-term.

b) To repurpose £2.4m of earmarked reserves to support the reserves strategy to replenish General Reserve and Budget Risk

c) The Section 25 reserves adequacy report as detailed in Appendix 7 of this report

2.2.3 **Capital and Treasury**

a) The capital programme for 2024/25 and note the indicative capital programme for 2025/26 and 2026/27 as set out in section 5. A summary with detail is outlined in Appendix 13.

b) The additional borrowing outlined in section 5.1.15, 5.3.5 and 5.3.7

c) The Summary of Unsupported Borrowing as set out 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

g) The Treasury Management & Investment Strategy 2024/25 attached at Appendix 18

2.2.4 **Dedicated Schools Grant**

a) The allocations of the Dedicated Schools Grant as detailed in this report

b) To increase the Minimum Funding Level per pupil - primary £4,610 per pupil and secondary £5,995 per pupil

c) To implement a cap on growth above 1.4% per pupil with 50% being scaled back

d) To set a Minimum Funding Guarantee of 0.5%

e)To support the recommendation to Council Cabinet of a base rate element of the Early Years Funding for: -

i. 3/4-year-olds base rate of £5.25 an increase of 11.7% per hour.
ii. Disadvantage 2-year-olds of £7.71 per hour this is an increase of £2.03 per hour.
iii. The Stand-Alone Maintained Nursery Supplementary rate of £3.27 has increased to reflect the mainstreaming of the Teachers pay and pension into the Early Years Funding Formula (Universal Hours).
iv. Working parent 2-year-olds of £7.71 per hour
v. Working parents 9 months to 2-year-olds of £10.80 per hour

f) To approve the value of Growth Fund of £0.041m to be retained centrally

2.2.5 **To delegate:**

a) Approval to the Section 151 officer to make necessary adjustments in order to retain a balanced budget for 2024/25

b) Approval to the Section 151 officer 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 subject to affordability. Any changes will be subsequently reported in the quarterly financial monitoring reports to Cabinet

Reasons

3.1 The Council is required to set a balanced budget for 2024/25 by 11 March. This report proposes a balanced budget for the financial year 2024/25.

3.2 The Council, under the Prudential Code, established by the Local Government Act 2003, must demonstrate the affordability of our revenue budget for the next financial year and two subsequent years, including considering our plans for capital expenditure.

Supporting Information

4.1 The Revenue Budget

4.1.1 Key areas of the report are outlined below:

I. The budget process overview with a link to the 20 December 2023 Cabinet report which includes:

Budget Consultation Report

- The budget approach
- The modelling assumptions and risks affecting the Medium-Term Financial Plan
- The local government financial picture

This report also outlines:

II. The proposed MTFP with changes outlined and Final proposed Directorate savings and pressures
III. The Impact on the workforce – FTE numbers
IV. Proposed Council tax levels
V. Capital budget and strategy – Treasury Management Strategy
VI. Dedicated Schools Grant
VII. Reserves

4.2 **The Budget Process and Context**

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. This year's process has faced continued challenges due to well-rehearsed issues including (this list is not exhaustive):

- Minimal impact of the Autumn/Provisional statement
- There continues to be no reform of local government funding
- There is a short-term approach by Central Government to funding Local Government which impedes the planning process
- Councils spending powers has shifted with a greater reliance to local generated revenue and less funding from Central Government
- Continued Austerity continues to impact on Local Government finances
- The ongoing Cost Of living Crisis, exacerbated by the war in Ukraine
- Continued increasing pressures in Health and Social Care
- Unprecedented times seeing Section 114 notices increasing nationally
- £226m savings made by this Council since 2010
- Increasing costs and resourcing problems with capital projects locally and nationally

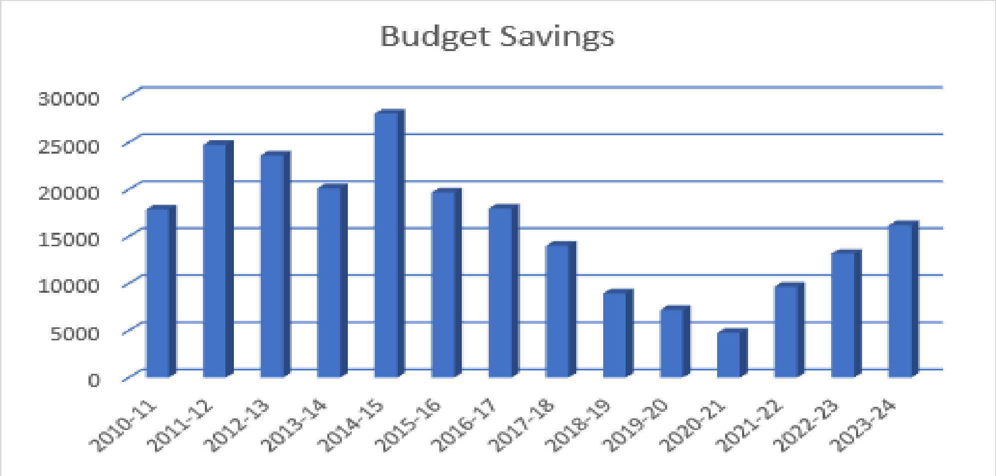
4.2.2 **Further context**

The Council continues to experience high levels of demand for its statutory services exacerbated by market failures to provide services, particularly in the adult and children's social care sectors compounded a national cost of living crisis. Over the past 5 years these mainly overspending budgets have had a detrimental impact on the Council's level of reserves and inhibits the Councils ability to deal with significant financial shocks.

	2022/23	2021/22	2020/21	2019/20	2018/19	TOTAL
	£m	£m	£m	£m	£m	£m
Outturn over/(underspend)	13.665	1.265	(1.892)	6.195	5.434	24.667
% attributable to social care	83%	100%	0%	89.78%	100%	95.68%

4.2.3 Demand and cost increases have driven the need for the Council to make unprecedented levels of savings.

Derby City Council Savings since 2010/2011:

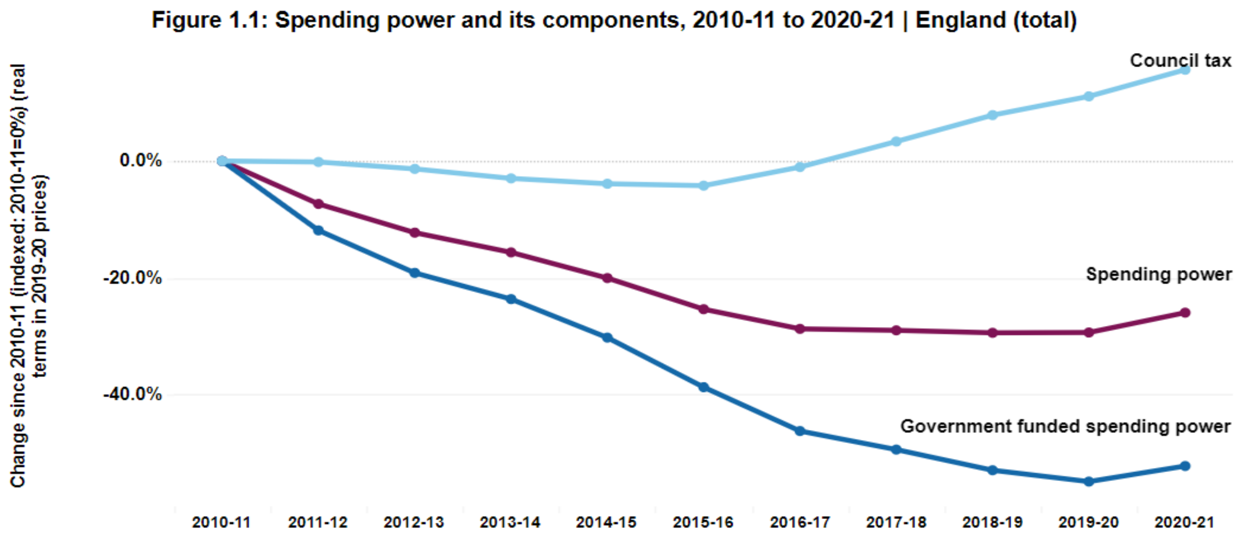


The graph shows that the savings made by Derby City Council, over the last 14 years, total **£225.902m**. This does not include 2024/25 proposals.

4.2.4 Preparing saving proposals of this magnitude has been extremely challenging. The Council remains ambitious for the City but has had to propose significant savings in order to be sustainable in 2024/25 in these challenging times. The Medium-Term Financial Strategy outlining the financial planning for the process adopted by Derby can be found here:

[Medium Term Financial Strategy]

4.2.5 The financial model for Local Government has shifted with a greater proportion of overall funding coming from local taxes, council tax and business rates and less from direct Government support through the Revenue Support Grant. The Council, along with other local authorities, has faced reductions in core Government funding from 2010/11 to date and the calculation of the core spending power of local government has more recently changed to include council tax assumptions and is not limited to general Government revenue grant and business rates. This is a very significant change and emphasises the importance of local taxation in the sectors funding model.



4.2.6 The Council's real term fall in spending power is a result of a reduction in central Governments fall in revenue support grant and although other grants have increased these come with specific grant conditions to fulfil ministerial priorities.

4.2.7 The recent Autumn Statement and Provisional Settlement has had little impact on the assumptions in the councils MTFP model. No funding has been announced for local authorities beyond the increases that were already expected. There was further reaffirmation about the grant increases for social care in 2024/25 that were announced in the 2022 Autumn Statement. The Chancellor announced that more pressure will be applied to the public sector, with a target of 0.5% annual productivity improvements. The Chancellor has stated he wants to improve productivity in the public sector and to reduce the size of the civil service.

4.2.8 There are further issues with unconfirmed funding which will affect the citizens of Derby. At the time of writing this report, there is the risk that the Household Support Fund will finish on March 31, 2024, with no commitment from the Government at this stage to continue it beyond that date. The fund was introduced in October 2021 to support low-income and vulnerable households with essentials such as food. The Council is using the funding to support the city's 46 Warm Welcome Hubs, provide food vouchers to children eligible for free school meals during school holidays and support households with energy and food vouchers.

4.2.9 Recently the Local Government Association (LGA) has warned that the local government finance settlement does not provide “enough funding” to councils, leaving them facing “serious challenges” when balancing their budget.

According to the LGA's analysis, local authorities are anticipated to face a funding gap of £4bn over the next two years. “The 2024/25 provisional settlement does not change the funding gap facing councils. “It is therefore unthinkable that government has not provided desperately needed new funding for local services in 2024/25. Although councils are working hard to reduce costs where possible, this means the local services our communities rely on every day are now exposed to further cuts,” the LGA explained.

4.2.10 The Medium-Term Financial Strategy was approved by Cabinet on 11 October 2023. On the 20 December 2023, Cabinet approved proposals to consult with stakeholders on to set a balanced budget for 2024/25. There are changes to the initial proposals as a result of updated information outlined in this report.

4.2.11 A consultation exercise on the budget proposals was carried out between 21 December 2023 and 26 January 2024 with Councillors, key stakeholder groups, members of the public, Trade Unions, and the business community.

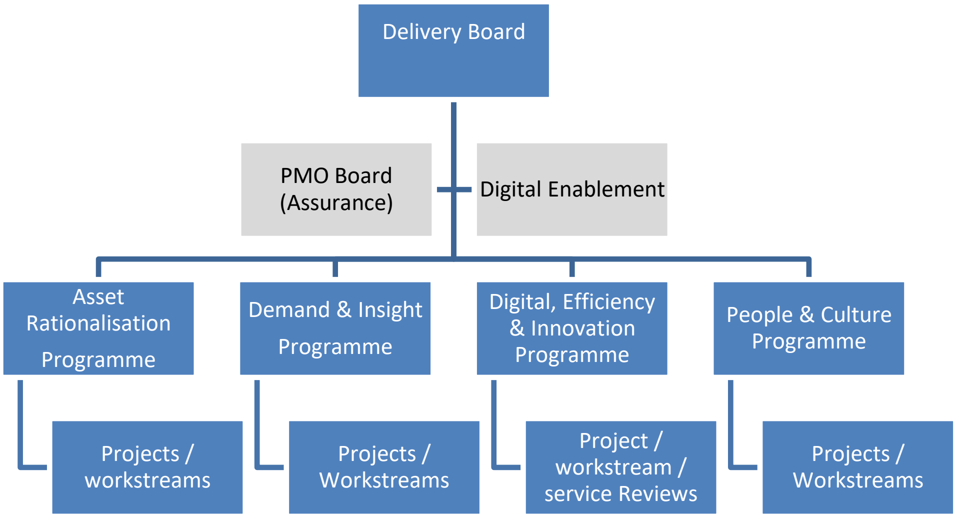
4.2.12 **The Delivery Board**

As outlined in the MTFS – the Council's Delivery Board has formed the main thrust for delivering efficiencies in the short to medium term to support the Councils aim to be sustainable.

4.2.13 Delivering a sustainable Council will not be achieved through continued salami slicing of services, it will need to challenge itself to deliver value for money services by being cost effective by working more efficiently through being ambitious and innovative. The Council's strategy to achieve this is through the launch of the Delivery Board. This Board has been established to support the MTFP and build upon the way we work with our colleagues, communities, councillors, and partners to maximise our resources and do the best for our City. By working better together across the Council and with our partners we are:

- Championing change
- Working across organisation and community boundaries – led by individuals, aspirations, and needs
- see our communities and individuals as a strength and help unlock their potential
- develop resilience by using the strength of combined partnerships to support communities
- work together to identify resources and recognise our collective skills and reach

4.2.14



Asset Rationalisation Programme

The programme aims are to:

- optimise use of the Council House, both as the Council's primary office location and as a public sector hub in the city.
- consolidate and co-locate teams in single, optimal locations, to enable more efficient and effective working across services and better outcomes for citizens.
- allow the Council to rationalise the number of physical assets it holds and give clarity of maintenance and operating costs for the future.
- Maximize the use of appropriate council assets to the benefit of local communities and ensure value for money.

Demand and insight Programme

The programme aims are to:

- Review and understand the demand required on each service area
- Identify opportunities for improvements for citizens who require support from the Council and support with our partners
- Working collaboratively to develop solutions to reducing demand on our services, improving the customer journey for the people of Derby.
- Review access to services across Derby City with our partners
- Utilise Digital technology to improve services and processes for the citizens of Derby

Efficiency and Innovation Programme

The programme aims are to:

- Identify and progress opportunities to reduce spend across the council
- Commission Service Reviews and support identifying and developing improvements to services
- Review commissioning and procurement activity

People and Culture Programme

The programme aims to build on working Better Together to:
Internally

- Continue talking to each other
- Build relationships
- Reduce silos
- Working together
- Co-producing solutions

Externally

- Work alongside partners and communities to empower people – offering help and advice

Listening and understanding how we run our services

More can be achieved if we work together.

By sharing resources, skills, ideas, and experience, people and organisations can make a bigger and more positive impact on everyone who lives, works, visits and invests in Derby.

4.3 MTFP Update and outline of changes

4.3.1 The table below shows our forecasted MTFP position for 2024/25 to 2026/27 included within this report compared to that presented to Cabinet on 20 December 2023:

Proposed MTFP	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**
Net Budget Requirement	309.350	328.183	338.683
Total Resources Available (funding)*	309.350	(314.228)	(323.159)
Budget Gap	**-**	**13.955**	**15.524**

Compared to the position presented to Cabinet on 20 December 2023:

20th December Cabinet Report	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**
Net Budget Requirement	306.348	327.939	338.439
Total Resources Available (funding)	(306.348)	(313.984)	(322.915)
Budget Gap	**-**	**13.955**	**15.524**

4.3.2 The MTFP has been refreshed and updated following receipt of the provisional local government finance settlement in late December and a review of pressures and savings including consideration of feedback from the budget consultation. A list of all proposed changes is outlined in the table below:

4.3.3 Table: Changes to Budget Requirement

Changes to budget requirement post 20th December Cabinet Report	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**
Pressures:			
Barristers - Reduce pressure	(0.100)	(0.100)	(0.100)
Futures Pot - Reduce pressure	(0.100)	(0.100)	(0.100)
Car Park Income – Additional Pressure	0.194	0.194	0.194
Sub total	**(0.006)**	**(0.006)**	**(0.006)**
Savings:			
Commercialisation – Remove unachievable saving	0.250	0.250	0.250
Sub total	**0.250**	**0.250**	**0.250**
Reserves:			
Collection Fund Smoothing	2.758	-	-
Sub total	**2.758**		
Total Changes	**3.002**	**0.244**	**0.244**
Changes to Funding			
Net changes to funding	(3.002)	(0.244)	(0.244)
Net Change:	**-**	**-**	**-**

4.3.4 The budget consultation process began on 21 December 2023 and the following changes to the budget are proposed.

Net Pressures:

- There is a reduction in the pressure for Barrister costs of £0.100m following a review of the current service expenditure and forecast future pressures
- The Futures Pot headroom pressure of £0.100m is no longer required because the pressures have been addressed in 2024/25
- A new pressure of £0.194m has been proposed to fund any emerging income pressures anticipated due to changes in car park proposals

Net Savings

- The existing Commercial Saving of £0.250m has been reviewed and is unachievable in 2024/25

4.3.5 Cabinet is proposing £7.991m total savings, this is £4.218m of savings in addition to £3.773m previously approved by Council in February 2023 and £46.610m of pressures over the MTFP period (these include those previously approved by Council in February 2023). This summarised in the table below:

Savings and Pressures	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Savings/Income Generation				
MTFP Feb 2023 Council	(3.561)	(0.212)	-	(3.773)
Current MTFP	(8.121)	0.130	-	(7.991)
Difference	**(4.560)**	**0.342**	**-**	**(4.218)**
Pressures				
MTFP Feb 2023 Council	16.552	9.925	-	26.477
Current MTFP	24.670	14.080	7.860	46.610
Difference	**8.118**	**4.155**	**7.860**	**20.133**

4.3.6 Details of savings and pressures with associated narrative can be found in Appendix 4 and 5, respectively.

4.3.7 The recommended budget includes the transfer to reserves of £4.187m to maintain the adequacy of reserves in the medium-term. There is also a one-off use of Earmarked Reserve to support the revenue budget in 2024/25 £2.4m

4.3.8 There are residual budget gaps in Year 2 of £13.955m rising to £15.524m in Year 3 of the MTFP. The budget gaps include planned contributions to reserves outlined in section 7.

4.4 MTFP Forecast 2024/25 to 2026/27

4.4.1 The Budget Gaps assume a contribution to replenish reserves of £10.287m outlined below:

Year	Amount £	Reserve
2024/25	2.640	To General Fund
	1.000	To Budget Risk
	0.547	To PFI
Sub total	**4.187**	
2025/26	2.640	To General Fund
	1.000	To Budget Risk
	1.000	To PFI
Sub total	**4.640**	
2026/27	2.000	To PFI
Sub total	**2.000**	
TOTAL	**10.827**	

These planned contributions are to improve the financial resilience and sustainability of the Council.

4.4.2 The MTFP is summarised in the table below with a detailed breakdown at Appendix 1

MTFP	2024/25	2025/26	2026/27
	£m	£m	£m
Resources Available (Funding)			
Core Government Funding	27.548	27.239	27.239
Business Rates Tax Base Reduction/Growth	63.650	65.150	66.650
Council Tax Base/Uplift Increases	124.961	132.081	139.516
Better Care Fund	27.087	27.087	27.087
Other Grants	42.590	41.915	41.911
Public Health	20.756	20.756	20.756
Collection Fund Deficit/(Surplus)	2.758	-	-
Total Resources Available (Funding)	**309.350**	**314.228**	**323.159**
Net Opening Budget:	**283.821**	**304.805**	**323.543**
Pressures:			
Inflationary Pressures	4.435	4.528	5.281
Existing Pressures as part of 2023/24 to 2025/26 MTFP (Council, February 2023)	16.552	9.925	-
Proposed New Pressures	8.118	4.155	7.860
Total Pressures	29.105	18.608	**13.141**
Existing Savings as part of 2023/24 to 2025/26 MTFP (Council, February 2023)	(3.561)	(0.212)	-
Change to Existing Saving	0.250	0.342	-
Proposed New Savings	(4.810)	-	-
Total Savings	**(8.121)**	**0.130**	**-**
Net Budget Requirement before reserves movement	**304.805**	**323.543**	**336.684**
Transfer to General Fund and Budget Risk Reserves	2.640	2.640	-
Transfer to Budget Risk Reserve	1.000	1.000	-
Transfer to Earmarked Reserves	0.547	1.000	2.000
Transfer to Collection Fund Smoothing Reserve	2.758	-	-
Use of Earmarked Reserves	-2.400	-	-
Net Budget Requirement	**309.350**	**328.183**	**338.684**
Current Budget Gap/(Surplus)	**-**	**13.955**	**15.524**

4.5 Impact on Workforce

The proposals contained in this report will potentially reduce the workforce by an estimated 12.40 FTE posts if implemented.

4.5.1 The Council seek to minimise compulsory redundancies where possible. The exit costs associated with the exits will be funded from the Cost of Change Reserve.

4.5.2 The table below summarises the proposed workforce reductions in 2024/25:

Directorate	Proposals	Proposed Vacant Post	Proposed VR/CR
	FTE	FTE	FTE
Peoples	6.40	6.40	-
Communities and Place	4.00	3.00	1.00
Chief Executive's	2.00	1.00	1.00
Total	**12.40**	**10.40**	**2.00**

4.5.3 These 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.

4.6 **Proposed Council Tax Levels**

4.6.1 This report includes proposals to increase Council Tax for 2024/25 by the maximum 4.99% utilising the 2.99% levy and using the flexibility to levy an additional 2% Social Care Precept. The Government in its definition of Core Spending Power for Local Government assume that Councils will recommend the maximum increase to support service delivery.

4.6.2 Derby is a low tax-base Council where the majority of properties are in band A. This, by implication, means that any increase in Council Tax will raise less additional revenues than neighbouring higher tax-base authorities.

4.6.3 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 2024. The impact of the proposed Derby City 4.99% increase is detailed in the table below:

4.6.4

Band	No. of Properties	% in receipt of Council Tax Support	2023/24 Derby City Council Tax	Proposed 2024/25 Derby City Council, Council Tax	Annual Increase	Weekly Increase
			£	£	£	£
Band A	57,914	24.78	1,104.45	1,159.56	55.11	1.06
Band B	22,028	9.47	1,288.52	1,352.82	64.30	1.24
Band C	17,040	5.85	1,472.60	1,546.08	73.48	1.41
Band D	8,844	2.92	1,656.67	1,739.34	82.67	1.59
Band E	4,807	1.08	2,024.82	2,125.86	101.04	1.94
Band F	2,336	1.71	2,392.97	2,512.38	119.41	2.30
Band G	703	1.28	2,761.12	2,898.90	137.78	2.65
Band H	54	-	3,313.34	3,478.68	165.34	3.18

4.6.5 The proposed Council Tax increase for 2024/25 means that 70% of Derby payers will not have to pay more than £1.24 a week more than they paid in 2023/24. The increase will be mitigated for a number of properties in who are in receipt of full or partial Council Tax support.

5 **Capital Budget**

5.1 The Council's Capital Ambition and proposed Capital Programme

5.1.1 The Council Plan sets down a series of outcomes and ambitions that require Capital investment to deliver. The Capital Programme is funded from External Contributions, Capital Receipts and Prudential Borrowing and Revenue Contributions.

5.1.2 The effective utilisation of capital resources is fundamental to realising the Council's priorities through both the management of the Council's asset estate and its priorities. A great deal though of the capital activity within the programme is either committed to existing schemes or funded through Government grants.

5.1.3 It is essential that the Capital Programme alongside the Revenue Budget is aligned to the new Council Plan and ambition for Derby within the current financial framework of sustainability.

5.1.4 Despite the current financial constraints, the Council retains a capital ambition for the City which delivers across themes such as economic regeneration, health and wellbeing, economic vibrancy, diversification and skills, job creation and the development of the City's cultural offer. It is not possible in the current financial climate to bring forward new schemes (though existing schemes and rolling programmes continue) for inclusion within the published Capital Programme.

5.1.5 The Capital Programme totals £449.509m over the next three years, £324.437m General Fund and £125.072m HRA. This programme will have a major positive impact on the City.

5.1.6 Development of Capital Programme

In February 2023, Council approved a Capital Programme for 2023/24 to 2025/26. This represented a significant continued investment programme in key areas such as:

- Modernisation, renewal, and replacement of key Council buildings
- Economic regeneration of the City Centre
- Investment in housing through the HRA and General Fund
- Investment into schools including provision of additional places
- Flood defence works.

5.1.7 During 2023/24, monitoring and amendment of the current approved capital schemes is ongoing with spend profiled between financial years to match deliverability assessments and review the financing assumptions linked to individual schemes. Slippage reported up to Qtr. 3 is reprofiled into future years budgets proposed in this programme.

5.1.8 During 2023/24 the capital programme included some major projects schemes with some still ongoing, some major schemes are listed below:

- Becketwell Arena
- Smartparc
- MRC Midlands
- Transforming Cities
- Market Hall Refurbishment
- New Castleward Primary School
- New Football Hub

5.1.9 Throughout the summer and autumn, the capital programme has been reviewed using a series of workshops and follow up meetings with each strategy area, in order to take a sustainable approach to the programme. This was in response to the funding available due to the exceptional increasing pressures facing the council in the short and medium term.

5.1.10 This review considered the current programme schemes against the Council's strategic objectives in the Council plan and the capacity to deliver including resources and availability of materials. The review also considered the risk in soaring inflation linked to the continued effects post pandemic and the war in Ukraine.

5.1.11 Proposed plans for the capital programme were submitted to Senior leadership and Cabinet member meetings to scrutinise, review, and agree the draft programme for 2024/25 to 2026/27.

5.1.12 The revenue impact of this and the final capital programme has been modelled to determine the financing impact on the Revenue Budget. This is included in the MTFP. This modelling includes the Qtr.3 capital monitoring changes in the Qtr.3 monitoring report included on this agenda.

5.1.13 Council Cabinet issued a Capital Programme for consultation (excluding the HRA) on 20 December 2023. Since then, additional schemes that have been through the Capital Gateway approval process, approved at previous Cabinets or through the delegated approval process have been added to the Capital Programme. Slippage identified in the 2023/24 Qtr.3 Capital Monitoring has also been included in the revised programme.

5.1.14 The following amendments have been made to the proposed Capital Programme following the budget consultation report on 20 December 2023.

Table: Final changes to 2024/25 to 2026/27 capital programme since the Consultation process.

Change (cumulative)	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m
Capital Programme Consultation	159.155	100.966	30.250	290.371
HRA approved at this Cabinet (not inc. in MTFP consultation)	46.352	40.864	40.868	128.084
Qtr.3 slippage & reprofiling of budgets	7.393	15.571	-	22.964
HRA approved at this Cabinet (not inc. in MTFP consultation)	5.767	1.530	(0.285)	7.012
Qtr.3 slippage & reprofiling of budgets	0.693	-	-	0.693
Delegated Approval Post Qtr. 3 Monitoring	0.083	-	-	0.083
Addition of VPE project for replacement of Refuse Collection Vehicles - funded by external contributions	(0.297)	-	-	(0.297)
Reduction in Property budget requirement	0.100	-	-	0.100
Reduction to Futures Pot to fund Year 1 Parks & Opens Space Rolling Programme	(0.250)			(0.250)
Further Investment for Parks & Open Spaces Rolling Programme	0.250	0.250	0.250	0.750
Revised Capital programme	**219.245**	**159.181**	**71.083**	**449.509**

Funding Available at Consultation	159.155	100.966	30.250	290.371
HRA (MRA and Right to Buy receipts)	46.352	40.864	40.868	128.084
2023/24 Qtr.pri3 slippage and reprofiling all funding sources	7.393	15.571		22.964
Additional External Contributions	2.868	0.900		3.768
Additional Section 106 Funding	0.488			0.488
Additional Service Reserves	1.127			1.127
Additional Government Grants	0.598			0.598
Additional Capital Receipts	0.392	0.880	(0.035)	1.237
Additional Unsupported Borrowing	0.872			0.872
Revised Funding Available	**219.245**	**159.181**	**71.083**	**449.509**

5.1.15 **Major projects**

The proposed capital programme includes a number of projects that are monitored on a regular basis and reported quarterly to Cabinet.

5.1.16 In recent years, the Council has been more successful in securing significant external funding to deliver the City's ambition. It is important that the Council continues with its drive to a more strategic, coherent, and professional capital programme to retain the confidence of funders and deliver on the Council's Capital ambitions.

5.1.17 For block programmes, approval will be needed for the content of programmes, where this is not set out in this budget report. This will include the Local Transport Plan, the Schools programme, and the HRA programme details of which will be reported to Cabinet at separate meetings.

5.2 Capital Delivery

5.2.1 The Council is proposing significant investment over the next three years and will prioritise the delivery of such.

5.2.2 There has been significant slippage over the last couple of years in many areas of the capital programme, which has been further impacted by the ongoing War in Ukraine, which has resulted in a national shortage of resources and rising inflationary costs.

5.2.3 Schemes are phased over the life of the Capital Programme however in some cases unforeseen circumstances can result in significant movement between years, this will be monitored and reported to Cabinet as appropriate. Governance and delivery of major capital schemes is through the provision of project boards, and quarterly reporting to Cabinet and the Project Management Office (PMO) and gateway processes for Capital Business Cases provides additional assurance. Should the business cases identify the need for additional capital allocations as surveys and other funding information are quantified, this will be subject to separate reports to Cabinet or reported through the quarterly monitoring reports. 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.

5.2.4 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.

5.2.5 To facilitate this, it is recommended to Council that the movements within the approved Capital Programme continue to be delegated to the Section 151 Officer to permit movement of schemes, subject to affordability (detailed within the 3-year capital programme reported to Cabinet) and reported in the quarterly financial monitoring reports.

5.2.6 **Future Investment Pot**
The capital programme continues to include an investment pot to enable the Council to borrow without further borrowing approvals from full Council to support the capital programme. Use of this pot will be subject to the appropriate approval process re: additional or amendments to schemes.

5.2.7 **Parks & Open Spaces rolling budget**
Additional investment of £0.750m over 3 years taking the total budget to £1.5m to upgrade the facilities in our park and open spaces.

5.3 **Capital Strategy**

5.3.1 The capital strategy is required under the prudential code and was introduced in the 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 consideration to both risk and reward and the impact on achievement of priority outcomes. The updated capital strategy can be found at Appendix 17.

5.3.2 New allocations and business cases are evaluated using the Capital Gateway process and subsequently monitored through the Council's PMO where appropriate.

5.3.3 **Funding -** The capital programme is financed from several resources, which are defined in Appendix 13.

5.3.4 **Single Capital Pot Allocations -** A number of capital allocations for the Single Capital Pot (Supported Capital Expenditure 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 as a guideline. The programme will be amended at a future cabinet if appropriate.

5.3.5 **Borrowing -** The proposed programme includes total borrowing of £123.804m over the three years. New borrowing has been programmed to include requirements for rolling programmes and further future provision for future capital investment.

5.3.6 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.

5.3.7 The proportion of the existing 2022/23 to 2024/25 three-year capital programme funded from borrowing was 43.7%. The proposed Capital Programme included in this report to be funded from borrowing for the next three years programme 2023/24 to 2025/26 is 38.2%. A detailed breakdown of all projects forecast to be borrowed for can be found at Appendix 14.

5.3.8 **Capital Receipts**
Only those capital receipts that have already been received have been added to the 2024/25 capital programme. Capital receipts for the years 2025/26 and 2026/27 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 or appropriate Cabinet reports. 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 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 for example 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.

5.3.9 **Flexible use of capital receipts regulations** - A change in the use of capital receipts rules was introduced in March 2016. The Council opted into the new rules from 2021/22 which allowed authorities to use qualifying receipts to fund transformational projects.

5.3.10 The Council will continue to utilise the Flexible use of Capital Receipts Policy as appropriate. A further report will be presented to Cabinet at a later date to finalise a plan for these areas of transformation if required.

5.3.11 All other forecast receipts are to be considered for the additions made to the ICT programme which are short life assets and are not suitable for borrowing as a source of funding.

5.3.12 **S106 Contributions** - Any use 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.

For a detailed list of S106 contributions contact Head of Finance: Toni Nash at Toni.Nash@derby.gov.uk

5.3.13 **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 borrowing for the proposed capital programme have been included in the MTFP within this report and will be updated through regular monitoring to take into account any changes in the programme.

5.3.14 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.

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

5.3.16 The revenue implications of the 2024/25 programme which are programmed as borrowing create a revenue pressure in the form of MRP (Minimum Revenue Provision) in future years. There is a one-year time lag after project completion before the revenue budget is impacted. This has been factored into the MTFP.

5.3.17 **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.

5.3.18 **Minimum Revenue Provision (MRP)** - The Council is required to declare its MRP (set aside for the repayment of debt) Policy each year. The 2024/25 policy is detailed at Appendix 15.

6. Dedicated Schools Grant 2024-25

Schools Block (£245.966m)
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 indicated that the move to a full National Funding Formula for individual school allocations is still very much the desired ambition and local authorities should be adopting this approach in the design of its local funding formula.

The School's Block is the only ring-fenced block of the DSG and for 202425 has increased by £17.739m from the 2023-24 allocation.

A consultation with all Derby School’s for the top slice of 0.5% from the school’s block, was launched 14 December 2023 and finished on the 10 January 2024. Out of all the Derby schools only one response was not in favour of the top slice.

6.1 National Changes to the Funding Formula

The Government remains committed to a ‘hard’ national formula, the changes to the Schools Block for 2024/2025 are as follows:

6.1.1

- An average increase of 3% has been applied to the core factors in the National Funding Formula multiplier, it is not mandatory to replicate these values at a local level, however School Forum principal is to mirror the NFF as near as Derby can

- A National average increase of 4.77% has been applied to the Minimum funding levels per pupil, set as part of the NFF. For 2024-25 primary schools are at least £4,610 per pupil and secondary school at least £5,995 per pupil. These values are mandatory and must feature at a local level. To note that Derby’s average MFL is much higher. Derby reports an average of £5,368 for primary pupil (16% above MFL) and £6,948 for secondary pupil (16% above MFL)

- Pupil mobility factor, the proportion of mobile pupils in a school remains above the threshold of 6%, this results in the trigger of funding

- The Minimum Funding Guarantee (MFG) can be set at between +0 % And +0.5% per pupil

- There are no gains cap in the allocations applied to local authorities however local formulae can feature one, this is usually used to address affordability issues and has been the agreed method by Derby in past years

- From 2024/25 Derby Non-domestic rates of £1.5m will be paid by the ESFA directly on behalf of all Derby City Schools, note that budget allocations will show the NNDR value for information only

6.1.2 The following set of principles will be applied to Derby's Schools Block Funding Formula for 2023/24:

- Implementation of the National Funding Formula rates in the local funding formula. Derby currently mirrors rates set by DfE.

- A Minimum Funding Guarantee set at 0.5% (per pupil funding protection mechanism), the most favourable percentage for schools. This applies to only 4 schools a positive position in so much as most schools are funded at the NFF levels, a high MFG will cause overall affordability issues (protection needs funding) and will mean that those schools triggering the MFG will be on a trajectory of reduced funding as the MFG tapers out.

- A transfer of £1.229m (0.5%) to the High Needs Block. Schools Forum have the powers to approve a transfer of up to 0.5% from the Schools Block to other areas of the DSG. The amount requested for 2024/25 is within the permitted limit.

- A cap on growth above 1.4%, scaling back of 50%. This is required as there is not sufficient funding to fully implement the above principles. For the first time in several years Derby has applied a scaling of 50% to allow those schools who benefit from a gain to retain the full 50%.

6.1.3 The allocation for the growth fund within the DSG settlement is £1.8m, of this just £0.041m will be retained within the school's block to support the costs of pupil number adjustments with the remainder funding growth numbers in the School Block proforma.

6.1.4 Formula factors have seen significant increase and Derby on average is allocating MFL significantly above the national prescribed values, however, the impact varies school to school based on the eligibility of pupils triggering the various factors.

6.1.5 Derby's average percentage per pupil increase within the school's block is 5.6% with an overall 7.3% increase in Derby's School's budgets.

The proposed Schools Block for 2024-25 is detailed in the table below.

Schools Block	2024/25 £'000	2023/24 £'000	Change £'000
Allocation	245,966	228,227	17,740
Transfer to the High Needs Block	- 1,229	- 55	-1,174
Allocation including SB Transfer	**244,737**	**228,172**	**16,566**
Requirement			
Growth Fund	41	178	-137
Balance to be distributed to Schools through the Funding Formula	244,696	227,993	16,703
TOTAL Requirement	**244,737**	**228,171**	**16,566**

6.1.6 Following School Forum of December 2023 de-delegation as reported that evening has been agreed in full by the authorities'-maintained school and is reflected in the school block proforma (APT).

6.1.7 **Early Years Block (£31.173m)**
Early Years Funding is increasing from April 2024, working parents of two-year-olds will be able to access 15 hours of free childcare. From September 2024**,** 15 hours of free childcare will be extended to all children from the age of nine months. From September 2025, working parents of children under the age of five will be entitled to 30 hours free childcare per week. This staggered approach intends to give childcare providers time to prepare for the changes. Allocation of funding has been reflected in the Early Years Block from April 2024.

6.1.8 Allocations were announced 19 December 2023 and are based an hourly rate allocation to LAs of which all funding entitlements were to be paid from. Note that previous additional grant for teachers pay and pension is now part of the base allocation. The LA's allocation is calculated on the following hourly rates for 24-25.

- £5.71 for 3- and 4-year-old, an increase of £0.58 from previous financial year
- 2-year-old (disadvantaged) £8.16 an increase of £2.48 from previous financial year
- Standalone Nursery protection £6.21 an increase of £1.00 from previous financial year
- £8.16 for 2-year-old entitlement for working parents (from April 24)
- £11.14 for 9 months to 23 months for working parents (from Sept 24)

The main principles adopted for allocating funding to providers is as follows,

- Passport maximum affordable funding as a priority to all qualifying providers.
- Create inclusion funds for 2-year-olds and 3-and 4-year-olds.
- Passport as directed both Disability Access Fund and Pupil Premium
- Top slice for each category to provide support for children with additional and emerging special educational needs, improving school readiness and a positive transition into primary school. This will be additional to the EYIF funded through the High Needs Block.

6.1.9 What this means for Derby is the following.

For the existing 3- and 4-year Derby's budget proposals for 2024-25 are a 11.7% increase on the base rate within the formula to reflect the cost pressures faced by the sector and will be at an hourly rate of £5.25 (increase of £0.55) the balance is reflective of amounts paid to providers via factors such as deprivation, SEN inclusion fund and the top slice element.

6.1.10 For the existing 2-year-old Disadvantaged, funding has been a direct passport to providers in previous years. From April 2024 there is opportunity both to create an inclusion fund and top slice. Derby's budget proposals for 2024-25 are 35.74% increase in the base rate, with an hourly rate of £7.71 (increase of £2.03) the balance is reflective of amounts in SEN inclusion and top slice element.

6.1.11 It needs to be noted that funding for the two new elements will be reviewed by the DfE in the financial year, what this means for Derby is that allocations will change depending on a termly census review. The proposal is for this reconciliation to be in effect for one year only, however, this does mean that allocations need to be prudent to cover any prospect of a short fall in year.

6.1.12 Derby's budget proposal for 2024-25 for 2-year-old – working parents – is a rate of £7.71 per hour, the balance is reflective of amounts in SEN inclusion and top slice element.

Derby's budget proposal for 2024-25 for 9 months to 23 months – working parents – is a rate of £10.80per hour, the balance is reflective of the top slice.

6.1.13 It needs to be noted that the Stand-Alone Maintained Nursery Supplementary rate of £6.21 is distributed to standalone nurseries via a lump sum and hourly rate, Derby's budget proposal is to maintain the lump sum at £100k with and hourly rate increase of £1.22 to £3.27. This reflects the DfE decision to mainstream the Teacher Pay and Pension (previously a grant) into the MNS supplementary formula element.

6.1.14 The proposed Early Years Block for 2024-25 is detailed in the table below.

6.1.15 **Early Years Block - DSG Allocation and Requirement**

Early Year Block	**2024/25 £000**	**2023/24 £000**	**Change £000**
3- & 4-Year-old allocation	17,591	15,906	1,685
Disadvantage 2-year-old allocation	3,553	2,735	818
Pupil premium	534	322	212
disability access fund	248	138	110
Supplementary funding for Maintained Nursery Schools	1,521	1,248	273
Adjustment for January 2023 Census data 3- & 4-year-olds	-	489	-489
New allocation for 2-year-olds working parents*	4,254	-	4,254
New allocation for 9 months to 23 months working parents* (includes adjustment for amended week as per announcement 11th January 24)	3,472	-	3,472
TOTAL Early Years budgets	**31,173**	**20,838**	**10,335**
Requirement			
Disadvantage 2-year-old funding	3,357	2,735	622
SEN Locality Funding/staffing disadvantage 2-year-olds	85	-	85
Contingency disadvantage 2-year-olds funding	4	-	4
Top slice for EY services disadvantage 2-year-olds	107	-	107
3- and 4-Year-Old Funding - Universal and Extended hours	16,937	15,812	1,125
SEN Locality Funding/staffing 3- & 4-year-old	100	-	100
Top slice for EY Services 3- & 4-year-old	528	470	58
Contingency 3- and 4-year-old	26	32	-6
Maintained Nursery School Funding (MNS)	1,521	1,248	273
Working Parent 2-year-olds	4,020		4,020
SEN Locality Funding/staffing working parent 2-year-olds	85	-	85
Contingency working parent 2-year-olds	21	-	21
Top Slice for EY Services working parent 2-year-olds	128	-	128
Working Parent 9 months to 23 months	3,364	-	3,364

Contingency working parent 9 months to 23 months	4	-	4
Top Slice for EY services working parent 9 months to 23 months	104	-	104
Early Years Pupil Premium 3- & 4-year-old	339	322	17
Early Years Pupil Premium 2-year-olds	186	-	186
Early Years Pupil Premium working parents 9 months to 23 months	9	-	9
Disability Access Fund 3- & 4-year-old	165	138	27
Disability Access Fund 2-year-olds	66	-	66
Disability Access Fund working parent 9 months to 2 years	17	-	17
TOTAL Requirement	**31,173**	**20,757**	**10,416**

***Allocation to be adjusted each term.**

6.1.16 **High Needs Block National Context**

6.1.17 High needs funding is increasing by a further £440m, or 4.3%, in 2024-25. Following the £970m increase in 2023/24 and £1bn increase in 2022/23. This brings the total high needs budget to £10.54bn– an increase of over 60% since 2019/20. The high needs NFF has ensured every local authority received at least a 3% increase per head of their 2-18 population. The Government remains committed to ensuring a financially sustainable system, where resources are effectively targeted to need.

6.1.18 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 School's 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.

6.1.19 This current financial year sees the request to transfer £1.229m from the Schools Block to the High Needs block. The requirement will further ease the pressures reported within the High Needs Block after the Council contribution toward HN transformation of £1m for both 22/23 and 23/24 financial year.

6.1.20 **Derby Context**

There are significant pressures on the High Needs Block and Dedicated Schools Grant reserves remains in a deficit position. Due to the mounting pressures, there are a number of projects underway improve the financial position in Derby, whilst maintaining the needs of those supported by the High Needs Block.

Additional funding (announced December 22) for Alternative Provision and Special schools is continuing. The guidance requires local authorities to pass on the same level of additional funding to these schools similar to the previous year.

Derby passported the increase to the eligible establishments 23/24 by using commissioned place numbers based on 5/12th 22-23 and 7/12th 23/24 (£0.74m). The same methodology can be used for the additional grant in 24/25, which the LA would recommend as this is most favourable to those eligible. The alternative method would be to use 23-24 places numbers for the whole financial year. The cost is £0.792m and forms part of the HNB requirement.

The ongoing pressures within HNB remains, with the total cumulative forecast deficit for 2023/24 being a significant at £13.781m, a variance from the unmitigated budget set of £3.040m. This variance is due to the absence of a banding system that allows for effective management of resources and is reflective of a Qtr.3 position.

A revised High Needs Block deficit plan is in development with schools, this will include:

- Creating a strategic alliance to ensure collective responsibility and oversight. This working group will monitor the reaction of the HNB deficit management plan actions, receive feedback from the various working groups, schools' strategic groups and shape recommendations and decisions.
- Implementing a banding system to regulate funding and ensure equity across schools. The working group will establish a banding system and exceptional funding framework that is needs led, ensuring appropriate use of resources and consistency with other local authorities.
- A full review of funded provisions will be undertaken to ensure compliance with statutory responsibilities with robust commissioning arrangements.
- Improving demand will be achieved through supporting mainstream schools to meet needs earlier, through developing specialist skills of the workforce.
- An end-to-end review of the EHCP process to strengthen SMART outcome focused decision making, consistency of decision making, and accountability processes.
- Development of enhanced provisions within mainstream to support more young people to remain in mainstream settings.
- Review of all funding against the HNB statutory guidance
- A review of the capital funding for special school expansion

6.1.22 A three-year plan, including targets and a banding system and exceptional funding framework will be presented to the School Forum in June 2024.

6.1.23 **High Needs Block – DSG Allocation and Requirement**

High Needs Block	2024/25	2023/24	Change
	£'000	£'000	£'000
HN block allocation	58,596	56,628	1,968
Transfer from Schools Block	1,229	55	1174
Allocation including transfer	**59,825**	**56,683**	**3,142**
Requirement			
SENDIAS	-	55	-55
Parent carer coordinator	46	-	46
Derby SAL	75	-	75
School inclusion	300	-	300
Early years inclusion fund	450	450	-
Additional High Needs Top Up in school block schools (E3 payments)	8,789	5,300	3,489
Growth In on E3 top up payments	1,211	1,764	-553
Personal Budgets	500	200	300
Enhanced Resource Schools	2,746	2,588	158
Special Schools - (including Kingsmead special School) E1/2 & E3	18,686	19,630	-944
Special Schools Exceptional needs funding	620	-	620
3.4% Grant to mainstream Specials and AP units	792	740	52
Pupil Referral units & AP	3,920	2,712	1,208
Personalised Programmes - Kingsmead	350	700	-350
invest to save SEMH review	94	225	-131
HUBs model or ERS expansion	449	449	-

RPRT programme Step down (fresh start model)	-	30	-30
Independent Special Schools	14,913	15,485	-572
Other Local Authority Schools	4,280	3,363	917
Other cost relating to other LA placements or independent placements	1,091	-	1,091
Growth for Independent Special School	-	3,095	-3,095
Growth for Other Local Authority Schools	446	2,419	-1,973
Post 16 High Needs Other Providers	5,592	5,490	102
High Needs Contingency	1,000	2,050	-1,050
Fresh Start	100	100	-
Speech and Language (balance)	-	180	-180
Hospital and Medical Education	391	391	-
Specialist Support Teaching Services (SSTS)	788	732	56
EIT	271	279	-8
Inclusion	397	328	69
Other Team costs	151	154	-3
Total Requirement	***68,448***	***68,909***	***-461***
Use of DSG Reserves	**-**	**-**	**-**
in year deficit 24-25	**-8,623**	**-12,226**	**3,603**
			0
Deficit brought forward	**-13,781**	**-4,443**	**-9,338**
Total deficit	**-22,404**	**-16,669**	**-5,735**

Dedicated Schools Grant Reserve Balances

The table below shows the DSG reserves position over the last 8 financial years.

	£ m	
2015/16	6.882	
2016/17	6.955	
2017/18	6.994	
2018/19	2.836	
2019/20	2.582	
2020/21	4.211	
2021/22	(1.4)	Deficit with commitments
2022/23	(4.443)	Deficit
2023/24	(13.781)	Forecast Deficit
2024/25	(22.403)	Forecast Deficit

Deficit Management Plan

It is a requirement of the DSG: conditions of grant 2022 to 2023 (paragraph 5.2) that local authorities (LAs) have a plan in place to manage their overspend on the DSG.

The Dedicated Schools Grant management plan was agreed at Derby City Council's Cabinet meeting in June 2023. The management plan outlines the current trajectory of expenditure and sets out the identified, mitigating activities aimed at bringing expenditure back in line with forecasted budgets over the next five years. The plan has been agreed by the Department for Education who will systematically review progress with senior leaders across the local area.

The SEND Strategy through its transformational workstreams will impact on delivering a sustainable system with better outcomes and increased parental confidence, and without the plans Derby's unmitigated deficit would be significantly higher. This is in the context of a national SEND system that is under unprecedent pressure with the overspend on the high needs block forecast to hit the £3bn mark by the end of the financial year. To note this is currently contained within a national statutory override process that is due to end in March 2026, at which point there is the possibility that each deficit is held by the local authority. To address the deficits in local authorities the DFE have instigated the Safety Valve and Delivering better value initiatives to support local authorities to reduce a deficit position.

7 Reserves

7.1 The review of reserves is an integral part of the MTFP and capital strategy to ensure that they are aligned and on a sustainable basis for future years.

7.1.1 The planned use of reserves both current and future years is detailed in Appendix 6 and summarised in the table below:

7.1.2

Summary of Reserves	Opening Balance 31.03.23 £m	In Year Movement(s) Actioned £m	Estimated Commitments £m	Future Years Forecast Balances £m
General Fund Reserve*	(8.933)	-	(4.650)	(13.583)
Budget Risk Reserve**	(5.070)	0.712	4.106	(0.252)
Earmarked Reserves (excluding PFI and Capital)	(35.246)	0.382	30.530	(4.334)
PFI Reserves***	(25.576)	-	25.576	-
Earmarked Reserves to support the capital programme	(3.565)	-	3.223	(0.342)
School Balances	(9.324)	(0.106)	9.430	-
TOTAL	**(87.714)**	**0.988**	**68.215**	**(18.511)**

**The General Fund Reserve future years balance is reliant on the replenishment of £2.640m in 2024/25 and £2.640m in 2025/26 in the current MTFP.*
***The Budget Risk Reserve future years balance is reliant on the replenishment of £1.00m in 2024/25 and £1.0m 2025/26 in the current MTFP.*
****PFI Reserves future years balance are reliant on the replenishment of £4m in future years in the current MTFP as a result of the transfer to fund the Cost of Change Reserve. The MTFP currently outlines the replenishment of the reserves in 2024/25 (£0.547m), 2025/26 (£1m), the remaining £2m in 2026/27.*

7.1.3 The above table assumes that there will not be the requirement for further drawdown of reserves to set the budget and that all savings are delivered either in their current format or a suitable alternative within the MTFP. 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 7.

7.1.4 The Council is currently forecasting a £2.386m overspend at Qtr.3 in 2023/24. This is being mitigated for illustrative purposes by the £1.756m from the budget risk reserve with the remainder - £0.630m - being funded from the General Fund reserve.

7.1.5 There has been a need to call upon reserves in 2023/24 to mitigate the pressures the council faces as a result of the increased demand for services, reduced income and inflationary pressures, a reliance on reserves that cannot be sustained in the medium term. As a result, the Council’s financial resilience has reduced as available reserves have had to be utilised to fund short term pressures. Improving the reserves position must be a key priority to ensure financial resilience going forward. The MTFP includes planned contributions to reserves over the next few years. However, there is still significant volatility in both the National and Local Economy which may require in-year mitigations to the approved budget (e.g., continued use of Spending Review Panels) to avoid any further drawdown of reserves.

8 Budget Equality Impact Assessments

8.1 The Council has to make sure it pays due regard to the Public Sector Equality Duty during the budget planning process. This is to ensure 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.

8.1.1 The Council undertakes a screening process of all pressures and savings proposals identified as part of the budget setting process. This screening focuses on both financial and service factors to determine whether specific equality impact assessments are required. For the financial assessment, a significance level or £0.200m as a nominal figure has been used. All relevant EIA's are available on the Council's website. Councillors are reminded that they need to consider the equality implications before a decision is made. Here is the link:

https://www.derby.gov.uk/community-and-living/equality-diversity/equality-impact-assessments/

8.1.2 EIAs for specific proposals will continue to be developed as part of the project planning work in each case.

Public/Stakeholder Engagement

9.1 The MTFP process has been through officer, Councillor and Cabinet engagement.

9.2 The Council carried out a detailed consultation exercise between 21 December 2023 to 26 January 2024 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.

9.3 The Council carries out engagement and 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. The budget consultation is undertaken alongside the Council Plan and priorities to ensure that the proposed resource allocation is aligned to the priorities. 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 trade unions and business community. Cabinet are asked to consider the consultation responses outlined in the Appendices of this report.

9.4 Consultation includes :

a. Special meeting of the Council's Executive Scrutiny Board on Monday 15 January 2024. Minutes are detailed at Appendix 12

b. Appendix 9 Consultation Feedback

c. Meetings including representatives from Business Ratepayers

d. Notes from the young people through 'Voices in Action' and 'Children in Care' meetings held on xx January 2024 and xx January 2024. The notes are attached at Appendix 11

e. Publishing of all relevant budget proposal information on the Council's website.

f. Meetings with Trade Unions and Staff forums.

g. There was an agenda item on the Deaf and Hard of Hearing People's Commitment Group that presented a summary of the budget to them. In addition, there was a BSL video on the Let's Talk Derby website

Other options

10.1 The Council is required to set a balanced revenue and capital budget for 2024/25 by 11 March 2023.

Financial and value for money issues

11.1 The financial and value for money implications are outlined in the main body of the report.

11.2 The Section 151 Officer has assessed the Budget, its delivery and adequacy in the required Section 25 report attached at Appendix 7 and has concluded:

The financial resilience of the Council continues to be impacted upon by the current economic climate, Covid legacy, the Cost-of-living Crisis and increasing demand, especially Social Care. The potential need to draw on reserves to fund the projected overspend in 2024/25 mean that whilst minimum levels of reserves recommended in my Section 25 report are met, there is effectively no ‘headroom’ for future drawdowns to support the Council’s budget or future in-year overspends.

The planned budget has been prepared to propose a balanced budget with no drawdown of reserves on a recurrent basis. This was essential noting the expected level of reserves in April 2024 and is informed by delivery plans which have been prepared and assessed for their delivery. There is a risk of non-delivery of savings and/or externally determined costs pressures (for example, pay award) that will require in-year mitigations as the overall financial position of the MTFP did not provide headroom for creation of specific contingencies for the above.

The levels of reserves, balances and contingencies held are in my opinion adequate to approve the budget requirement for 2024/25. However, assumptions around the adequacy of reserves are based on alternative mitigating savings being found by savings owners if initial proposals cannot be met.

To support future financial resilience and sustainability it is essential that the Council

(a) Identifies plans to deliver savings to address the indicative Budget Gaps for 2025/26 and 2026/27 and model financial scenarios linked to cost, demand and delivery

(b) Continue tight financial management through Spending Review Panels and Effective Scrutiny

(c) Cabinet Members and all officers with budget responsibility do not exceed their cash limits for 2024/25 and future years covered by the strategy

(d) Make planned contributions to reserves in future years, detailed in this report to improve the financial resilience of the Council and where there is a deviation from that strategy the strategy is revised to ensure replenishment is delivered.

In summary, the estimates are sufficiently robust in my opinion to allow the Council to set the Revenue Budget, Capital Programme. HRA Budget, Dedicated Schools Grant and Council tax for 2024/25.

Legal Implications

12.1 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.

12.2 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.

12.3 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.

12.4 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.

12.5 The Council is required to set a legal balanced budget by 11th March each year.

Climate Implications

13.1 All climate implications within the schemes outlined in this report will be considered as appropriate.

Socio Economic Implications

13.1 As outlined in the body of the report.

Other significant implications

14.1 **Personnel**

Any proposal which may affect staff if implemented in 2024/25 would be subject to appropriate consultation with staff and trade unions. The proposals, if implemented, could result in redundancies, and the staff and trade union consultation will be carried out in line with the Council's consultation, restructuring and redundancy policy.

14.2 **Equalities Impact**

All appropriate equality impact assessments will be carried out with regard to the proposals.

14.3 **Risk Management and Safeguarding**

Risks have been assessed throughout the budget process and where possible, reasonable mitigation has been made. When the budget is set the financial risk will be monitored throughout the year and reported to Cabinet on a quarterly basis as part of forecast monitoring report. There are limited reserves that, if required, can be used to manage risks, however this might mean some re-prioritising/reduction in the councils commitments and ambitions.

14.4 **Corporate objectives and priorities for change**

The budget provides the financial resources to deliver key objectives and priorities.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Idowu – Head of Legal Services	25 January 2024
Finance	Toni Nash – Head of Finance	25 January 2024
Service Director(s)	See Below	-
Report sponsor	Alison Parkin – Director of Financial Services	05 February 2024
Other(s)	Janice Hadfield Head of Finance Peoples - DSG	25 January 2024
	Ann Webster	01 February 2024
	Liz Moore	05 February 2024

For more information contact:	Toni Nash - Head of Finance
Background papers:	Budget consultation documents and strategy reports
List of appendices:	Appendix 1 – MTFP Summary Appendix 2 – Changes to Grant funding Appendix 3a – Revenue Budget Summary - Year 1 Appendix 3b – Revenue Budget Summary -Year 2 Appendix 3c – Revenue Budget Summary – Year 3 Appendix 4 – Schedule of Budget Savings Appendix 5– Schedule of Budget Pressures Appendix 6 – Reserves Appendix 7 – Section 25 Reserves and Adequacy Report Appendix 8 – Reserves Policy Appendix 9 – Consultation Feedback Appendix 10 – Non-Domestic Rates Budget Consultation Minutes Appendix 11 – Extract from Voices in Action and Children in Care Minutes Appendix 12 – Minutes from Executive Scrutiny Board Appendix 13 – Summary Capital Expenditure Programme 2023/24 – 2025/26 General Fund Appendix 14 – Summary of unsupported borrowing Appendix 15 – Minimum Revenue Position Appendix 16 – Prudential Indicators Appendix 17 – Capital Strategy 2024/25 Appendix 18 – Treasury Management and Investment Strategy 2024/25

Appendix 1

Medium Term Financial Plan 2024/25 to 2026/27	***Previous year (Restated)***	**Draft MTFP**		
	2023/24 ***£m***	**2024/25** **£m**	**2025/26** **£m**	**2026/27** **£m**
FUNDING				
- Retained Business Rates	*60.916*	63.650	65.150	66.650
- Core Government Grants	*25.122*	27.548	27.239	27.239
- Council Tax	*117.688*	124.961	132.081	139,516
- Estimated Surplus/(Deficit) on Collection Fund (one-off)	*(0.489)*	2.758	-	-
- Better Care Fund	*27.087*	27.087	27.087	27.087
- Public Health	*20.156*	20.756	20.756	20.756
- Other Grants	*33.628*	42.590	41.915	41.911
Total Resources Available	***284.106***	**309.350**	**314.228**	**323.159**
BUDGET				
People Services:				
Adults & Health:				
- Employee Costs	*20.560*	20.560	20.658	20,977
- Running Costs	*85.707*	85.707	90.469	96,843
- Public Health	*16.556*	16.556	16.556	16,556
- Inflation Estimates	*-*	1.772	1.812	1,852
- Grant Income	*(0.006)*	(0.006)	(0.006)	(0.006)
- Other Income *(Client Contributions, FNC, Joint Funding)*	*(16.441)*	(16.441)	(16,992)	(17,353)
- Pressures	*-*	7.392	4,519	500
- Savings	*-*	(4.854)	-	-
Adults & Health Net Budget:	***106.375***	**110.685**	**117,016**	**119,368**
Children's:				
- Employee Costs	*42,205*	42.205	43.402	44.013
- Running Costs	*362,375*	362.375	366.501	366.993
- Inflation Estimates	*-*	1.022	1.040	1.714
- Grant Income	*- 316,721*	(316.721)	(316.721)	(316.721)
- Other Income	*- 4,309*	(4.309)	(4.319)	(4.329)

- Pressures	-	4.538	0.052	-
- Savings	-	(0.248)	-	-
Children's Net Budget:	83.551	**88.864**	**89,956**	**91,670**
Peoples Total Net Budget:	189.926	**199.549**	**206.972**	**211.038**
Communities and Place:				
- Employee Costs	36.206	36.206	36.672	36.942
- Running Costs	42.944	42.944	43.950	45.306
- Inflation Estimates		0.997	1.020	1.045
- Grant Income	(1.591)	(1.591)	(1.591)	(1.591)
- Other Income	(32.961)	(32.961)	(33.193)	(33.406)
- Pressures	-	1,689	88	1,236
- Savings	-	(1.445)	0.305	-
Communities and Place Net Budget:	**44.598**	**45.838**	**47.251**	**49.532**
Corporate Resources:				
- Employee Costs	*31.867*	31.208	31.159	31.652
- Running Costs - *includes Housing Benefits*	*90.596*	92.682	94.894	95.062
- Inflation Estimates	*0.631*	0.643	0.656	0.670
- Grant Income - *Includes Housing Benefit*	*(69.534)*	(69.478)	(69.478)	(69.,478)
- Other Income	*(17.924)*	(18.087)	(18.110)	(18.143)
- Pressures	*2.306*	2,795	0.146	0.205
- Savings	*(4.368)*	(1.299)	(0.175)	-
Corporate Resources Net Budget:	*33.574*	**38.465**	**39.093**	**39.967**
Corporate:				
- Treasury Management	*10.142*	13.087	16.261	21.791
- Bank Charges	*0.104*	0.104	0.104	0.104
- Pension Cost	*0.593*	0.593	0.593	0.593
- Transport Act	*0.081*	0.081	0.081	0.081
- Support Services Balance	*0.099*	0.099	0.099	0.099
- Schools DSG Grant Income – Corporate	*(0.144)*	(0.144)	(0.144)	(0.144)
- Regeneration Contingency	*(0.135)*	*(0.135)*	*(0.135)*	*(0.135)*
- Corporate Contingency Fund	*(0.388)*	(0.786)	0.114	0.114

- Corporate Revenue Budget Contingency	*0.181*	0.181	0.181	0.181
- Scape Dividend	*(0.500)*	(0.250)	(0.250)	(0. 250)
- Opportunity Fund	*0.140*	0.140	0.140	0.140
- Pay Award – Council Wide	-	3.382	6.927	9.646
- Pressures - *Including Council Wide pressures*	*11.582*	4.875	6.531	4.200
- Savings - *Including Council Wide*	*(0.500)*	(0.275)	(0.275)	(0.275)
Corporate Net Budget:	*21.674*	**20.952**	**30.227**	**36.145**
Net Budget (prior to movement in reserves)	283.715	**304.805**	**323.544**	**336.683**
Operating Surplus/(Deficit) before use of Reserve	*0.286*	***4.545***	***(9.622)***	***(13.827)***
Reserves				
- Trf to reserves - General Reserve		2.640	2.640	
- Trf to reserves - Budget Risk Reserve		1.000	1.000	
- Trf to reserves – Earmarked Reserves		0.547	1.000	2.000
- Trf from reserves – Earmarked Reserves	*(0.105)*	2.400		
- Collection Fund Smoothing Reserves	*1.061*	2.758		
- Use of Treasury Management Reserve	*(0.670)*			
Net Budget Requirement after use of Reserves	***284.106***	**309.350**	**328.183**	**338.683**
Budget Gap/(Surplus)	-	**0**	**13.955**	**15.524**

Appendix 2

Funding Statement	**Final 2023/24 £m**	**Final 2024/25 £m**	**Difference £m**	**%**
<u>REVENUE SUPPORT GRANT, TOP UP AND BUSINESS RATES</u>				
Revenue Support Grant	14.851	15.835	0.984	6.62%
Retained Business Rates	41.948	44.118	2.170	5.17%
Business Rates Top-Up Grant	18.968	19.532	0.564	2.98%
Prior Year Business Rates Collection Fund Surplus / (Deficit)	(0.835)	1.934	2.769	-331.71%
REVENUE SUPPORT GRANT & BUSINESS RATES	**74.933**	**81.419**	**6.487**	**8.66%**
<u>SPECIFIC GRANTS</u>				
- *Public Health Grant*	20.156	20.756	0.600	2.98%
- *Education Services Grant*	0.400	0.400	0.000	0.00%
- *Housing and Council Tax Subsidy Admin Grant*	1.079	1.079	0.000	0.00%
- *Better Care Fund*	27.087	27.087	0.000	0.00%
- *New Homes Bonus*	0.453	0.308	-0.144	-31.88%
- *Independent Living Fund*	1.067	1.067	0.000	0.00%
- *Extended Rights to Free Travel*	0.148	0.148	0.000	0.00%
- *Local Reform and Community Voices Grant*	0.170	0.170	0.000	0.00%
- *SFA s31 grant business rates cap, SBRR, Retail Relief*	14.980	19.972	4.990	33.31%
- *Adult Social Care and Children's one-off funding*	7.050	7.050	0.000	0.00%
- *Additional funding for Social Care*	8.732	12.704	3.972	45.49%
- *Equalisation and Social care*	3.197	3.197	0.000	0.00%
- *Services Grant*	3.931	3.182	-0.749	-19.06%
- *Market Sustainability and Fair Cost of Care Fund*	2.690	5.025	2.335	86.83%
Total Specific Grants	**91.140**	**102.146**	**11.004**	**12.07%**
REVENUE SUPPORT GRANT, BUSINESS RATES & SPECIFIC GRANTS	**166.073**	**183.564**	**17.491**	**10.53%**
<u>COUNCIL TAX</u>				
Council Tax Requirement	117.688	124.961	7.274	6.18%
Prior Year Collection Fund Surplus / (Deficit)	0.345	0.824	0.479	138.708%
Total Council Tax	**118.033**	**125.785**	**7.752**	**6.57%**
Total Resources	**284.106**	**309.350**	**25.243**	**8.89%**

Appendix 3a

Overall Summary by Directorate - Revenue Budget 2024/25

SERVICE ACTIVITY	Controllable 2023/24 Base Budget	Budget Changes: Inflation	Budget Changes: Pressures	Budget Changes: Savings	Controllable 2024/25 Base Budget
	£m	£m	£m	£m	£m
Directorates:					
People Services	**187.150**	2.795	11.930	(5.102)	**199.549**
Communities and Place	**41.318**	0.997	1.689	(1.445)	**45.838**
Corporate Resources	**33.574**	0.643	2.795	(1.299)	**38.465**
Corporate	**21.673**	-	8.257	(0.275)	**20.952**
Total Directorate Budgets	**283.715**	**4.435**	**24.671**	**(8.121)**	**304.805**
Transfer to/(from) reserves:					
To/(from) corporate reserves	**0.391**				**4.545**
NET BUDGET REQUIREMENT	**284.106**				**309.350**
Funded By:					
Retained Business Rates	**(41.948)**				**(44.118)**
Business Rates Top Up Grant	**(18.968)**				**(19.532)**
Core Government Grants	**(25.122)**				**(27.548)**
Collection fund (surplus)/deficit	**(0.489)**				**(2.758)**
Income raised from Council Tax	**(117.688)**				**(124.961)**
Other Specific Grants	**(74.066)**				**(90.433)**
TOTAL RESOURCES	**(284.106)**				**(309.350)**

Appendix 3b

Overall Summary by Directorate - Revenue Budget 2025/26

SERVICE ACTIVITY	Controllable 2024/25 Base Budget	Budget Changes			Controllable 2025/26 Base Budget
		Inflation	Pressures	Savings	
	£m	£m	£m	£m	£m
Directorates:					
People Services	**199.549**	2.852	4.571	-	**206.972**
Communities and Place	**45.838**	1.020	0.088	0.305	**47.251**
Corporate Resources	**38.465**	0.656	0.146	(0.175)	**39.093**
Corporate	**20.952**	-	9.275	-	**30.227**
Total Directorate Budgets	**304.805**	**4.529**	**14.080**	**0.130**	**323.544**
Transfer to/(from) reserves:					
To/(from) corporate reserves	**4.545**				**4.639**
NET BUDGET REQUIREMENT	**309.350**				**328.183**
Funded By:					
Retained Business Rates	**(44.118)**				**(45.618)**
Business Rates Top Up Grant	**(19.532)**				**(19.532)**
Core Government Grants	**(27.548)**				**(27.239)**
Collection fund (surplus)/deficit	**(2.758)**				**-**
Income raised from Council Tax	**(124.961)**				**(132.081)**
Other Specific Grants	**(90.433)**				**(89.758)**
TOTAL RESOURCES	**(309.350)**				**(314.228)**
BUDGET GAP	**0**				**13.955**

Overall Summary by Directorate - Revenue Budget 2026/27

SERVICE ACTIVITY	Controllable 2025/26 Base Budget	Budget Changes			Controllable 2026/27 Base Budget
		Inflation	Pressures	Savings	
	£m	£m	£m	£m	£m
Directorates:					
People Services	**206.972**	3.565	0.500	-	**211.037**
Communities and Place	**47.251**	1.045	1.236	-	**49.532**
Corporate Resources	**39.093**	0.670	0.205	-	**39.967**
Corporate	**30.227**	-	5.919	-	**36.146**
Total Directorate Budgets	**323.544**	**5.280**	**7.860**	**0**	**336.683**
Transfer to/(from) reserves:					
To/(from) corporate reserves	**4.639**				**2.000**
NET BUDGET REQUIREMENT	**328.183**				**338.683**
Funded By:					
Retained Business Rates	**(45.618)**				**(47.118)**
Business Rates Top Up Grant	**(19.532)**				**(19.532)**
Core Government Grants	**(27.239)**				**(27.239)**
Collection fund (surplus)/deficit	**-**				**-**
Income raised from Council Tax	**(132.081)**				**(139.516)**
Other Specific Grants	**(89.758)**				**(89.754)**
TOTAL RESOURCES	**(314.228)**				**(323.159)**
BUDGET GAP	**13.955**				**15.524**

Appendix 4

PEOPLES SERVICES - AH SAVINGS

Directorate	Savings	Saving £m				FTE Reduction 2024/25		
		24/25 £m	25/26 £m	26/27 £m	Total £m	Total number of FTE reduction	Vacant Posts	VR/CR
Existing Savings formally signed off by Full Council Meeting on 2nd March 2023:								
People Services - AH	Scale down care packages for People Living in the Community.	(0.950)	-	-	**(0.950)**	-	-	-
Peoples Services – AH Proposed Savings:								
People Services - AH	Deletion of vacant Adult Social Care posts.	(0.215)	-	-	**(0.079)**	4	4	-
People Services - AH	Increased income from partners towards the cost of complex packages of care.	(0.200)	-	-	**(0.100)**	-	-	-
People Services - AH	Use of technology and Occupational Therapy led reviews of community care packages.	(2.904)	-	-	**(0.025)**	-	-	-
People Services – AH	Use of AI to reduce the need for residential placement - keeping clients in the community.	(0.125)	-	-	**(0.117)**	-	-	-
People Services – AH	Use of AI to allow Citizens & Professionals to obtain FAQ responses, signposting to services, self-assessment and create enquiries & notifications.	(0.050)	-	-	**(0.007)**	-	-	-
People Services – AH	Use of AI - outbound proactive chasing of financial debt. The solution is anticipated to generate improved recovery of the existing debt.	(0.210)	-	-	**(0.215)**	-	-	-
People Services – AH	Rationalisation of Home Care fees.	(0.200)	-	-	**(0.010)**	-	-	-
Total Peoples Services – AH Proposed Savings:		**(3.904)**	**-**	-	**(3.904)**	4	**4**	-
TOTAL PEOPLES SERVICES - AH SAVINGS:		**(4.854)**	**-**	**-**	**(4.854)**	**4**	**4**	**-**

PEOPLES SERVICES - CYP SAVINGS

Directorate	Savings	Saving £m				FTE Reduction 2024/25		
		24/25 £m	25/26 £m	26/27 £m	Total £m	Total number of FTE reduction	Vacant Posts	VR/CR
Existing Savings formally signed off by Full Council Meeting on 2nd March 2023:								
Peoples Services – CYP	Quality Standards and Performance - reduction in School Improvement capacity from September 2023.	(0.032)	-	-	**(0.032)**	**0.40**	0.40	-
Peoples Services – CYP	CYP Integrated Commissioning - Integrated Disabled Services for Children (Lighthouse) - reversal of 23/24 one-off saving.	0.350	-	-	**0.350**	**-**	-	-
Peoples Services – CYP	CYP Integrated Commissioning - Integrated Disabled Services for Children (Lighthouse) - savings removed below.	(0.400)	-	-	**(0.400)**	**-**	-	-
Total Existing Savings:		**(0.082)**	**-**	**-**	**(0.082)**	**0.40**	**0.40**	**-**
Peoples Services - CYP Proposed Savings:								
Peoples Services – CYP	CYP Integrated Commissioning - Integrated Disabled Services for Children (Lighthouse) - removal of existing saving above.	0.400	-	-	**0.400**	**-**	-	-
Peoples Services – CYP	CYP Integrated Commissioning - Further savings following implementation of the Home to School Transport 4-year contract with a Transport Operator.	(0.350)	-	-	**(0.350)**	**-**	-	-
Peoples Services – CYP	CYP Integrated Commissioning - Proposal to develop and commission a 4-year contract for Home to School Transport for Out of Authority placements with Transport Operator(s) to develop efficiencies, flexibilities, and stability with an integrated partnership approach.	(0.080)	-	-	**(0.080)**	**-**	-	-
Peoples Services – CYP	CYP Integrated Commissioning - Home to School Transport - proposal to continue to further develop Independent Travel Training for children and young people as part of Preparation for Adulthood.	(0.045)	-	-	**(0.045)**	**-**	-	-
Peoples Services – CYP	Use of AI - reduction in 3rd party translation costs through the ability to translate documents within the AI solution.	(0.025)	-	-	**(0.025)**	**-**	-	-
Peoples Services – CYP	Deletion of vacant posts.	(0.066)	-	-	**(0.066)**	**2.00**	2.00	-
Total Peoples Services - CYP Proposed Savings:		**(0.166)**	-	-	**(0.166)**	**2.00**	**2.00**	**-**
TOTAL PEOPLES SERVICES - CYP SAVINGS:		**(0.248)**	-	-	**(0.248)**	**2.40**	**2.40**	**-**

PLACE SAVINGS

Directorate	Savings	Saving £m				FTE Reduction 2024/25		
		24/25 £m	**25/26 £m**	**26/27 £m**	**Total £m**	**Total number of FTE reduction**	**Vacant Posts**	**VR/CR**
Existing Savings formally signed off by Full Council Meeting on 2nd March 2023:								
Place	Re-design staff resource / Climate/ Waste.	(0.100)	-	-	**(0.100)**	1.00	-	1.00
Place	Review of Economic Growth structure and budgets - including deletion of international budget (activity and post), reduced grant to Marketing Derby, reduction in consultancy spend.	(0.010)	-	-	**(0.010)**	-	-	-
Place	Wider Council income from Commercial Approach.	(0.250)	-	-	**(0.250)**	-	-	-
Place	Engineering - re-charge rates for certain specialist services.	(0.050)	-	-	**(0.050)**	-	-	-
Place	T&T - reintroduction of pre-covid parking fees.	(0.150)	-	-	**(0.150)**	-	-	-
Place	T&T - reintroduction of charging for toilets in bus station.	-	(0.015)	-	**(0.015)**	-	-	-
Place	Engineering - budget reduction 10% in Bridge and Drainage budgets for 1 year.	0.025	-	-	**0.025**	-	-	-
Place	Engineering T&T - reduction in energy and C02 by replacement of streetlights to LED.	(0.080)	-	-	**(0.080)**	-	-	-
Place	T&T - reduce energy costs by refurbishment of traffic signals.	(0.005)	(0.010)	-	**(0.015)**	-	-	-
Place	Leisure - Carry out an options appraisal for the remaining leisure facilities. This would provide a strategic approach to exploring the potential financial benefits for outsourcing the service and the strategic outcomes to the city.	(0.665)	-	-	**(0.665)**	-	-	-
Place	Regulatory Services - restructure following senior leadership restructure.	(0.065)	-	-	**(0.065)**	-	-	-
Place	Community Safety and Local Area Coordination - remodelling the team in addition to the 5 PPOS in MTFP already.	(0.280)	-	-	**(0.280)**	2.00	2.00	0
Place	Community Safety - restructure following senior leadership restructure.	(0.065)	-	-	**(0.065)**	1.00	1.00	0
Place	Highways - partial savings reversal.	0.350	-	-	**0.350**	-	-	-
Place	Libraries - City Book Fund - reversal of one-off saving (removed below).	0.032	-	-	**0.032**	-	-	-
Place	Libraries - pause of Adult Audio book and CD Materials (Reversal of one-off saving - removed below).	0.071	-	-	**0.071**	-	-	-
Place	Streets - reduce ward-based street cleansing and reduce by 1 FTE (saving removed below).	(0.027)	-	-	**(0.027)**	-	-	-
Place	T&T - introduce charging for creating Disabled Parking Bays (saving removed below).	(0.005)	-	-	**(0.005)**	-	-	-
Place	Parks - to pause the replacement of old timber bollards and installation of new bollards in 23/24 and 24/25 to ensure that health and safety related works can be delivered (saving removed below).	-	0.008	-	**0.008**	-	-	-
Place	Leisure and Public Spaces (including Culture) - Museum Trust payment reduced by 10% (saving for year 24/25 removed below).	(0.020)	(0.020)	-	**(0.040)**	-	-	-
Total Existing Savings:		**(1.294)**	**(0.037)**	-	**(1.331)**	**4.00**	**3.00**	**1.00**

Place Proposed Savings:								
Place	Highways - delaying the reversal of the existing saving above by one year.	(0.350)	0.350	-	-	-	-	-
Place	Reversal of Commercialisation Saving above	0.250	-	-	0.250			
Place	Libraries - City Book Fund - reversal of one-off saving (existing saving above removed).	(0.032)	-	-	(0.032)	-	-	-
Place	Libraries - pause of Adult Audio book and CD Materials (reversal of one-off saving - removed).	(0.071)	-	-	(0.071)	-	-	-
Place	Streets - reduce ward-based street cleansing and reduce by 1 FTE (saving removed).	0.027	-	-	0.027	-	-	-
Place	T&T - introduce charging for creating Disabled Parking Bays (saving removed).	0.005	-	-	0.005	-	-	-
Place	Parks - to pause the replacement of old timber bollards and installation of new bollards in 23/24 and 24/25 to ensure that health and safety related works can be delivered (saving removed).	-	(0.008)	-	(0.008)	-	-	-
Place	Leisure and Public Spaces (including Culture) - Museum Trust payment reduced by 10% - removed saving in year 24/25.	0.020	-	-	0.020	-	-	-
Total Place Proposed Savings:		**(0.151)**	**0.342**	**-**	**0.191**	-	-	-
TOTAL PLACE SAVINGS:		**(1.445)**	**0.305**	**-**	**(1.140)**	4.00	3.00	1.00

CHIEF EXECUTIVE'S SAVINGS

Directorate	Savings	Saving £m				FTE Reduction 2024/25		
		24/25 £m	25/26 £m	26/27 £m	Total £m	Total number of FTE reduction	Vacant Posts	VR/CR
Existing Savings formally signed off by Full Council Meeting on 2nd March 2023:								
Chief Executive's	To review the impact of not undertaking essential repairs to the Councils property assets focusing on keeping buildings safe or closure where repairs are not affordable.	(0.075)	(0.075)	-	**(0.150)**	**-**	-	-
Chief Executive's	Elections - savings due to 4 yearly local elections from 2023/24.	(0.225)	-	-	**(0.225)**	**-**	-	-
Chief Executive's	Land Charges - reversal of a one-off saving 2023/24 - funding contribution from HM Land Registry for completion of the digitisation of the Local Land Charges Register.	0.027	-	-	**0.027**	**-**	-	-
Chief Executive's	HR and OD - review of services and supplies to deliver saving.	(0.028)	-	-	**(0.028)**	**-**	-	-
Chief Executive's	Financial Services - centralization of admin and finance functions into the Business Support operating model.	(0.287)	-	-	**(0.287)**	**-**	-	-
Chief Executive's	Re-specification and re-procurement of network services.	-	(0.100)	-	**(0.100)**	**-**	-	-
Chief Executive's	Increased sold service income in Health and Safety team - reversal of one-off saving (see below, this has been reinstated)	0.020	-	-	**0.020**	**-**	-	-
Chief Executive's	Existing corporate saving not achievable within timescale. The Insight Led programme has contributed to service-based cost avoidance through better understanding of demand (saving removed below).	(0.375)	-	-	**(0.375)**	**-**	-	-
Chief Executive's	Community Managed Libraries - Asset transfer or dispose of non-statutory library buildings (saving removed below).	(0.025)	-	-	**(0.025)**	**-**	-	-
Chief Executive's	Change Derby - review of project manager funding (saving removed below).	(0.117)	-	-	**(0.117)**	**-**	-	-
Chief Executive's	IT Support Restructure and further Shadow IT reduction / consolidation - saving already achieved - removed below.	(0.150)	-	-	**(0.150)**	**-**	-	-
Total Existing Savings:		**(1.235)**	**(0.175)**	**-**	**(1.410)**	**-**	**-**	**-**
Chief Executive's Proposed Savings:								
Chief Executive's	Increased sold service income in Health and Safety team - removal of reversed one off saving.	(0.020)	-	-	**(0.020)**	**-**	-	-
Chief Executive's	Existing corporate saving not achievable within timescale. The Insight Led programme has contributed to service-based cost avoidance through better understanding of demand. Saving removed.	0.375	-	-	**0.375**	**1.0**	1.0	-
Chief Executive's	Community Managed Libraries - Asset transfer or dispose of non-statutory library buildings (saving removed).	0.025	-	-	**0.025**	**-**	-	-
Chief Executive's	Change Derby - review of project manager funding (existing saving removed).	0.117	-	-	**0.117**	**-**	-	-
Chief Executive's	IT Support Restructure and further Shadow IT reduction / consolidation (existing saving removed).	0.150	-	-	**0.150**	**-**	-	-
Chief Executive's	Reduction in number of Microsoft Licenses.	(0.010)	-	-	**(0.010)**	**-**	-	-
Chief Executive's	VR request from a member of the Business Applications Support Team.	(0.031)	-	-	**(0.031)**	**1.00**	-	1.00
Chief Executive's	Deletion of Vacancy - Senior Projects Officer - work will be absorbed within wider team.	(0.044)	-	-	**(0.044)**	**1.00**	1.00	-
Chief Executive's	Council House - additional rental income (net of maintenance costs). In line with June 2023 Cabinet approvals relating to Council House Optimisation.	(0.250)	-	-	**(0.250)**	**-**	-	-
Chief Executive's	British Sign Language contract renegotiation.	(0.009)	-	-	**(0.009)**	**-**	-	-
Chief Executive's	Creation of in-house Single Discretionary Award online form.	(0.021)	-	-	**(0.021)**	**-**	-	-
Chief Executive's	Registration Service Charge review.	(0.010)	-	-	**(0.010)**	**-**	-	-
Chief Executive's	Use of AI - outbound proactive chasing of Council tax debt. The solution is anticipated to generate improved recovery of the existing debt.	(0.336)	-	-	**(0.336)**	**-**	-	-
Total Chief Executive's Proposed Savings:		**(0.064)**	**-**	**-**	**(0.064)**	**2**	**1**	**1**
TOTAL CHIEF EXECUTIVE'S SAVINGS:		**(1.299)**	**(0.175)**		**(1.474)**	**2**	**1**	**1**

CORPORATE SAVINGS

Directorate	Savings	Saving £m				FTE Reduction 2024/25		
		24/25 £m	25/26 £m	26/27 £m	Total £m	Total number of FTE reduction	Vacant Posts	VR/CR
Corporate Proposed Savings:								
Council Wide	AI Management of Customer Service enquiries, filtering and signposting responses, increased Citizen self-service through new skills to handle most common complex tasks.	(0.275)	-	-	**(0.275)**	TBC	TBC	TBC
Total Corporate Proposed Savings:		**(0.275)**	**-**	**-**	**(0.275)**	**-**	**-**	**-**
TOTAL CORPORATE SAVINGS:		**(0.275)**	**-**	**-**	**(0.275)**	**-**	**-**	**-**

TOTAL SAVINGS:	**(8.121)**	**130**	**-**	**(7.991)**	**12.40**	**10.40**	**2.00**

PEOPLES SERVICES - AH PRESSURES

Directorate	Pressures	Pressures			
		24/25 £m	25/26 £m	26/26 £m	Total £m
Existing Pressures formally signed off by Full Council Meeting on 2nd Mach 2023:					
People Services - AH	Demographic Social Care Pressures and National Living Wage (pressure removed and replaced with revised pressure below).	0.950	-	-	**0.950**
People Services - AH	Preparing For Adulthood - complex clients transitioning from children's to adults (pressure removed and replaced with revised pressure below).	1.000	-	-	**1.000**
People Services - AH	Demographic and Living Wage (pressure removed and replaced with revised pressure below).	1.516	-	-	**1.516**
People Services - AH	ASC Pressures responsibilities to be funded ASC grants to be announced in settlement and future years settlement (pressure removed and replaced with revised pressure below).	6.222	5.000	-	**11.222**
Total Existing Pressures:		**9.688**	**5.000**	**-**	**14.688**
Peoples Services – AH Proposed Pressures:					
People Services - AH	Existing pressures above reversed and replaced with revised pressures listed below.	(9.688)	-	-	**(9.688)**
People Services - AH	Additional Central Govt funding to improve ASC funding and capacity.	1.688	-	-	**1.688**
People Services - AH	Pressure to cover the additional cost of fees based on the national living wage estimated at £11.16 per hour.	1.906	-	-	**1.906**
People Services - AH	Additional national living wage pressure following the autumn statement announcing £11.44 per hour.	0.500	-	-	**0.500**
People Services - AH	Demographics pressure to cover the increased population needing adult social care services.	0.691	-	-	**0.691**
People Services - AH	Additional Central Govt funding to improve ASC funding and capacity.	0.981	(0.981)	-	**-**
People Services - AH	Increased Adult Social Care discharge funding to respond to increased demand for support from people with acute physical and mental health conditions to facilitate timely and appropriate discharge from a hospital setting to the community.	1.126	-	-	**1.126**
People Services - AH	Public Health Inflation.	0.500	0.500	0.500	**1.500**
Total Peoples Services – AH Proposed Pressures:		**(2.296)**	**(0.481)**	**0.500**	**(2.277)**
TOTAL PEOPLE SERVICES - AH PRESSURES:		**7.392**	**4.519**	**0.500**	**12.411**

PEOPLES SERVICES - CYP PRESSURES

Directorate	Pressures	Pressures			
		24/25 £m	25/26 £m	26/26 £m	Total £m
Existing Pressures formally signed off by Full Council Meeting on 2nd March 2023:					
People Services - CYP	Regional Adoption Agency - increased contract costs.	0.056	-	-	0.056
People Services - CYP	Commissioning - Home to School Transport (existing pressure removed below).	2.000	-	-	2.000
Total Existing Pressures:		**2.056**	**-**	**-**	**2.056**
Peoples Services - CYP Proposed Pressures:					
Peoples Services - CYP	Commissioning - Home to School Transport (existing pressure removed).	(2.000)	-	-	**(2.000)**
Peoples Services - CYP	Safeguarding and Early Help - Pay Award.	0.400	-	-	**0.400**
Peoples Services - CYP	Regional Adoption Agency, additional to the £56k already identified for inter-agency placements. Adoption East Midlands pressure.	0.100	-	-	**0.100**
Peoples Services - CYP	Dedicated Schools Grant Central block pressure.	0.126	-	-	**0.126**
Peoples Services - CYP	2 x SEND posts temporarily funded, previously funded from PF Reserve.	(0.105)	-	-	**(0.105)**
Peoples Services - CYP	Safeguarding and Early Help - penultimate pay scale funding due to low turnover and stabilisation of the social work workforce.	0.450	-	-	**0.450**

Peoples Services - CYP	Children in Care placements (CIC) - contractual provision for inflation uplift for CIC placement costs through the D2N2 framework.	0.425	-	-	**0.425**
Peoples Services - CYP	Provision for increasing cost of Children in Care placements needed during 2024/25 despite maintenance of stable numbers.	3.000	-	-	**3.000**
Peoples Services - CYP	Staffing pressure for SEND services.	-	0.052	-	**0.052**
Peoples Services - CYP	Cessation of school improvement grant.	0.086	0	-	**0.086**
Total Peoples Services – CYP Proposed Pressures:		**2.482**	**0.052**	**-**	**2.534**
TOTAL PEOPLE SERVICES - CYP PRESSURES:		**4.538**	**0.052**	**-**	**4.590**

PLACE PRESSURES

Directorate	Pressures	Pressures			
		24/25 £m	25/26 £m	26/26 £m	Total £m
Existing Pressures formally signed off by Full Council Meeting on 2nd March 2023:					
Place	Existing Pressures as part of 2020/21 MTFP Feb 20 Cabinet - Removal of Queens Leisure Centre Income Pressure given in 2019/20 - planned removal 2023/24.	(0.210)	-	-	**(0.210)**
Place	Partial removal of pressure for Libraries - review of CML to a localities approach.	(0.042)	-	-	**(0.042)**
Place	Partial removal of pressure to Reinstate Neighbourhoods officers.	(0.109)	-	-	**(0.109)**
Place	Removal of one-off pressure for the Coronation and other events.	(0.021)	-	-	**(0.021)**
Place	Futures Pot headroom.	0.100	0.100	-	**0.200**
Place	Removal of pressure for Events (host cycle tour series).	-	(0.020)	-	**(0.020)**
Place	Partial removal of pressure - Christmas Offer - removed below.	(0.050)	-	-	**(0.050)**
Total Existing Pressures:		**(0.332)**	**0.080**	-	**(0.252)**
Place Proposed Pressures:					
Place	Removal of the Christmas Offer Saving above.	0.050	-	-	**0.050**
Place	Removal of Yr. 1 Futures Pot Headroom Pressure above	(0.100)			**(0.100)**
Place	Museums Trust - pressure on the staffing costs.	0.048	-	-	**0.048**
Place	Maintenance and operational costs of capital works - Walters Walkway bridge inspections.	-	-	0.044	**0.044**
Place	Pressure to cover unachievable income budgets within planning.	0.160	-	-	**0.160**
Place	Refuse Collection salary pressures (temporary pending outcome of review).	0.200	(0.200)	-	**-**
Place	Waste Disposal - inflation and waste disposal growth.	0.209	-	-	**0.209**
Place	Trade Waste pressure within the contract.	0.170	-	-	**0.170**
Place	Bed and Breakfast Pressures for Temporary Accommodation.	0.200	-	-	**0.200**
Place	Housing PFI.	-	-	0.300	**0.300**
Place	Street Pride Pay Award pressure.	0.400	-	-	**0.400**
Place	Increased energy costs - traffic signals.	0.080	-	-	**0.080**
Place	Maintenance and operational costs of capital works - OCOR flood defence Mill Fleam Pumping Station.	-	0.050	0.050	**0.100**
Place	Increased energy costs - street lighting.	0.330	-	-	**0.330**
Place	Stores Road building maintenance.	0.100	-	-	**0.100**
Place	Major projects unmitigated 2023/24 Pay Award.	0.033	-	-	**0.033**

Place	Emerging pressure due to removing the booking system at Raynesway tip on Sunday afternoons.	0.141	-	-	**0.141**
Place	Market Hall - operating model budget.	-	0.158	(0.158)	**-**
Place	Street Lighting potential model shortfall Year 3.	-	-	1.000	**1.000**
Total Communities and Place Proposed Pressures:		**2.021**	**0.008**	**1.236**	**3.265**
TOTAL COMMUNITIES AND PLACE PRESSURES:		**1.689**	**0.088**	**1.236**	**3.013**

CHIEF EXECUTIVES PRESSURES

Directorate	Pressures	Pressures			
		24/25 £m	25/26 £m	26/26 £m	Total £m
Existing Pressures formally signed off by Full Council Meeting on 2nd March 2023:					
Chief Executive's	Microsoft Enterprise Renewal and New Enablement Requirements – additional price of licenses.	0.124	-	-	**0.124**
Chief Executive's	Unified Telephony (Dual Running / Changeover Costs).	(0.140)	-	-	**(0.140)**
Chief Executive's	Council Tax Hardship Fund.	0.200	-	-	**0.200**
Total Existing Pressures:		**0.184**	**-**	**-**	**0.184**
Corporate Resources Proposed Pressures:					
Chief Executive's	Historic unachievable saving from the senior management restructure.	0.045	-	-	**0.045**
Chief Executive's	Pressure expected for additional Barrister costs (cross cutting).	0.100	-	-	**0.100**
Chief Executive's	IHUB sinking fund.	-	-	0.030	**0.030**
Chief Executive's	Property rental income shortfall.	0.044	0.026	-	**0.070**
Chief Executive's	Unachieved historic saving 22/23.	0.194	-	-	**0.194**
Chief Executive's	Unachieved saving 23/24 - Customer Management in Localities (front door saving).	0.134	-	-	**0.134**
Chief Executive's	Unachieved permanent saving through new ways of working in Customer Service and Locality/Neighbourhood working.	0.190	-	-	**0.190**
Chief Executive's	Unachieved saving 2023/24 - Internal Audit.	0.040	-	-	**0.040**
Chief Executive's	Housing Benefit Subsidy Loss.	1.500	-	-	**1.500**
Chief Executive's	Impact of Pay Award pressure on Property Services.	0.020	-	-	**0.020**
Chief Executive's	Digital & ICT - Core Business Applications RPI Increases.	0.050	0.050	-	**0.100**
Chief Executive's	Digital & ICT - Continuing Support for Legacy Finance System.	0.100	0.020	-	**0.120**
Chief Executive's	Continuation of Welfare Reform Team for Cost-of-Living Support Services.	-	0.050	0.175	**0.225**
Chief Executive's	Car Park income pressure	0.194	-	-	**0.194**
Total Chief Executive's Proposed Pressures:		**2.611**	**0.146**	**0.205**	**2.962**
TOTAL CHIEF EXECUTIVE's PRESSURES:		**2.795**	**0.146**	**0.205**	**3.146**

CORPORATE PRESSURES

Directorate	Pressures	Pressures			
		24/25 £m	25/26 £m	26/26 £m	Total £m
Existing Pressures formally signed off by Full Council Meeting on 2nd March 2023:					
All Directorates	Pay Award - in year impact of award above base budget allocation.	0.594	0.615	-	**1.209**
Corporate	Treasury Management review based on capital requirement (caveat treasury management/capital budgets will continue to be reviewed in line with the capital programme).	1.000	3.000	-	**4.000**
Corporate	Pay Award - In year impact of above base - additional 1%.	1.188	1.230	-	**2.418**

Corporate	Treasury Management review based on capital requirement (caveat treasury management/capital budgets will continue to be reviewed in line with the capital programme).	2.174	-	-	**2.174**
Total Existing Pressures:		**4.956**	**4.845**	**-**	**9.801**
Corporate Proposed Pressures:					
Corporate	Treasury Management review based on capital requirement (caveat treasury management/capital budgets will continue to be reviewed in line with the capital programme).	-	2.530	3.200	**5.730**
All Directorates	Council Wide - any additional Pay Award 2024/25.	1.600	-	-	**1.600**
All Directorates	Council Wide - any additional Pay Award 2025/26.	-	1.700	-	**1.700**
All Directorates	Corporate - latest estimate of third year pay pressure.	-	-	2.719	**2.719**
All Directorates	Unachieved Saving 2022/23 - Council Wide - contract saving.	0.650	-	-	**0.650**
All Directorates	Unachieved Saving 2023/24 - Council Wide - contract saving.	0.250	-	-	**0.250**
All Directorates	Revenue cost associated with implementation of AI solutions.	0.800	0.200	-	**1.000**
Total Corporate Proposed Pressures:		**3.300**	**4.430**	**5.919**	**13.649**
TOTAL CORPORATE PRESSURES:		**8.256**	**9.275**	**5.919**	**23.450**

TOTAL PRESSURES:	**24.670**	**14.080**	**7.860**	**46.610**

Appendix 6

Summary of Reserves Movement as at 31st December 2023

Statement of Reserves	2023/24 Opening Balance £m	In Year Movement £m	2023/24 Commitments £m	2023/24 Closing Balance £m	Future Years Commitments £m	Ringfenced £m	Future Years Closing Balance £m
General Fund							
Unallocated General Fund Balance	(8.933)	-	0.630	(8.303)	(5.280)	-	(13.583)
Balances Held By Schools	(9.324)	(0.106)	1.500	(7.930)	1.500	6.430	-
Budget Risk Reserve	(5.070)	0.712	3.858	(0.500)	0.248	-	(0.252)
TOTAL	(23.327)	0.606	5.988	(16.733)	(3.532)	6.430	(13.835)
Revenue Earmarked Reserves							
General Insurance Reserve	(2.804)	-	-	(2.804)	-	-	(2.804)
Year-end grants with restrictions	(4.392)	0.692	3.508	(0.192)	0.092	-	(0.100)
DEGF Interest Reserve	(0.252)	-	0.022	(0.230)	0.230	-	-
Regeneration Fund Reserve	(0.615)	-	0.318	(0.297)	0.297		-
Assembly Rooms Reserve	(1.930)	-	1.930	-	-	-	-
Delivering Change Reserve	(0.050)	-	0.038	(0.012)	-	- -	(0.012)
Business Rate Pilot Reserve	(0.001)	-	0.001	-	-	-	-
Collection fund deficit smoothing reserve	(0.580)	-	-	(0.580)	0.580	-	-
Treasury Management Reserve	(4.207)	- -	(0.983)	(5.190)	5.190	- -	- -
Public Health Reserve	(3.777)	-	-	(3.777)	-	3.777	-
Adult Social Care Reserve	(1.839)	-	0.726	(1.113)	-	1.113	-
Capital Feasibility Reserve	(0.479)	-	0.473	(0.006)	-	-	(0.006)
Cost of Change Reserve	(4.000)	-	1.500	(2.500)	2.500	-	-
VAT Reserve	-	-	(0.969)	(0.969)	0.969	-	-
Other Service Reserves	(10.320)	(0.310)	4.152	(6.478)	3.064	2.002	(1.412)
PFI Reserves	(25.576)	-	(1.594)	(27.170)	27.170	-	-
Earmarked Reserves to support the capital programme	(3.565)	-	-	(3.565)	-	3.223	(0.342)
	(64.387)	0.382	9.122	(54.883)	40.092	10.115	(4.676)
Housing Revenue Account (Ringfenced)							
Housing Revenue Account (Ringfenced)	(42.351)	-	3.098	**(39.253)**	-	39.253	**-**
Major Repairs Reserve	-	-	-	**-**	-	-	**-**
Other Earmarked HRA Reserves	-	-	-	**-**	-	-	**-**
TOTAL	**(42.351)**	**-**	**3.098**	**(39.253)**	**-**	**39.253**	**-**

Appendix 7

Section 25 Report of the Section 151 Officer on the Robustness of Estimates and on the Adequacy of Reserves 2024/25 – 2026/27

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 with a focus on sustainability in the medium term.

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 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.

Recommendations

2.1 To consider and note the Chief Finance Officer's opinion that the estimates used in the production of the MTFP for 2024/25 – 2026/27 and the level of reserves and balances are robust prior to the 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 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 Section 151 Officer 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., 2024/25). However, despite future economic uncertainties arising from the cost-of-living crisis and future macro-economic forecasts the Council is proposing a 3-year MTFP. The MTFP currently has gaps in Year 2 and Year 3 of £13.955m and £15.524m, respectively. 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 Medium-Term Financial Plan and Budgetary Controls**

The purpose of the Medium-term Financial Strategy is to provide information to all of its stakeholders on the Council's planned expenditure and financing over the medium term. Source of Council funding has altered in recent years with a greater proportion of overall funding coming from Council Tax and Business Rates and less from Revenue Support Grant. Alongside this the Council continues to experience high levels of demand for its statutory services against the backdrop of high inflation and the cost-of-living crisis. The combination of all of these factors means planning for services against an uncertain national and local context has been extremely challenging.

4.1.4 The council is seeking cabinet approval on 14th February 2024 to set a balanced budget for 2024/25 with an identified budget gap for 2025/26 of £13.955m rising to £15.524m for 2026/27.

4.1.5 The Council carried out a detailed consultation exercise from 21st December 2023 to 26th January 2024 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 2024/25 report resented 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.

4.1.6 During 2023/24 the Council has experienced some significant unplanned increases in demand and costs for its statutory services, this was by no means unique to Derby and can be seen across local government nationally. The council continues to operate spending panels and challenges any expenditure proposals above £0.001m in an effort to control spend.

4.1.7 Despite the above, there may be a need to call upon reserves in 2023/24 to mitigate the pressures the council faces as a result of the increased demand for services, reduced income and inflationary pressures, a reliance on reserves that cannot be sustained in the medium term. The councils forecast level of reserves have reduced at this time of economic uncertainty; improving the reserves position must be a key priority to ensure financial resilience going forward.

4.1.8 It is clear across Local Government and locally that the approach to financial planning requires a fundamental shift with a focus on financial sustainability, working in partnership and changing historic budget allocation to align with priority outcomes. In September, Europe’s largest local authority, Birmingham City Council, was the latest authority to issue a S114, and issued a second two weeks later. In the same week, Derbyshire County Council issued a warning about its financial position, which follows similar warnings from the likes of Kent CC, Hampshire CC, Somerset Council, Devon CC, Kirklees Council, Middlesborough Council, and Coventry and Stoke-on-Trent City Councils, amongst others.

4.1.9 Due to the level of savings required in the 2024/25 – 2026/27 MTFP, there will be regular and ongoing service reviews however due to the significant reduction in the level of reserves held by the council service areas will need to be mitigate any underachievement of savings or unidentified pressures in the first instance within the relevant service areas by identifying available resources or redirecting priorities. The status of saving achievement will be reviewed and reported to cabinet through quarterly revenue monitoring.

There may be one-off costs required to support the delivery of these changes. There is a Cost of change Reserve, which will be used to fund one off redundancy and pension costs.

4.1.10 **The Robustness of Estimates**
In order to satisfy the legislative requirements of Section 25 of the Local Government Act 2003, there are a number of issues which have been taken into account to enable the Section 151 Officer as Chief Finance Officer to make a positive statement on the robustness of estimates. These include:

- The process undertaken in developing the 2024/25 – 2026/27 MTFP
- The financial risks that the Council is exposed to
- The reserves available to offset unplanned expenditure and the level of the Council's reserves and balances
- The past performance of the Council in respect of budgetary control and financial management.

4.1.11 There are a number of key controls that we have built into the MTFP process to ensure that the budget is accurate and robust. Proposals are subject to formal peer review and independent challenge with Cabinet members to ensure that they are accurate and deliverable.

4.1.12 The MTFP also identifies and considers the key financial risks that the Council is facing over the three-year period – these were detailed in the 21 December Cabinet Report. Detailed estimates are developed to mitigate identified budgetary pressures. The key service pressures identified through this process include inflation (cost of living crisis), demographic growth, increasing contract costs and a reduction in the level of income received from fees and charges due to market conditions.

Budget Consultation 24/25 to 26/27

4.1.13 The Council have also identified a number of potential, future liabilities, which will be managed through our risk management process and associated governance. It is not considered appropriate to create a formal budget for these risks at this time.

4.1.14 All estimates of pressures, savings and inflationary increases have been produced by staff in the relevant service that assess the financial implications in detail, before being reviewed by the Corporate Leadership Team and Cabinet Members. The accuracy of these estimates is a vital part of ensuring that the budget is robust.

4.1.15 A number of key judgements have been made in arriving at the anticipated levels of pressures, savings and inflation included within the MTFP. These include:

- Detailed analysis of appropriate inflationary indices, based on type of spend and current national forecasts
- Service analysis of demographic changes based on the latest information available and expert knowledge of individual services
- Review of savings proposals and supporting financial assumptions and calculations.

4.1.16 Appendix 1 provides a sensitivity analysis of specific budgetary risks identified, including details of the current mitigating actions in place to help ensure the risk is appropriately managed.

4.1.17 To mitigate the increased risk of holding a minimum level of corporate contingency, the Council has previously held an increased level within the budget risk reserve. However, over the recent years this balance has reduced significantly as a result of using the reserve to fund one-off pressures and in year over spends – this cannot be sustained going forward.

The Council plans a transfer to the Budget Risk Reserve of £1m in 2024/25 and £1m in 2025/26.

Despite the above transfers, the projected level of this reserve is such that it can no longer be called upon to support emerging budget pressures during the MTFP period.

4.1.18 An allocation of funding had also been included in the 2024/25-2026/27 MTFP to increase the General Fund Reserve to an estimated 4.14% of the net budget requirement by 2025/26, the planned transfers are outlined in the report. The future years forecast balance is currently £13.583m.

4.1.19 **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.

4.1.20 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 medium-term financial plan.

4.1.21 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. Cost of living crisis, Demand led services, Major Projects, an environment of ever-changing legislative requirements, combined with delays in Government Funding reviews all challenge 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.

4.1.22 In coming to a view on the adequacy of the reserves, it is necessary to consider a number of issues that are discussed more fully in Appendices 3 and 4. In summary they include:

- The purpose of holding reserves
- The risks and uncertainties that may have financial consequences
- The potential financial impact of these risks and uncertainties
- The likelihood of the risks and uncertainties arising.

4.1.23 The Council's main revenue reserve for general purposes is the General Fund Balance. This is set aside to support the management of risks in the Revenue Budget and could be used for any purpose if required. However, the General Fund Balance represents the minimum level of reserves that the Council should hold, and any planned use of this reserve would be considered to undermine the robustness of the Council's budget.

4.1.24 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 General Fund Balance should be set at a prudent and not excessive level, as holding a high level of reserves can impact on resources and performance. The projected value of the Council's General Fund balance, taking account of the current in-year overspend is £8.303m at 31 March 2024; this is equivalent to 2.91% of the 2023/24 net budget requirement and is therefore below the recommended target range. However, as set out below the planned replenishments of the General Fund Reserve will take the estimated projected balance back in line with the council's reserves policy.

Year	Proposed Replenishment £m	Forecast Balance £m	*Percentage of budget
2023/24	-	8.303	2.91%
2024/25	2.640	10.943	3.57%
2025/26	2.640	13.583	4.14%

*Based on budgets in consultation document as an estimate

4.1.25 Each individual Council-controlled school in Derby also has its own financial reserve, collectively known as 'School Balances.' School 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 31st March 2024 is £7.930m.

4.1.26 The Council also holds a number of earmarked reserves to fund specific projects, or to manage risks or uncertainty in specific areas.

4.1.27 In the unlikely event of a significant financial loss, the Council can no longer call upon the budget risk reserve unless it reduces current commitments approved against the reserve. The Council could look to reallocating its other Revenue Earmarked Reserves. The year-end 2023/24 forecast reserves balance (excluding Budget Risk Reserve, HRA ring-fenced balances, the general fund reserve and school balances) as at 31st December 2023 is £55.383m of which £50.475m is committed in future years, resulting in future years forecast balance of £4.908m, as shown in Appendix 6 in the MTFP report.

4.1.28 The reserves position represents a risk to the Council with current in year overspends potentially reducing the availability of reserves. The Section 151 Officer may have to reprioritise and reduce commitments within these to mitigate unplanned changes and pressures.

4.1.29 The Council will continue to reprioritise and review reserve commitments on a quarterly basis and have identified the improvement of the reserves position as a fundamental priority to ensure financial resilience.

5.1 **Dedicated Schools Grant**

As outlined in section 6 of the MTFP report, the current regulations stipulate that a deficit on the DSG must be carried forward to be funded from future DSG income. The Council is forecasting that the current DSG Deficit position for 2023-24 remains, as a result of continuing pressures within High Needs with regards to both demand and costs that continue to outstrip the increase in funding. The Council continues to develop and implement its reforms for High Needs to bring expenditure more in line with grant allocations, with the requirement to provide the Department of Education with a formal deficit management plan that sets out the routes to recovery. The regulations which require the negative balance on the High Needs DSG Reserve to be held in an unusable reserve. The governments extension of the DSG statutory override for a core period of 3 years (up to March 2026) remains, affording the short-term financial flexibility needed for authorities as they implement sustainable change, underpinned, and reinforced by the governments longer-term reforms. Derby's deficit position requires the authority to apply the statutory override.

After the proposed extension of the regulations there is the potential for the balance on the reserve to transfer back to the Council's total Earmarked Reserves. If deficit continues it would materially impact on the overall level of reserves post the statutory override extension it could lead to a position for the Council where its total earmarked reserves were insufficient or indeed negative, and the financial standing

6.1 of the council put at risk. In this scenario, the council would need to take action to address the position. The current extension of the regulations means the position could impact on decisions in the latter part of the medium term.

Summary Section 25 Opinion

The financial resilience of the Council continues to be impacted upon by the current economic climate, national funding issues and increasing Demand, especially Social Care. The need to draw on reserves to fund the potential overspend in 2023/24 means that the Unallocated General Fund Levels dips below recommended percentages – however this is addressed in 2024/25 replenishments.

The proposed budget has been prepared to propose a balanced budget with no drawdown of reserves on a recurrent basis. This is essential noting the expected level of reserves in April 2024 and is informed by delivery plans which have been prepared and assessed for their delivery. There is a risk of non-delivery of savings and/or externally determined costs pressures (for example, pay award) that will require in-year mitigations as the overall financial position of the MTFP did not provide headroom for creation of specific contingencies for the above.

The levels of reserves, balances and contingencies held are in my opinion adequate to approve the budget requirement for 2024/25. However, assumptions around the adequacy of reserves is based on alternative mitigating savings being found by savings owners if initial proposals cannot be met.

To support future financial resilience and sustainability it is essential that the Council

(a) Identifies plans to deliver savings to address the indicative Budget Gaps for 2025/26 and 2026/27 and model financial scenarios linked to cost, demand and delivery

(b) Continue tight financial management through Spending Review Panels and Effective Scrutiny

(c) Cabinet Members and all officers with budget responsibility do not exceed their cash limits for 2024/25 and future years covered by the strategy

(d) Make planned contributions to reserves in future years, detailed in this report to improve the financial resilience of the Council and where there is a deviation from that strategy the strategy is revised to ensure replenishment is delivered.

In summary, the estimates are sufficiently robust, and level of reserves are adequate in my opinion to allow the Council to set the Revenue Budget, Capital Programme. HRA Budget, Dedicated Schools Grant and Council tax for 2024/25.

BUDGET RISK RESERVE RISK ASSESSMENT 2024/25 – 2026/27

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 22/23 and included in budget requirements.	£262,270
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.	Nominal Allocation	£500,000
Estimated slippage of specific savings targets	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.	Savings are continually monitored, and Directorates will seek to contain any unachievable savings. Any additional financial impact, and supporting explanations, would be reported to Members.	(3 months delay on 25% of savings targets)	£837,100
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	Nominal Allocation	£500,000

		addressed in year, as they arise. The number and financial impact of such occurrences has been rising each year.		
Minimum level of Budget Risk Reserve required				**£2,099,370**
Projected Budget Risk Reserve as at 31 March 2025*				**£0.252**

** Future years budget risk reserve commitments are forecast at (£1.752m), this is reliant on the replenishment of £2.0m in future years in the 2024/25 - 2025/26 MTFP.*

Appendix 2

GENERAL FUND RESERVES RISK ASSESSMENT

Area of Risk	Risk Description	Controls in Place	Calculation	Estimated Risk Value (£m)
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
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	Detailed emergency plans in place and subject to regular review.	Nominal Allocation	£250,000 to £1,000,000

Area of Risk	Risk Description	Controls in Place	Calculation	Estimated Risk Value (£m)
	met, including emergency payments and additional staffing costs			
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	£157,437 to £308,873
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.	1% of £307.857m allocation for DSG	£3,262,655
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 2022/23 debt figures (based on value from 2022/23 Draft Statement of Accounts)	£1,292,899
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

Area of Risk	Risk Description	Controls in Place	Calculation	Estimated Risk Value (£m)
Recommended General Reserve Target Range				**£6,862,299 to £9,914,427**
Projected General Fund Balance as at 31 March 2024:				**£8,303,000**

**The forecast future years General Fund reserves balance is £13.583m, this includes a forecast transfer to the reserve of £5.280m in the 2024/25 - 2025/26 MTFP.*

Reserves Policy

Level of Reserves

General Reserve

The General Reserve & Minimum Level of Reserves should target maintaining reserves at a level above the minimum of 3.0% of the total net revenue budget by 2024/25 and thereafter, plans have been included in the current MTFP for a further transfer to the reserve. Although the current equivalent percentage is 2.91% of the 2023/24 net budget requirement, the planned replenishments to the reserve will bring the reserve balance within the current recommended target range of 3 -5%.

The purpose of this reserve is to provide for any unexpected expenditure that cannot be managed within existing budgets. Such expenditure would be one-off and resulting from an extraordinary event. Similarly, the General Reserve should be set at a prudent and not excessive level, as holding a high level of reserves can impact on resources and performance.

Authorisation to finance such expenditure must be obtained in advance from the Council's S151 Officer, in accordance with the scheme of delegation. The request should be supported by a business case unless there is clear and necessary reason for urgency. As the net budget position changes and risks are reviewed the level of General Reserve must be monitored to ensure that a minimum level is maintained.

Earmarked Reserves

Unlike General Reserves earmarked reserves have been identified for specific areas of expenditure where there are anticipated costs that can only be estimated. It is therefore prudent for the Council to identify such areas of expenditure and set aside amounts that limit future risk exposure. Such expenditure usually arises out of changes in policy or where the organisation is working in collaboration with others to provide a specific service. Expenditure relating to earmarked reserves has to specifically relate to the purpose of the reserve. There is no set limit to an earmarked reserve as it is to reflect the level of need required. There should be regular reviews of earmarked reserves to establish ongoing need with any unrequired reserves being transferred to the General Reserve

Procedure for Use of Reserves

The **use of reserves** requires approval of the Council's Chief Finance Officer. All requests should be supported by a business case unless there is an approved process for use. On occasion where an urgent request is being made this should comply with the Council's Constitution and Financial Regulations.

Monitoring, the level of reserves is kept under continuous review. The Chief Finance Officer reports on the levels of reserves as part of the Medium-Term Financial Strategy updates together with the Reserves Strategy as part of the budget setting and outturn reports. The current level of forecast reserves is not significant and if called upon will impact negatively on the financial viability and resilience of the Council. Reserves and their usage is carefully planned for and monitored throughout the year.

Risk Analysis, Any recommendations that change the planned use of reserves reported within the Annual Budget and Outturn Reports will take account of the need for operational service delivery of the Council balanced against the need to retain prudent levels of reserves. However, there are significant risks, which affect the level of reserves to be maintained, and it is for this reason that a minimum level of 3% of total net revenue budget is set as a target for 2024/25 for the General Reserve.

Assessment of Risks

The Chief Financial Officer should assess at least annually (and report in the Section 25 statement) the individual risks and cumulative risks that inform the level of reserves. Significant risks that should be kept under review include

- Significant unforeseen legal costs
- Risks in being able to achieve the required efficiencies and savings during the year.
- The ability to seek financial assistance from the DLUHC for major incidents
- The need to finance organisational change and redundancies may have an impact on the use of reserves.
- The ability to recover significant overspends by directorates and services.
- Exceptional levels of insurance claims
- The instability of the Financial Markets

Strategy Review

This strategy will be reviewed annually as part of the budget process. During the year changes may occur in the MTFS, which affect this strategy. Such changes will be monitored by the Chief Finance Officer and reported through the financial reporting process.

Appendix 9

Derby City Council

Consultation on the Medium Term Financial Plan 2024/25 – 2026/27

CONSULTATION RESULTS

Version Control

Date Issued	Version	Author	Status	Reason for change
01/02/2024	V1.0	EL	Draft report MTFP Consultation Findings	

Contents

1. Introduction

This report outlines the findings of the 2024/25 Budget Consultation for Derby City Council. Every year the Council undertakes a consultation regarding the Council's budget proposals with the objective to understand the views of those who work and live in the city.

A separate People Services budget proposals consultation closes on 7 February 2024; where people will also be able to give their feedback. Responses set out in this report, therefore, may not truly reflect the main concerns with the budget overall. Results from both consultations will be reviewed once the People Services consultation closes.

To broaden engagement and widen feedback, press releases were issued throughout the field work period. Traffic to Let's Talk Derby as a result of these press releases resulted in 1,600 people visiting the site and a subsequent 401 people downloading the documents.

2. Methodology

Consultation was undertaken from 21 December 2023 to 25 January 2024.

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

3. Data in the report

A note on the data in this report: Data from the 'open' questions is presented in the report with a base respondent number. For the purpose of analysis and interpretation the comments from each department have been collated separately and coded into themes. Note that comments may be allocated to more than one theme.

The data in the 'closed' questions is presented 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.

4. Responses

4.1 In total there were **63** responses to the survey with additional responses submitted by letter and email. A summary of how consultees responded is set out in Table 1 below.

Table 1: How responses were received

Method	Number
Online survey	63
Paper questionnaires	0
Letters and emails	2

5. Main findings - response by department

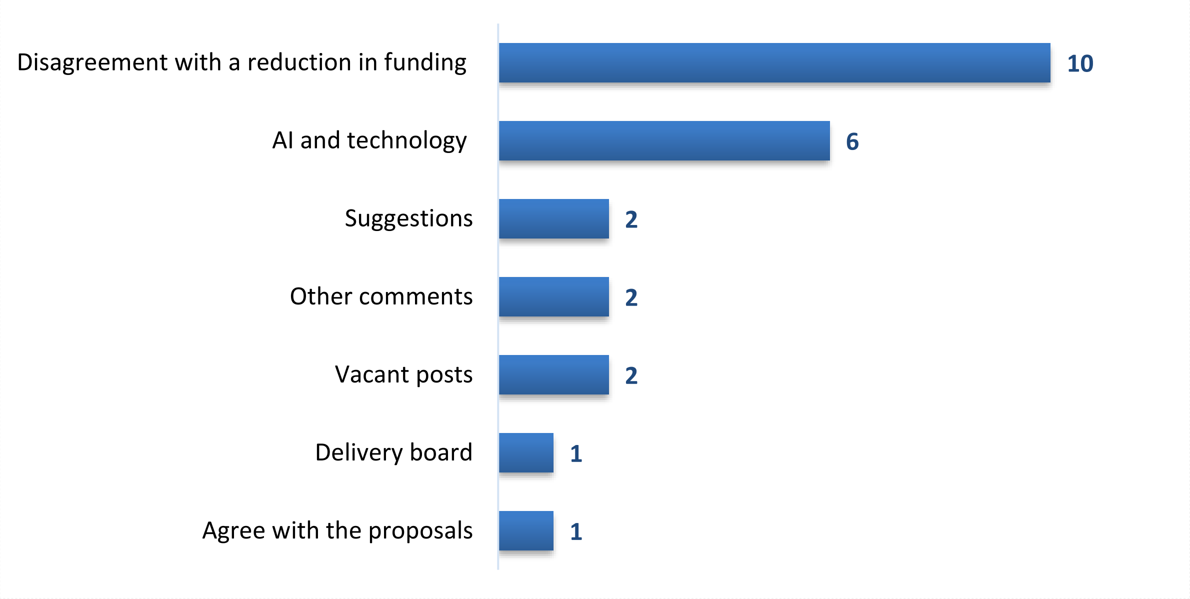
5.1 People Services – Adults

There were 21 comments made on the proposals for People Services - Adults. Some comments contained more than one theme.

Chart 1 below shows the comments as themes, with the top themes being:

- Disagreement with a reduction funding
- Use of Artificial Intelligence (AI) and technology

Chart 1. Themed comments on People Services – Adults proposals



Base: 21 respondents

Disagreement with a reduction in funding (10 comments)
The largest theme to emerge was disagreement with a reduction in funding where 10 people talked about their concerns about the proposals. Comments ranged from those who felt there would be an impact to already vulnerable adults and the long-term impact on their quality of life. Examples of comments made include:

> *"Working in the housing section, we come across a huge amount of adults with care and support needs, which we as an organisation simply cannot support fully. To see further cuts to adult social care services would I believe lead to vulnerable people suffering further, fewer people being offered the support that they need, and ultimately more people becoming unwell, being admitted to*

> *"I disagree with the changes to reassessment for the vulnerable people and reducing the personal budgets without proper consultation with NHS for example. Short term savings can harm people health in long term therefore become costly. Saving money today will cost more tomorrow".*

AI and technology (six comments)
Six comments mentioned the use of AI and technology; comments ranged from those concerned with how the user would navigate the new technology, whilst others commented on the cost of implementation and questioned whether it would deliver the savings alluded to.

"I understand and appreciate the need for savings across all services and departments within the local authority, and the need to move and progress to the use of AI. However, I have concerns, as having an elderly mother myself in a different local authority, I can't tell you how frustrating it would be to have to deal with AI to get the responses needed in order to look after loved ones and get appropriate care packages in place, especially for the elderly and vulnerable. Furthermore, access to such services may be restrictive to those older vulnerable residents who are unable to use services involving AI and have no assistance to do so.
We also struggle with the inability to get suitable care packages in place, either through insufficient carer's being in place, or too many other patients to look after and no provisions in place when those limited number of carer's go on sick leave.
I'd like to be able to offer a solution but without looking at the whole system and how it is delivered I can only comment on my personal experience with another local authority."

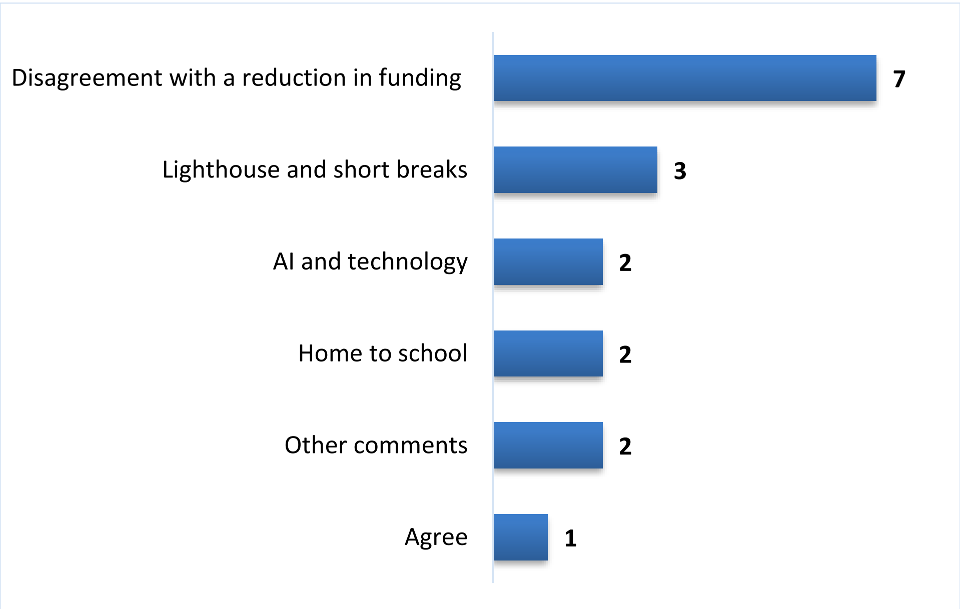
'How these savings will be made by AI seems very ambitious, and also says no job losses. This won't be a no cost activity either, so the costs but be offset by even greater savings. Where is the track record or detail outlining this ambition.'

5.2 People Services – Children and Young People

16 people gave their comments on proposals for People Services – Children and Young People. Some comments contained more than one theme.

Chart 2 shows the comments as themes, with the top two themes being:
- Disagreement with a reduction in funding
- Lighthouse and short breaks service

Chart 2. Themed comments on People Services – Children's proposals



Base: 16 respondents

Disagreement with the proposals to reduce funding (seven comments)
Seven people mentioned the impact of reducing funding for Children and Young People services. Comments included:

> *"People Services Children and Young People should be maintained. There should be no cuts to the provision on the ground, however costs of Administration could be reduced by removing what appears to be a top heavy structure. Several of the higher paid jobs could be carried out by people on lower grades/salaries."*

> *"I would not want to see the deletion of vacant posts in the CYP team, as already there are families not receiving the oversight and support that they need, and without seeing more staff come into the team, I cannot see how things will improve for those families. Personally and professionally, I have seen referrals made which have not "met the threshhold" and yet children have gone on to be further abused and neglected - we need more staff not less."*

Lighthouse and Short Breaks service (three comments)
Three comments were made relating to the Lighthouse and Short Breaks service. As with the previous theme, respondents were concerned about the impact of any changes on service users.

> *"The Short Break offer for disabled children is a disgrace in Derby. Families get 50 hours a YEAR! There are over 200 young people on the waiting list and there has been for many years. The solution of the officers was to take it off those who already need it and have it! More money needs to be found for this service. Derbyshire give 500 hours a YEAR for each child and there is no waiting list. Why should disabled children from Derby miss out? Providers have not had an increase in the hourly rate for 4 years for the Short Breaks Service, despite massive increases in minimum wages. Providers are making substantial loses and will be unable to sustain any level of service for the families in the coming years. As usual families and their disabled children miss ut - they are an easy target for cuts."*

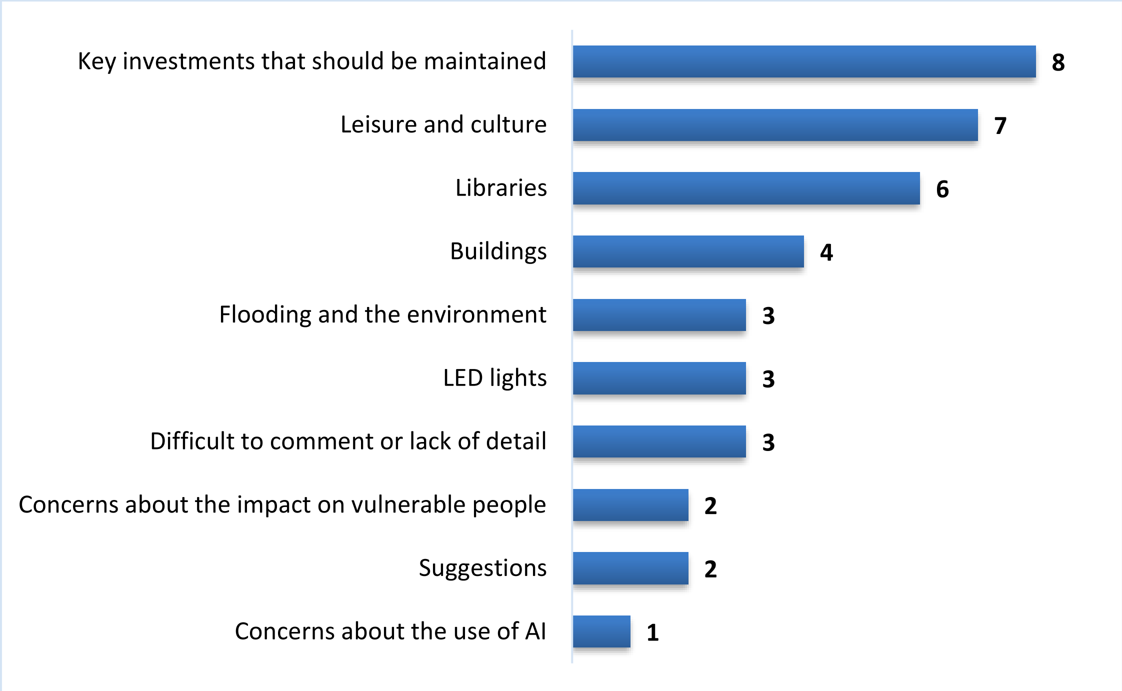
5.3 Place

22 people took the opportunity to make comments relating to the proposals in Place.

Chart 3 below shows the top themes.

- Key investments that should be maintained
- Leisure and culture
- Impact of funding on libraries

Chart 3. Themed comments on Place



Base: 22 respondents

Key investments that should be maintained (eight comments)
Eight people talked about a range of investments they believed should be maintained or improved. Comments here were varied but included the need for continued investment in areas such as energy efficiency, environment, key city centre buildings and facilities in the city.

"Cuts to energy efficiency measures, such as reducing the installation of LEDs in street lighting and traffic light upgrades should not be altered, as the longer term economic and environmental benefits will not be realised. Energy efficiency and low carbon options should be accelerated, to improve city wellbeing and reduce economic pressures"

"I think it's expected that parking and toilet charges are now a part of normal everyday costs and would probably suggest these are reintroduced earlier so 24/25. I don't agree with losing posts through restructures, this could just add to unemployment figures and therefore still cost money, put unnecessary stress on those losing those posts and as a result add to the pressures on council services, I don't believe it's the right solution. Savings on vacant posts as suggested would be a better solution.
I'd like to query why LED lights would be used and why we wouldn't look for a more longer-term sustainable option such as solar power with maybe LED as a back up, I'm under no illusions that we live in the UK and therefore have a significant amount of cloud cover for most of the year.
The lack of new savings proposals in 25/26 is concerning compared to existing savings but I supposed balanced if the savings are likely to be higher in 24/25.

Leisure and cultural facilities (seven comments)
Respondents had varied views on proposals around leisure and cultural facilities. Some respondents believed leisure played an important role as part of the community. Others were supportive of suggestions to look at option appraisals.

> *"…My comments are general, but I think we shouldn't lose sight of the needs of the community regarding:*
> *libraries - these are community places where people can meet others, join in activities, access the internet in addition to reading and borrowing books for both adults and most importantly for children.*
> *leisure and culture - Derby has already lost one of its leisure facilities QLC leaving people living close to the city centre and without transport with no access to swimming and sports facilities. Please don't close any more, swimming is a life skill, and all sport is important to keep people active and reduce obesity…"*

> *"Leisure - Carry out an options appraisal for the remaining leisure facilities. Agree with the proposal however this should include both Springwood LC and Derby Arena, to ensure the maximum opportunities and ensure the best financial return for the Council".*

Impact of funding changes on libraries (six comments)
Six respondents discussed the role of libraries in Derby. For the majority of those respondents, libraries were valued in the community.

> *"Why is there a lack of ambition when it comes to the opportunity for the libraries growing beyond a stat service as they could be community hubs where so much need is and work is happening (safety, CAD, warm spaces, post office and local banking) and similar success for family hubs (and there is crossover there too with rhyme times) and potential for more with Livewell and other leisure services / volunteer groups."*

This view was not shared by all respondents; with one suggesting the closure of the libraries:

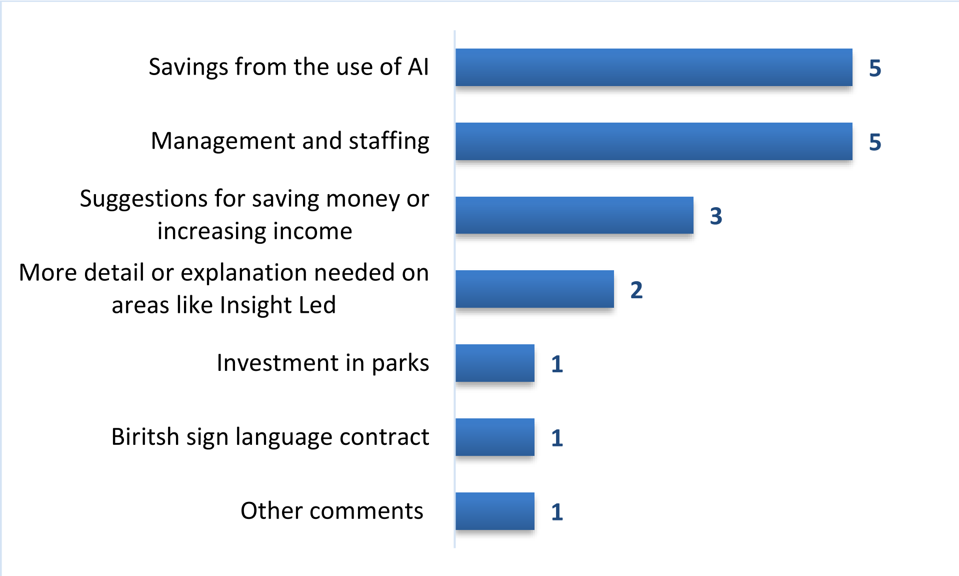
> *"Shut the libraries, I know it is controversial but necessary rent the buildings out to the communities will bring in income look at what empty premises the council has and rent them out instead of knocking them down".*

5.4 Chief Executives

16 respondents gave their feedback on proposals for Chief Executives. Chart 4 below shows the main themes from these comments.

- Savings from the use of AI
- Management and use of staff resource

Chart 4. Themed comments on Corporate Resources



Base: 16 respondents

Savings from the use of AI (five comments)
Five respondents commented on the use of AI. Comments received were similar in tone to those expressed in other departmental areas; e.g. customer interaction with AI rather than people and the risk of speculative spend on unproven technology.

"I am concerned about the continued move towards AI customer service as customers are increasingly struggling to get through to the people they need to speak to. Even for staff who are confident that they know who they need to speak to, it can be difficult to get through to them, so for customers who have something they are unsure of this is even harder. Also, it seems to be increasing the length of time customers are having to spend on the phone, which for those of very limited income, makes it more difficult to get in touch with someone who can help. For those for whom English is not a first language or with strong accents, the AI works poorly, and for those with health issues such as anxiety, being unable to speak to a person can exasperate existing issues."

"…There is no section specific to New Corporate Savings in this feedback form, but "AI Management of Customer Service enquiries, filtering and signposting responses, increased Citizen self-service through new skills to handle most common complex tasks" has a significant saving in the next financial year with little detail to back up what of this saving is already tested and what is guesswork/hope. It reads as an area of significant risk if this saving is not fully realised."

Management and staffing (five comments)
The same number of responses (five) were given on the theme of management and staffing in the Chief Executive section of the consultation. Comments suggested reducing staff numbers and management costs as a way to save money.

"Reduce the levels of management across the council to help save salary costs and empower those remaining staff to be able to do their roles, by providing clarity of priorities."

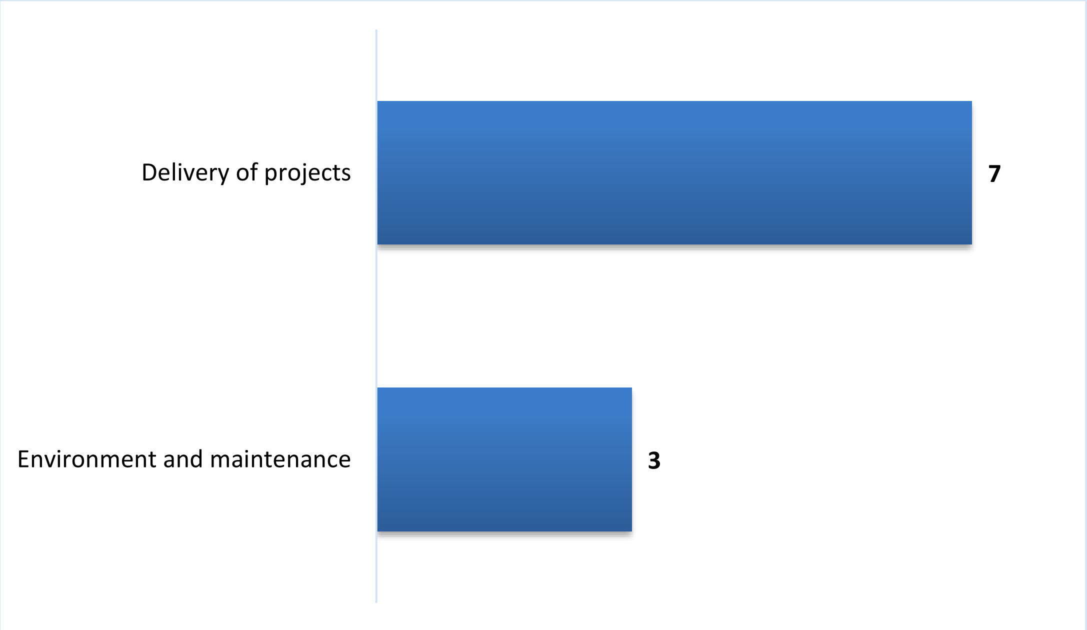
5.5 Capital Programme

There were 10 comments made on the proposals for the Capital programme.

Chart 5 below shows the comments as themes, the two themes that emerged were:

- Delivery of projects
- Environment and maintenance

Chart 5 Themed comments on Capital Programme



Base: 10 respondents

Delivery of projects (seven comments)
There were seven comments were made about the way in which the council delivers projects. Comments mentioned stopping projects, the selection of projects or delaying the delivery of them.

> *"You should democratise capital programme investments by asking citizens to vote for these. This should be done through better channels than opening up surveys as I believe only a small percentage of citizens participates in these surveys.*
> *I personally believe that you should not be throwing another £134million on this regardless of how attractive the external funding may appear. City centres across the UK are declining and your burning through our taxes is not going to stop that. Please stop your obsession with city centre and stop burning money on schemes like becketwell, marketplace etc."*

Whist others believed that regeneration in key assets was necessary.

> *"I think regeneration of the City Centre is key as once we become a vibrant city, we can attract visitors who would spend their money in our city. I also think more money should be allocated to the flood defence systems."*

Environment and maintenance (three comments)

The three comments that made up this theme covered differing topic areas

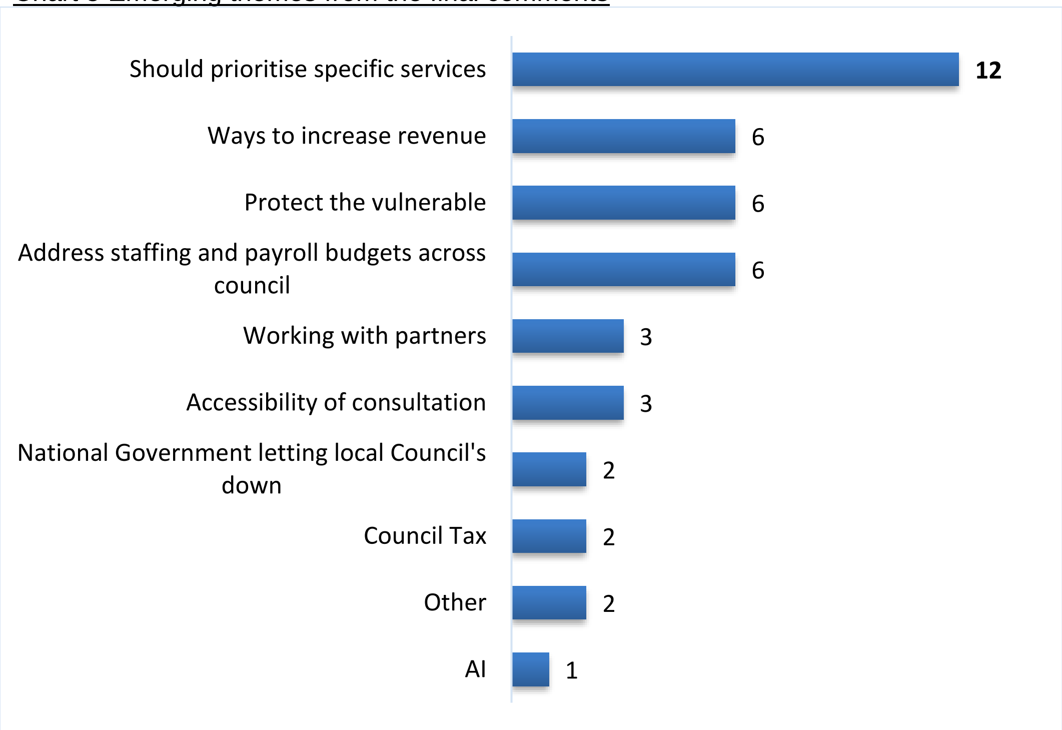
- Pot holes
- Benefits of bio-diversity in the city
- Displacement of flood water to other areas as a result of our flood defences.

5.6 Final comments

29 people made additional comments in response to all Budget proposals. There were 10 key themes. Chart 6 shows all themes. The four themes that achieved the highest number of comments were:

- Should prioritise specific services
- Ways to increase revenue
- Protect the vulnerable
- Address staffing and payroll budgets across the council

Chart 5 Emerging themes from the final comments



Base: 10 respondents

Should prioritise specific services (12 comments)
12 comments made reference to prioritising specific services or functions within the council that should be retained. Comments included:

> *"The Council should just focus on providing statutory services only which would also help to reduce costs".*

> *"Focus on your core services which for me (appreciate these are different for people) are refuse collection, parks, lighting, highways and street pride,*

Ways to increase revenue (six comments)
Six people had suggestions for ways the council could increase revenue.
Most comments identified methods by which a revenue could be sourced. For example:

> *"Does DCC have vacant homes that they can auction or sell to raise additional funds especially to first time buyers"*

Conversely, others saw selling of council owned assets as detrimental.

> *"The selling off of city owned property should be halted with immediate effect to ensure ample opportunity for growth of this great city. Working in partnership with local colleges and business could provide opportunities for homeless and young people to gain valuable trade skills whilst regenerating these buildings on an affordable budget, which in turn would generate more funds further down the line*

Protect the vulnerable (six comments)
Six people talked about the importance of protecting the vulnerable whilst also maintaining a balanced budget.

> *"I understand setting the budget is very difficult with so many demands but feel it is important to protect and support the needs of the citizens of Derby, especially the most vulnerable".*

Address staffing and payroll budgets across the council (six comments)
There were six comments relating to staffing and budgets. For the most part comments related to a reduction in staff costs especially at senior management level. One person was concerned about the implications of combined authority should staff levels be reduced.

> *"Greater clarity on the vision and priorities required in Derby so we get the right intervention at the right time therefore reducing wasteful spending and prioritize the use of valuable finite staff resources. No mention is made of the implications of the combined authority on staff resources or expectations for delivery going forward. And hence the impact on Derby City Council"*

5.7 Email and letter feedback on the proposals

Two emails were also received. One person felt that there had been an historic waste of tax payers money citing the incinerator as an example. The other was concerned by the use of acronyms contained within the Consultation document which made it difficult to easily comprehend the savings being made. There was also discussion regarding the use (and expense) of AI and how accessible this would be for elderly users. The respondent was also concerned about how AI would impact staff numbers in the future.

5.8 Feedback from other groups

Feedback from other groups is included in the appendices of the Cabinet Report.

6. About those that responded to the survey

Table 1: Are you...

	No. of Responses	%
Woman/girl	28	47.5
Man/boy	19	32.2
Non-binary	0	0.0
Prefer not to say	10	16.9
In another way	2	3.4
Total	59	100.0

Table 2: Do you identify as a gender other than what you were assigned at birth?

	No. of Responses	%
Yes	14	25.0
No	35	62.5
Prefer not to say	7	12.5
Total	56	100.0

Table 3: I consider myself to be

	No. of Responses	%
heterosexual/straight	41	68.3
bisexual	3	5.0
a gay man	0	0.0
a gay woman/lesbian	1	1.7
other	1	1.7
Prefer not to say	14	23.3
Total	60	100.0

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

	No. of Responses	%
Yes	12	21.4
No	44	78.6
Total	56	100.0

Table 5: What was your age on your last birthday?

	No. of Responses	%
18 and under	1	2.0
19-25	3	6.0
26-35	6	12.0
36-45	14	28.0
46-55	12	24.0
56-65	9	18.0
66+	5	10.0
Total	50	100.0
Average age 47.1 (age range 18 - 74)		

Table 6: To which group do you consider you belong?

	No. of Responses	%
Asian or Asian British - Indian	2	3.4
Asian or Asian British - Pakistani	1	1.7
Black or Black British - African	1	1.7
Black or Black British - Caribbean	2	3.4
Any other Dual Heritage background	1	1.7
White - English / Welsh / Scottish / Northern Irish / British	41	70.7
White - Irish	2	3.4
Any other White background	3	5.2
Any other ethnic group	5	8.6
Total	58	100.0

Table 7: Do you have any religious beliefs?

	No. of Responses	%
Yes	21	35.6
No	23	39.0
Prefer not to say	15	25.4
Total	59	100.0

Table 8: If yes, to which religion do you belong?

	No. of Responses	%
Christian	18	81.8
Muslim	2	9.1
Other	1	4.5
Prefer not to say	1	4.5
Total	22	100.0

7. Results in summary

- 63 people chose to take part in the MTFP survey with two others contributing by email.

- A number of meetings took place as part of the consultation process, including:
    - Voices in Action
    - Non-Domestic Rates Budget Consultation

  Minutes of these meetings are included in appendix 10 and 11 of the Cabinet report.

- Cross cutting themes emerging from all departmental proposals:
    - AI and the use of assistive technology. Three common threads throughout were:
        - Expenditure would outweigh the anticipated gains
        - Insufficient detail on the AI proposals
        - Concern that user experience and interaction with the council would be diminished.

    - Protection of the vulnerable

Appendix 10

Non-Domestic Rates Budget Consultation Minutes

DERBY CITY COUNCIL

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

HELD 24 JANUARY 2024

Present: Representing Derby City Council

Councillor Shanker – Leader of the Council
Alison Parkin – Director of Financial Services and S151 Officer

Representing Non-Domestic Ratepayers and the Business Community and Partners

The meeting was hosted by Marketing Derby and 65 representatives of the business community, partners and bondholders attended.

1 Introduction

John Forkin – Marketing Derby opened the meeting and explained that it was a statutory consultation meeting.

John handed over to Scott Knowles – Chief Executive of East Midland Chamber. Scott gave a presentation on East Midlands Chamber Quarterly Economic Survey – Q4 2023. This included:

- Region at a glance – including UK sales, overseas sales, labour force (past 3 months) and cash flow.
- State of the economy – including business concerns such as access to skilled labour, interest rates, corporate taxation and business rates.

John Forkin reflected upon some of the concerns and commented upon local authorities not being able to balance their budgets.

2 Budget Process

Councillor Shanker – Leader of the Council reported that a balanced budget was required and that this had been achieved.

Councillor Shanker reported that all councils were facing significant pressure in proposing a balanced budget for the following year. It was noted that up to 2010, only one council had issued a S114 notice but that recently both Nottingham and Birmingham had issued S114 notices.

Alison Parkin reported upon the Autumn Statement 2023 and stated that the provisional settlement was disappointing. It was noted that there had been no funding increases apart from in Adult Social Care, but that this was not enough. It was reported that there was a long-term freeze in capital investments and a 0.5% efficiency target.

Councillor Shanker reported on Derby's position and that there was an £8.5M pressure that would rise to £14.7M in 2024/25 and that this was before budget proposals and Government funding.

Alison Parkin outlined three factors affecting Derby's proposals:

1. Continued increases in inflation
2. Pay award increases
3. Demand aspects in relation to social care, adults, children and homelessness

Councillor Shanker stated that these were responsible budget proposals and that the balanced budget included such things as additional Government funding for Adult Social Care, plans to maximise Council Tax at 4.99%, demand management proposals and making contributions to reserves.

Alison Parkin outlined the headline pressures, and it was noted that £8.3M savings had also got to be delivered. It was also noted that the impact on the workforce, due to the proposals, was very positive.

Councillor Shanker provided a summary and talked about protecting services, the obligation to deliver statutory services and doing so as efficiently as the Council could and ambitions for the city, such as the Becketwell development, Cathedral Green, the Assembly Rooms, the Guildhall and Derby Theatre.

3 <u>Comments from the Meeting</u>

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:

Tracy Harrison asked about the sale and reuse of empty properties. It was reported that the Council had a property rationalisation programme but that unfortunately, the vast majority of properties were not owned by the council. However, it was also reported that these properties could be part of what the council was trying to do.

Gillian Sewell – YMCA asked about the housing subsidy schemes and social housing providers being asked to pay S106 money. Alison Parkin talked about the need to maximise S106 income.

John Forkin noted that there was no provision in the proposals for the new homes bonus. It was reported that the new homes bonus had subsequently been announced and would be incorporated.

Ross Nicholson asked what impact the Combined Authority would have. Councillor Shanker reported that it would not affect a large amount of the Council's work and that the Combined Authority would have it's own priority areas.

Sharon Stevens-Cash asked whether the pace of change was matching the ambition for the city. Councillor Shanker spoke about the need, in the public sector, to get better at delivering individual projects and moving on to the next one.

Victor Handley commented upon entering the city and being confronted by derelict buildings/eyesores and asked whether there were any plans to compel the private companies that owned them, to smarten them up. Councillor Shanker reported that unfortunately, the council did not have the powers. It was noted, however, that the council had been in contact with the new developer at Friar Gate Goods Yard and had been chasing the Showcase Cinema owner.

Penny Wiltshire – Derventio Housing Trust talked about problems encountered by the organisation when a landlord that they could work with, decides to put the property up for sale instead.

Tracy Harrison talked about social care placements, the cost of using providers outside of the city and the importance of using local care providers. Alison Parkin stated that the aim was to keep children in the city, where possible. She also talked about family care conferences, the challenges relating to high-cost placements. It was noted that the demand strategy was paying off and the numbers of children going into care was reducing. Alison also talked about the innovative work with Derby Homes provision to keep children out of care and within the city boundaries.

4. Conclusion

John Forkin thanked the representatives and the businesses and partner representatives for attending the meeting and invited comments and questions to be submitted to the City Council by 26 January 2024.

MINUTES END

Notes of Budget Consultation Meeting
Derby City Council

Monday 15 January 2024

Who was there?

ViA Members - 47	Adele Styles – CYP Participation Officer	Holly Hardgrave – Commissioning Support Assistant	Emma Lees – Consultation Officer
Russ - Facilitating	Natalie – Facilitating	Fern – Facilitating	Shainie - Facilitating
Michelle - Facilitating			

Guests:
Councillor John Whitby – Cabinet Member for Children and Young People
Andrew Appleyard – Programme Manager for Adult Social Care Reforms
Dawn Barlow – Project Manager for Home to School Transport
Charles Edwards – Head of Community Safety and Localities
Wayne Sills – Facilities Development Manager for Leisure, Culture and Tourism
Andrew Kaiser – Head of Specialist Services

What we talked about

1. Budget Consultation – SEND services, Home to School Transport, Libraries and Leisure, Adult Social Care, Community Safety

Councillor John Whitby introduced the budget presentation, followed by guests speakers for each key consultation area.

24.01.15 2024-25
Budget Consultation F

ViA members were then asked to look at the budget proposals and think about whether they agree or disagree with the proposals and why. Students were also asked if they had any other suggestions.

Key Themes were:
SEND Services
- School interventions, signpost to family hubs, spread out funding.
- Disagree with cuts – gets cut every year, could cause further spending with NHS, services that impact fewer people should be cut first.
- Introduce SEND students into mainstream schools where possible, tools to help parents and carers, specialist groups where help is necessary.
- Could it be run by volunteers or a non-for-profit organisation?

Home to School Transport
- ITT – should be started earlier in year 9, useful, helps independence, more cost-effective, helps CYP with disabilities feel safer and feel included.

	• Electric cars and buses, collection pick up points for minibuses, schools to train students, offer it to people with anxiety, OCD, mental health issues. • Having one contract provides more consistency to CYP, same people to pick up to avoid distress. • Parents support child on first session, have groups of young people learn to cycle together, have schools' team up to have students catching the bus together. **Libraries and Leisure** • Doesn't matter who provides if the services stay the same, needs to remain affordable. • Arena location is difficult to get to, not aware of where all the leisure centres are, Moorways is better for small children and babies. • Make libraries more exciting and accessible, provide study spaces for GCSE/A Level, more e-books and membership options to download. • Promote other services such as printing, provide social spaces, events, workshops, advertise opening times. **Adult Social Care** • Not everyone uses technology, older people may not understand AI, technology is efficient and saves money if used correctly. • Miss the human touch, humanity element needed, train family members to support. • Costs for equipment breakage and maintenance, need to guarantee tech works, use a tablet for emergency response. **Community Safety and Localities** • Use present crime figures to target action, prioritise areas by looking at stats, neighbourhood watch schemes to be more promoted, target ASB. • Assemblies on knife crime, safety awareness on the river, CCTV, use of lighting on the parks, streetlights are important. • App to help promote safe spaces, purple hand spaces, more knives drop boxes, scanners in schools. • Remodel staff as community safety is important, other partners we could work with, need to keep funding. Please see appendix 1 for full details.

Appendix 1

What do you think about these budget proposals, and do you have any other suggestions?	
1. SEND Services	
• Is there any scope for AI to help?	• Is the criteria for EHCP correct?
• Disagree, this type of service seems to be cut each year.	• Services that potentially impact fewer people should be cut/reduced first.
• If this is cut, are we going to be in a situation where their support/needs are passed to the NHS? We may end up in a 'death spiral' where the cost just get kicked down the line and they might become higher costs to the taxpayer.	• Can something be done to provide parents/carers with the tools and knowledge to avoid the need for early help workers.
• Invest to save.	• 1st opportunity to related jobs.
• Protects of unfair treatment: what will be the qualifying factors for your service.	• Mainstreaming young person's services could mean higher expectations and less capacity.
• Specialist groups where help is necessary - Otherwise transferred to less expert services.	• School's interventions – Enrichment clubs, SEND needs services – Awareness.
• Introducing SEND students into mainstream schools where they have the ability.	• Focus on serious cases – Could less serious cases band together for support?
• How will those who have their jobs affected be supported?	• Early intervention staff cuts – mostly somewhat agree.
• Signpost family hub services e.g., Send, Neurodiversity Hub.	• Is there any scope to run it with a non-profit organisation?
• Spread out funding rather than disbanding.	• Is it possible to run it with volunteers?
• Difficult to save due to budget cuts.	• How successful are the family hubs?
2. Home to School Transport	
• Independent Travel Training (ITT) useful to have training to be independent.	• One contract – consistency and would help CYP a lot.
• Collection points for minibus pickups.	• Electric vans and buses.
• Agree with the idea for one contract – saving money.	• Same person for pick up each day to avoid distress.
• No confusion if there is only one contract.	• ITT – could have more focus on that.
• ITT – more cost-effective and have training before the age of 16 or earlier.	• ITT – a lot of young people like to be independent.
• ITT year 9 could be a good age to start.	• More confident with travel.
• I like the idea as it can build relationships with children and families.	• Agree with both proposals as it could be useful to many young people.
• Allows parents to have reassurance that the council supports it.	• ITT – good idea as it gives confidence and experience to travel.
• I agree ITT start learning earlier apply skills but teach / support others.	• I agree support is free and helps travel to school.

• ITT – 16 years is too late need to do when younger.	• Parents support child on first session to see if it helps their child.
• ITT group of young people who cycle together to same school/area.	• Strongly agree with ITT – makes people more independent and enables children with disabilities to feel safer and social inclusion.
• Opens doors for after school (ITT) so is a good idea.	• Have schools' team up to enable young people to catch the bus /transport together.
• Offer it for people with anxiety /OCD/mental health issue possibly.	• Schools to train students.
• Good idea 4-year contract.	•
3. Libraries and Leisure	
• Leisure – no matter who provides if the services stay the same.	• Leisure – water parks/rides are limited.
• Leisure – Arena location is difficult to get to on the bus from Sinfin.	• Leisure – Arena image is only cycling.
• Leisure – no relevance to brand.	• Leisure – Willows is more known and popular.
• Leisure – more sense to cut funding for less essential services.	• Leisure – Moorways is better for small children and babies.
• Leisure – If services are the same, does it matter who runs it?	• Leisure – as long as services remain the same and affordable.
• Leisure – dull, not welcoming.	• Leisure – don't know where they are except riverside.
• Leisure – location of Moorways is inconvenient to Queens.	• Leisure – brand irrelevant if services stay the same.
• Libraries – make more exciting and accessible.	• Libraries - GCSE/A Level study support and books (cost of living).
• Libraries – more of the same books.	• Libraries – Riverside library very good.
• Libraries – Mickleover/Spondon limited.	• Libraries – more e-books, membership options to download.
• Libraries – study/secondary resources.	• Libraries – late fees and communications.
• Libraries – digital books are easier and instant.	• Libraries – promote other services available other than books e.g., printing and copying.
• Libraries – they need to be more modernized and more tech.	• Libraries – use as a good space to educate and inform.
• Libraries – more study spaces GCSE/A Level and resources. More appealing if better promoted to age ranges not old people and babies. Promote through schools and collaborations.	• Libraries – can we volunteer for work experience as library tutors.
• Libraries- opening times are not advertised or available.	• Libraries – calm environment, aesthetic matters (riverside is attractive).
• Libraries – Opening hours are more limited than previously at Chellaston.	• Libraries – Social spaces, events, workshops, cultural offer.

• Libraries – used for other purposes to lessen isolation.	• Libraries – Mental health group sessions.
• Libraries – dull not welcoming.	• Libraries – don't know where they are except riverside.
• Libraries – lack of area to sit and work, study area.	• Libraries – silent and quiet areas.
• Libraries – more promotion.	• Libraries – book swap.
• Libraries – not obvious or visible signage.	•
4. Adult Social Care	
• Lonely people.	• Not everyone uses technology.
• Where will the technology come from outsource or insource?	• Cost for equipment, breakages, and maintenance.
• AI – tech savvy/older people don't like it.	• Support for using technology.
• Technology is efficient and saves money if people know how to use it.	• Could forget notifications.
• Reduce carer hours?	• Particular group of staff in area/zone.
• Timetabling of staff.	• Cost of Wi-Fi and electricity included.
• Will AI work efficiently? Will AI not replace people?	• Old people do not understand AI.
• Train family members to provide care.	• AI feed review info.
• Tablet – emergency response, straightforward not interactive tablets. Considerations for space/medications equipment.	• Miss human touch/not cared for by council – lack of understanding.
• 'Guarantee' tech works.	• Humanity element needed.
• Train family members to support.	• Logical to reduce care house with technology.
5. Community Safety and Localities	
• Can we use present crime figures to help target action.	• Assemblies on crime and knife crime.
• Neighbourhood watch schemes to be more promoted/feedback/awareness.	• Prioritize areas by looking at stats.
• Is there a way to help groups who want to exercise at night e.g. workers who work late. Making it safe for them to still go out. Community groups.	• Parks – littering misuse, talk to teenagers on how to use parks safely and with respect. So they can use but don't cause problems.
• Safety awareness on river.	• Use of lighting on the parks.
• Can there be an app which helps promote safety and places to gather?	• Knife crime assemblies are good. Need more publicity of why knives are bad.
• More things to do like BMX.	• Streetlights are important.
• Gangs.	• CCTV could help.
• Park issues with knives.	• Local shops – could they be a safe space?
• More knives drop boxes – publicity.	• Scanners in schools and other places like the ones in airports.

• Purple hand spaces.	• Safe spaces are a good thing.
• UCS Youth Alliance.	• Staff team cuts? Remodel doesn't always mean cuts.
• Knife crime assemblies – VR headsets.	• ASB is very important in the city centre and areas.
• Concerns about the parks Sinfin people don't use.	• Working with partners – show a strong message.
• Is it worth having a 1 assembly with Head Teachers that can then pass on the message?	• Remodel staff – need more staff in this area – volunteers could help out more such as Neighbourhood watch.
• What is the difference to the police ranger's role?	• Other partners we could work with – e.g., Derby County.
• Knife angel was powerful and raised awareness.	• White ribbon.
• Is there a role for university post-grads to get involved with safety?	• More emphasis on less organised activities on parks.
• Increase business tax rates? Companies to help fund.	• Assemblies on knife crime – how are we affording VR headsets?
• Would not cut community safety as it is so important.	• Campaigns to be targeted – how and be careful.
• Locality working – fair way.	• Locality working – devolved powers.
• Locality working – Cllrs should consult local wards.	• Locality working – ask YP they are more vulnerable asking for the answers.
• Locality working – ask YP what it's like in the local area.	• Locality working – how is it representative?
• Locality working – influence and listen.	• Locality working – keep it to one area (Derby) if we know it works.
• Locality working – local Cllrs should play a part as they do a good job.	•

Appendix 12
Time Commenced – 18:00
Time Finished – 19:50

Executive Scrutiny Board

15 January 2024

Present: Councillor Poulter (Chair)
Councillors Amin, Bolton, Care, Eyre, M Holmes, J Khan, Lindsey, Mulhall, Rawson, C Wright

In attendance: Councillor Dhindsa – Cabinet Member for Communities and Streetpride
Councillor Hezelgrave – Cabinet Member for Cost of Living, Equalities and Customer Inclusion
Councillor Shiraz Khan – Cabinet Member for Housing, Property and Regulatory Services
Councillor Martin – Cabinet Member for Integrated Adult Care and Health
Councillor Peatfield – Cabinet Member for City Centre, Regeneration, Culture and Tourism
Councillor Shanker – Leader of the Council and Cabinet Member for Strategy, Governance and Finance
Councillor Swan – Cabinet Member for Climate Change, Transport and Sustainability
Councillor Whitby – Cabinet Member for Children's Social Care, Learning and Skills
Councillor Ashby
Councillor Koslowski
Verna Bayliss – Director of City Sustainability
Andy Brammall – Director of Digital and Physical Infrastructure and Customer Engagement
Sam Dennis – Director of Communities
Robyn Dewis – Director of Public Health
Emily Feenan – Director of Corporate Governance, Procurement and Property and Monitoring Officer
Heather Greenan – Director of Policy, Insight and Communications
Suanne Lim – Director of Early Help and Children's Social Care
Steven Mason – Democratic Services Officer
Toni Nash – Head of Finance
Gurmail Nizzer – Director of Commissioning and Delivery
Alison Parkin – Director of Financial Services
Perveez Sadiq – Director of Adult Social Care Services
Pete Shillcock – Group Accountant
Paul Simpson – Chief Executive and Head of Paid Service
Elly Tomlinson – Group Accountant

62/23 Apologies for Absence

There were none.

63/23 Late Items

There were none.

64/23 Declarations of Interest

There were none.

65/23 Budget Proposals 2024/25 – 2026/27

The Board received a report of the Director of Financial Services on Budget Proposals 2024/25 – 2026/27.

The Director of Financial Services addressed the Board and introduced the item.

In response to a question about Council Tax collection rates, the director commented upon the increase in the collection of Council Tax, comparator authorities and the effect of AI to collect more Council Tax.

Andy Smith, Strategic Director of People Services provided an overview for his directorate.

In response to questions, the strategic director commented upon unaccompanied asylum-seeking children and the former levels of funding, the importance of councils being properly funded to house those young people and future spending reviews. Councillor Whitby, Cabinet Member for Children's Social Care, Learning and Skills also responded.

In response to questions, the strategic director also commented upon home to school transport savings, Shared Lives carers and fostering carers, the effort and resource to move into partnerships and fostering recruitment.

Alison Matin, Cabinet Member for Integrated Adult Care and Health,
commented upon carers, the statutory duty to provide care, dialogue with carers to identify support required and carers forum meetings. Councillor Whitby also commented upon this.

Councillor C Wright asked about the extent to which the pandemic had fed into the budget challenges and her particular concerns regarding children in poverty.

Councillor Poulter commented upon hospital discharges and pharmacy issues causing delays. Robyn Dewis, Director of Public Health, outlined the difficulties.

Councillor Eyre commented upon the proposal for the four-year contract for home to school transport and the projected savings being front-loaded. Councillor Shanker, Leader of the Council and Cabinet Member for Strategy, Governance and Finance, commented upon the front-loaded savings.

Councillor Care asked about public health, improving health, targeting support for council officers and Livewell being promoted to staff. Robyn Dewis responded.

Councillor Martin responded to the questions about hospital discharge and expressed the importance of individual experiences being reported through ICP.

Sam Dennis, Director of Communities, introduced the proposals for the Place Directorate.

Councillor Dhindsa, Cabinet Member for Communities and Streetpride, commented upon his portfolio, with particular focus on ground maintenance, parks, and waste collection.

Councillor Poulter asked about the savings in relation to waste collection, in light of the proposed increased costs at Raynesway. Sam Dennis and Councillor Dhindsa responded and outlined projected increased income from enforcement.

Councillor Swan, Cabinet Member for Climate Change, Transport and Sustainability, commented upon the reduction in the budget for waste disposal.

Councillor C Wright asked about homelessness in the city and how the council was going to meet its statutory responsibilities. Sam Dennis responded and outlined proposals to help people out of bed and breakfast accommodation. Councillor Shanker also responded and reported that one of the priority areas was the purchase of properties to get people out of temporary accommodation. Councillor Poulter commented upon relevant funding that is provided by central Government.

Councillor Care commented upon education in relation to littering and that there were no proposals within the document. She further commented upon the importance of engaging with people and the Friends of Parks. Councillor Dhindsa responded and spoke about reducing fly tipping and litter, and the work of Friends of Parks and Friends of Cemeteries (Nottingham Road).

Councillor Poulter commented upon the new play area in Spondon, Friends of the Park and Spondon Cemetery.

Councillor Mulhall commented upon the proposed efficiencies in the directorate and asked about the processes in place to ensure that the savings became reality and also pointed out that there was no mention of the Sinfin Waste Treatment Plant within the budget proposals. Sam Dennis responded and commented about the use of software mapping and how efficiencies would be reported. In relation to the Sinfin Waste Treatment Plant, it was reported that there were no budget savings within the proposals and that soft market testing was taking place. Councillor Poulter asked when the soft market testing would be finished and also about the procurement process. Councillor Shanker responded and confirmed that, once completed, the results would come back.

Councillor Dhindsa responded to Councillor Mulhall’s earlier question and outlined efficiencies and the use of technology, particularly in relation to bin sensors.

In relation to Sinfin Waste Treatment Plant, Councillor Poulter asked about IAA3. Sam Dennis responded and commented upon the project timetable and confirmed that there had been a delay in the soft market testing and the procurement process, and that work was ongoing to sign IAA3.

Councillor Eyre asked about savings in relation to free bulky waste collections.

Councillor Eyre also asked about Localities, PPO’s, and the new Localities arrangements. Sam Dennis responded and commented upon savings within Localities Teams, the review due to take place and vacant posts being held. Councillor Dhindsa also commented upon Localities and PPO’s.

Paul Simpson, Chief Executive and Head of Paid Service, outlined the Chief Executives budget proposals. Members noted that Grant Thornton LLP had recently reported that, in their opinion, one in five local authorities were on the brink of financial failure. The Chief Executive outlined the importance of Corporate Governance to keep the organisation safe. The Chief Executive outlined the savings and headlines, including proposals for partners to make greater use of the Council House.

Councillor Poulter asked about the current level of reserves. Alison Parkin responded and confirmed that they were less than forecasted. Councillor Shanker commented upon rebuilding reserves.

Councillor Mulhall asked about the unachieved savings 2022/23 in the report. Alison Parkin responded and explained why they had been reversed.

Councillor C Wright asked about historical reserves and what happened to them. Alison Parkin responded and explained the spikes in social care overspend.

Councillor Bolton asked how much central Government grant funding had been reduced over the last few years. Paul Simpson responded.

Councillor Poulter asked for figures to be provided in relation to historic grant funding. Alison Parkin reported that this would be provided.

Councillor Poulter asked about savings being achieved through the costs of senior management and also about recruitment in relation to the vacant post of the Strategic Director for Place. Paul Simpson confirmed that he did intend to recruit to that post and that submissions of interest had been invited, internally.

Councillor Poulter asked about property services and partner working and pointed out that it was slower than predicted. Emily Feenan, Director of Corporate Governance, Procurement and Property and Monitoring Officer, responded and reported on rent to external partners in the council house, property rationalisation, disposal of property/assets. It was also reported that options were being considered in relation to Allestree Hall.

Councillor Shiraz Khan, Cabinet Member for Housing, Property and Regulatory Services, commented upon property rationalisation.

Councillor Swan, Cabinet Member for Climate Change, Transport and Sustainability, commented upon grant funding and central Government funding.

The Executive Scrutiny Board resolved to note the report.

MINUTES END

Appendix 13

Summary Capital Expenditure Programme 2024/25 – 2026/27 General Fund

Programme Area	2024/25 Revised £m	2025/26 Revised £m	2026/27 Original £m	Total £m
Expenditure				
Schools	13.517	14.018	1.670	**29.205**
Housing General Fund	4.934	3.493	3.003	**11.431**
Property	9.231	7.746	7.377	**24.354**
Flood Defence	0.411	0.250	0.250	**0.911**
Highways & Transport	37.139	9.469	7.382	**53.990**
Vehicles Plant & Equipment	3.749	1.378	2.317	**7.444**
Regeneration	97.140	43.246	0.000	**140.386**
ICT	3.111	1.545	1.080	**5.736**
Corporate	6.594	37.250	7.136	**50.981**
Total	**175.827**	**118.395**	**30.215**	**324.437**

Summary Capital Funding 2024/25 - 2026/27

Funding Source	2024/25 Revised £m	2025/26 Revised £m	2026/27 Original £m	Total £m
Supported Capital Expenditure Capital (SCE C)	18.053	15.372	6.279	**39.705**
Devolved SCE C Direct to Schools	0.120	0.120	0.120	**0.360**
Government Grants	73.746	54.788	2.323	**130.857**
External contributions	8.160	1.165	-	**9.325**
Section 106	1.973	0.729	0.017	**2.719**
Total External Funding	**102.052**	**72.174**	**8.739**	**182.965**
Funding Requirement				
Funded By				
Capital Receipts	6.869	3.796	1.556	**12.221**
Revenue Funding	1.041	0.772	0.757	**2.571**
Reserves	2.757	-	0.119	**2.876**
Serviced Financed Borrowing	1.161	0.734	1.465	**3.360**
Potential Borrowing	61.947	40.918	17.579	**120.444**
Total Internal Resources	**73.775**	**46.221**	**21.476**	**141.472**
Total Funding	**175.827**	**118.395**	**30.215**	**324.437**

Housing Revenue Account Capital Programme 2022/23 – 2024/25

	2022/23 Revised £m	2023/24 Revised £m	2024/25 Original £m	Total £m
Expenditure	43.418	40.785	40.868	**125.072**
Funding Source:				
Government Grants	0.975	-	-	**0.975**
Capital Receipts	10.202	10.374	10.447	**31.023**
MRA	32.241	30.412	30.421	**93.073**
Total Funding	**43.418**	**40.785**	**40.868**	**125.072**

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

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
Schools						
Schools	MULTIPLE - Devolved Formula Cap	SCE C DFC	0.120	0.120	0.120	**0.360**
Schools	REFCUS - Adaptions For Foster Carers	SCE C BN	0.083	-	-	**0.083**
Schools	Brackensdale Infant and Junior – Expansion Des	SCE C SCA	-	0.374	-	**0.374**
Schools	Chellaston Secondary School - Homeleigh Way Contribution	SCE C BN	0.457	-	-	**0.457**
Schools	Building at Risk	SCE C SCA	0.659	0.200	0.200	**1.059**
Schools	School Condition Works	SCE C SCA	1.100	1.100	1.100	**3.300**
Schools	MULTIPLE - Capital works delivered by schools	RCCO	0.250	0.250	0.250	**0.750**
Schools	Fellows Lands Way Primary S106	S106	0.124	-	-	**0.124**
Schools	The Bemrose School - SEN Unit	SCE C HNP	1.660	9.000	-	**10.660**
Schools	New Castleward School	S106	0.059	-	-	**0.059**
Schools	Littleover S106 Expansion - 2021 to 2023	S106	0.324	-	-	**0.324**
Schools	Childrens Home Accommodation Strategy	UBC	0.999	-	-	**0.999**
Schools	D2N2 Childrens Homes	UBC	0.300	-	-	**0.300**
Schools	St Benedict’s Expansion Scheme	SCE C BN	3.336	-	-	**3.336**
Schools	St Clares Expansion	UBC	3.241	2.734	-	**5.975**
Schools	Gayton Community School - Boiler Replacement	SCE C SCA	0.141	-	-	**0.141**
Schools	Gayton Community School - Structural Works	SCE C SCA	0.002	-	-	**0.002**
Schools	Meadow Farm Primary - Roof Works	SCE C SCA	0.002	-	-	**0.002**
Schools	Murray Park - Window Replacement	SCE C SCA	0.003	-	-	**0.003**
Schools	Oakwood Infant - Electrical Rewiring	SCE C SCA	0.003	-	-	**0.003**
Schools	Ridgeway Infant - Structural Works	SCE C SCA	0.124	-	-	**0.124**
Schools	Shelton Infant - Boiler Replacement	SCE C SCA	0.004	-	-	**0.004**
Schools	Shelton Junior - Window Replacement	SCE C SCA	0.004	-	-	**0.004**
Schools	Bemrose School - Structural Works	SCE C SCA	0.117	-	-	**0.117**
Schools	Littleover School - Roof Works	SCE C SCA	0.007	-	-	**0.007**
Schools	St Alban's Catholic Voluntary Academy	SCE C HNP	0.075	-	-	**0.075**
Schools	Childcare Expansion Capital Grant	GG	0.240	0.240	-	**0.479**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
Schools	Family Hub	GG	0.083	-	-	**0.083**
Schools Total			**13.517**	**14.018**	**1.670**	**29.205**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
Housing General Fund						
Housing General Fund	REFCUS - Disabled Facilities Grant 96 Act	GG/SCE C	3.206	3.003	3.003	**9.212**
Housing General Fund	REFCUS - Capitalised Salaries	EC	0.085	0.085	-	**0.170**
Housing General Fund	REFCUS - Healthy Housing Assistance	GG	0.200	0.200	-	**0.400**
Housing General Fund	REFCUS - Empty Property Assistance	EC	0.330	0.180	-	**0.510**
Housing General Fund	Home Upgrade Grant - Phase 2	GG	0.991	-	-	**0.991**
Housing General Fund	Milestone Housing - HGF	UBC	0.032	0.025	-	**0.057**
Housing General Fund	Park House - HGF	UBC	0.091	-	-	**0.091**
Housing General Fund Total			**4.934**	**3.493**	**3.003**	**11.431**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
Property						
Property	Planned Maintenance	UBC	-	6.823	6.823	**13.646**
Property	GEN - Capitalised Salaries - Valuer	SCE C	0.037	0.037	0.037	**0.111**
Property	Darley Playing Fields	UBC	0.303	-	-	**0.303**
Property	Kedleston Road Heating System	UBC	0.732	-	-	**0.732**
Property	Guildhall - Roof Covering	UBC	0.106	-	-	**0.106**
Property	Council House - Detailed Survey	UBC	0.108	-	-	**0.108**
Property	Energy Projects	UBC	0.177	-	-	**0.177**
Property	Multi-Cultural Education Centre - Upgrades	UBC	0.144	-	-	**0.144**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
Property	Property Improvement - Drainage Works	UBC	0.400	-	-	**0.400**
Property	Property Improvement - Electrical Services	UBC	0.200	-	-	**0.200**
Property	Property Improvement - Energy Improvements	UBC	0.340	-	-	**0.340**
Property	Property Improvement - External Areas	UBC	0.500	-	-	**0.500**
Property	Property Improvement - Fire Improvement	UBC	0.100	-	-	**0.100**
Property	Property Improvement - Lifts	UBC	0.640	-	-	**0.640**
Property	Property Improvement - Mechanical Services	UBC	1.700	-	-	**1.700**
Property	Property Improvement - Other Plan Works	UBC	0.400	-	-	**0.400**
Property	Property Improvement - Roofing Works	UBC	0.350	-	-	**0.350**
Property	Property Improvement - Structural Works	UBC	1.600	-	-	**1.600**
Property	Property Improvement - Toilet refurbishments	UBC	0.130	-	-	**0.130**
Property	Property Improvement - Windows & Doors	UBC	0.200	-	-	**0.200**
Property Total			**8.167**	**6.860**	**6.860**	**21.887**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
Parks & Open Spaces						
Parks & Open Spaces	Arboretum Park	S106	0.142	-	-	**0.142**
Parks & Open Spaces	Darley Park Improvement	S106	0.065	-	-	**0.065**
Parks & Open Spaces	Heatherton Community Centre	S106	0.037	-	-	**0.037**
Parks & Open Spaces	Stockbrook Street Recreation Ground	S106	0.031	-	-	**0.031**
Parks & Open Spaces	Chaddesden Wood Local Nature Reserve	S106	0.012	0.012	0.012	**0.036**
Parks & Open Spaces	Parks & Open Spaces Rolling Programme	UBC	0.500	0.500	0.500	**1.500**
Parks & Open Spaces	The Sanctuary	S106	0.004	0.004	0.005	**0.013**
Parks & Open Spaces	Alvaston Park	S106	0.050	-	-	**0.050**
Parks & Open Spaces	Markeaton Park Mundy Play Centre	S106	0.153	-	-	**0.153**
Parks & Open Spaces	Brunswood Recreation Ground	S106	0.072	-	-	**0.072**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
Parks & Open Spaces	Sinfin Recreation Ground	S106	-	0.133	-	**0.133**
Parks & Open Spaces	Sinfin Moor Park Improvements	S106	-	0.224	-	**0.224**
Parks & Open Spaces	Sunnyhill Recreation Ground	S106	-	0.013	-	**0.013**
Parks & Open Spaces Total			**1.065**	**0.886**	**0.517**	**2.468**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
Flood Defence						
Flood Defence	Local flood alleviation scheme	UBC	0.270	0.250	0.250	**0.770**
Flood Defence	Oakwood Flood Study	UBC	0.010	-	-	**0.010**
Flood Defence	Thulston Brook Flood Study	UBC	0.030	-	-	**0.030**
Flood Defence	Markeaton Brook Stiling Bay Reinstallation	UBC	0.101	-	-	**0.101**
Flood Defence Total			**0.411**	**0.250**	**0.250**	**0.911**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
Highways & Transport						
Highways & Transport	Integrated Transport Programme - smaller scheme	UBC/SCE C	1.861	2.536	2.536	**6.933**
Highways & Transport	Asset Management - Highways Maintenance	UBC/SCE C/GG	4.113	3.509	3.861	**11.483**
Highways & Transport	Asset Management - Structures Maintenance	SCE C/S106	1.216	0.610	0.610	**2.436**
Highways & Transport	Asset Management - ITS Network Management Maintenance	UBC/SCE C	0.555	0.375	0.375	**1.305**
Highways & Transport	Network Management - Strategic Network Management	GG	0.462	0.273	-	**0.735**
Highways & Transport	Active Travel - Cycle Derby	UBC	0.405	-	-	**0.405**
Highways & Transport	A52 Strategic Transport Scheme	UBC	0.004	-	-	**0.004**
Highways & Transport	MULTIPLE - Network Management - Local Traffic Management	UBC	0.455	-	-	**0.455**
Highways & Transport	Network Management - Casualty Reduction	UBC	0.546	-	-	**0.546**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
Highways & Transport	Asset Management - Land Drainage & Flood Defence	UBC	0.416	-	-	**0.416**
Highways & Transport	S31 - Emergency Active Travel Fund	GG	0.164	-	-	**0.164**
Highways & Transport	Highways Trees	UBC	0.036	0.035	-	**0.071**
Highways & Transport Total			**10.232**	**7.338**	**7.382**	**24.952**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
Highways & Transport -TCF						
Highways & Transport	The Bus Service Improvement Plan	GG	2.522	2.113	-	**4.635**
Highways & Transport	Air Quality Improvement Plan	GG	1.176	-	-	**1.176**
Highways & Transport	TCF Tranche 2 - Public Realm	GG	6.760	-	-	**6.760**
Highways & Transport	TCF Tranche 2 - Bus & Rapid Transit Links	GG	0.039	-	-	**0.039**
Highways & Transport	TCF Tranche 2 - LCWIP	GG	13.927	-	-	**13.927**
Highways & Transport	Future Transport Zone	GG	2.482	0.018	-	**2.500**
Highways & Transport - TCF Total			**26.906**	**2.131**	**-**	**29.037**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
Vehicle, Plant & Equipment						
Vehicle, Plant & Equipment	MULTIPLE - Grounds Plant & Equipment	RCCO/CR	0.350	0.378	0.245	**0.974**
Vehicle, Plant & Equipment	MULTIPLE - Refuse Vehicles & Plant	UBSF/RCCO/CR	1.105	1.000	-	**2.105**
Vehicle, Plant & Equipment	MULTIPLE - Street Cleaning Equipment	UBSF/RCCO/CR	0.540	-	0.352	**0.892**
Vehicle, Plant & Equipment	Highways Vehicle, Plant & Equipment	RCCO	0.203	-	1.720	**1.922**
Vehicle, Plant & Equipment	Derby Homes Vehicles	UBSF/RCCO	0.858	-	-	**0.858**
Vehicle, Plant & Equipment	Replacement of Refuse Collection Vehicles	EC	0.693	-	-	**0.693**
Vehicle, Plant & Equipment Total			**3.749**	**1.378**	**2.317**	**7.444**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
Regeneration						
Regeneration	IPD Acceleration Development Contingency	UBC/SCE C/EC	3.918	-	-	**3.918**
Regeneration	Becket Well	CR	0.055	-	-	**0.055**
Regeneration	Creative Pathways	S106	0.030	-	-	**0.030**
Regeneration	MULTIPLE - Derby Enterprise Growth Fund - Recycled	CR	0.096	-	-	**0.096**
Regeneration	Castleward Enhancement of Public Square - CPO	EC	4.632	0.900	-	**5.532**
Regeneration	NAMRC Midlands	UBC	0.434	-	-	**0.434**
Regeneration	iHub Plot Preparation	EC	0.365	-	-	**0.365**
Regeneration	Assembly Rooms Demolition	CR/CRES/SR	3.682	-	-	**3.682**
Regeneration	Smartparc	CR	0.940	1.880	-	**2.820**
Regeneration	Ascend Fund	SCE C	2.000	-	-	**2.000**
Regeneration	Becketwell Performance Venue	UBC	0.110	-	-	**0.110**
Regeneration	Carbon Reduction Fund	SCEC	2.100	-	-	**2.100**
Regeneration	New Becketwell Performance Venue	UBC	26.687	0.572	-	**27.259**
Regeneration	Market Hall Replacement - Phase 2	UBC	9.190	-	-	**9.190**
Regeneration	FHSF Eastern Gateway	SCE C/CR	1.502	-	-	**1.502**
Regeneration	Becketwell Regeneration Contingency	UBC	0.027	-	-	**0.027**
Regeneration	SPF Loans	GG	0.374	-	-	**0.374**
Regeneration Total			**56.142**	**3.352**	**-**	**59.494**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
Regeneration - OCOR						
Regeneration	Our City Our River	GG	0.533	0.643	-	**1.176**
Regeneration	Our City Our River - Package 1	GG	0.400	-	-	**0.400**
Regeneration	Our City Our River - Package 2	GG	39.697	39.251	-	**78.948**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
Regeneration	Our City Our River - Munio	GG	0.368	-	-	**0.368**
Regeneration OCOR Total			**40.998**	**39.894**	**-**	**80.892**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
ICT						
ICT	Major IT Hardware Developments	CR/SCE C	1.395	0.835	0.720	**2.950**
ICT	Major IT Systems Developments	CR	0.295	0.710	0.360	**1.365**
ICT	Direct AI Capital Works	CR/SR	1.421	-	-	**1.421**
ICT Total			**3.111**	**1.545**	**1.080**	**5.736**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
Corporate						
Corporate	MTFP Provision for Future Investments	UBC/GG	6.594	37.250	7.136	**50.981**
Corporate Total			**6.594**	**37.250**	**7.136**	**50.981**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
HRA						
HRA	Estates Pride - General	MRA	0.500	0.445	0.500	**1.445**
HRA	PVCU Windows & Doors	MRA	1.500	1.500	1.500	**4.500**
HRA	Capital Salaries Mods Liaison	MRA	0.700	0.700	0.900	**2.300**
HRA	Kitchens and Bathrooms	MRA	4.523	3.949	4.000	**12.472**
HRA	One-off Mods/Major Refurbishments	MRA	1.057	0.750	1.250	**3.057**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
HRA	Re-Roofing	MRA	1.500	2.400	2.400	**6.300**
HRA	Disability Adaptions	MRA	0.700	0.700	0.700	**2.100**
HRA	Communal Door Entry Systems	MRA	0.050	0.050	0.050	**0.150**
HRA	New & Replacement Central Heating	MRA	2.400	2.400	2.500	**7.300**
HRA	Rewiring/Electrical Upgrades	MRA	0.500	0.500	0.500	**1.500**
HRA	Solid Wall Installation	MRA/GG/CR	1.593	-	-	**1.593**
HRA	New Build and Acquisitions	MRA/CR	2.600	2.600	2.600	**7.800**
HRA	The Knoll NB	MRA/CR	2.162	1.923	0.194	**4.279**
HRA	Emergency call system replacement	MRA	0.434	0.200	0.100	**0.734**
HRA	Riverview Site (Previously Britannia Court)	MRA/CR	0.500	1.500	1.655	**3.655**
HRA	Barlow Street	MRA/CR	1.606	0.400	-	**2.006**
HRA	HRA Fire Safety	MRA	0.500	0.500	-	**1.000**
HRA	Rivermead Refurbishment	MRA	2.000	1.000	0.500	**3.500**
HRA	HRA Shops	MRA	0.250	0.250	-	**0.500**
HRA	Oakland Avenue	MRA/CR	0.538	0.187	0.100	**0.825**
HRA	Crompton Street	MRA/CR	0.600	0.178	-	**0.778**
HRA	The Grange	MRA/CR	2.920	3.365	-	**6.285**
HRA	Whitaker Street	MRA/CR	0.300	-	-	**0.300**
HRA	Elmwood	MRA/CR	0.511	0.080	-	**0.591**
HRA	Green Home Grant	MRA	0.100	0.100	-	**0.200**
HRA	Former Council House Acquisitions	MRA/CR	1.200	1.200	-	**2.400**
HRA	Water Service	MRA	0.120	0.040	-	**0.160**
HRA	Falcon	MRA/CR	0.663	-	-	**0.663**
HRA	Brentford Drive	MRA/CR	0.974	0.200	1.200	**2.374**
HRA	Warwick House	MRA/CR	3.000	2.230	0.050	**5.280**
HRA	Pre-Development Costs	MRA/CR	2.977	10.505	-	**13.482**
HRA	Drewry Lane	MRA/CR	1.755	0.822	-	**2.577**
HRA	Greenwood Avenue	MRA/CR	0.356	0.106	-	**0.462**
HRA	Cricklewood Road	MRA/CR	0.860	-	-	**0.860**

Strategy Area Name	Scheme Name	Funding Source	DRAFT 2024/25 Budget	DRAFT 2025/26 Budget	DRAFT 2026/27 Budget	DRAFT TOTAL
HRA	Monyash Close	MRA/CR	0.431	-	-	**0.431**
HRA	Snelsmoor Grange	MRA/CR	0.504	0.002	20.000	**20.506**
HRA	Hollbrook Park - Bellway	MRA/CR	0.533	0.002	0.169	**0.704**
HRA Total			**43.418**	**40.785**	**40.868**	**125.072**
MTFP Total			**219.245**	**159.181**	**71.083**	**449.509**

Summary of Unsupported Borrowing 2024/25 - 2026/27

Strategy Area	Scheme	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
	Corporate Unsupported Borrowing				
Corporate Resources	MTFP Provision for Future Investments	6.594	27.250	7.136	**40.980**
Flood Defence	Local flood alleviation scheme	0.270	0.250	0.250	**0.770**
Flood Defence	Oakwood Flood Study	0.010	-	-	**0.010**
Flood Defence	Thulston Brook Flood Study	0.030	-	-	**0.030**
Flood Defence	Markeaton Brook Stiling Bay Reinstallation	0.101	-	-	**0.101**
Highways & Transport	Integrated Transport Programme - smaller scheme	1.502	2.216	2.216	**5.934**
Highways & Transport	Asset Management - Highways Maintenance	1.156	0.904	0.904	**2.964**
Highways & Transport	Asset Management - Structures Maintenance	0.240	-	-	**0.240**
Highways & Transport	Asset Management - ITS Network Management Maintenance	0.180	-	-	**0.180**
Highways & Transport	MULTIPLE - Network Management - Local Traffic Management	0.371	-	-	**0.371**
Highways & Transport	Network Management - Casualty Reduction	0.095	-	-	**0.095**
Highways & Transport	Active Travel - Cycle Derby	0.013	-	-	**0.013**
Highways & Transport	A52 Strategic Transport Scheme	0.004	-	-	**0.004**
Highways & Transport	Asset Management - Land Drainage & Flood Defence	0.416	-	-	**0.416**
Highways & Transport	Highways Trees	0.036	0.035	-	**0.071**
Housing General Fund	Milestone Housing - HGF	0.032	0.025	-	**0.057**
Housing General Fund	Park House - HGF	0.091	-	-	**0.091**
ICT	Major IT Hardware Development	0.100	-	-	**0.100**
Parks & Open Spaces	Parks & Open Spaces Rolling Programme	0.500	0.250	0.250	**1.000**
Property	Planned Maintenance	-	6.823	6.823	**13.646**
Property	Darley Playing Fields	0.303	-	-	**0.303**
Property	Guildhall - Roof Covering	0.106	-	-	**0.106**
Property	Council House - Detailed Survey	0.108	-	-	**0.108**
Property	Energy Projects	0.177	-	-	**0.177**
Property	Kedleston Road Heating System	0.732	-	-	**0.732**
Property	Multi-Cultural Education Centre - Upgrades	0.144	-	-	**0.144**
Property	Property Improvement - Drainage Works	0.400	-	-	**0.400**
Property	Property Improvement - Electrical Services	0.200	-	-	**0.200**
Property	Property Improvement - Energy Improvements	0.340	-	-	**0.340**
Property	Property Improvement - External Areas	0.500	-	-	**0.500**
Property	Property Improvement - Fire Improvement	0.100	-	-	**0.100**
Property	Property Improvement - Lifts	0.640	-	-	**0.640**
Property	Property Improvement - Mechanical Services	1.700	-	-	**1.700**
Property	Property Improvement - Other Plan Works	0.400	-	-	**0.400**
Property	Property Improvement - Roofing Works	0.350	-	-	**0.350**
Property	Property Improvement - Structural Works	1.600	-	-	**1.600**
Property	Property Improvement - Toilet refurbishments	0.130	-	-	**0.130**
Property	Property Improvement - Windows & Doors	0.200	-	-	**0.200**
Regeneration	IPD Acceleration Development Contingency	1.088	-	-	**1.088**
Regeneration	NAMRC Midlands	0.434	-	-	**0.434**
Regeneration	Becketwell Performance Venue	0.110	0.572	-	**0.682**
Regeneration	New Becketwell Performance Venue	26.687	-	-	**26.687**
Regeneration	Market Hall Replacement - Phase 2	9.190	-	-	**9.190**
Regeneration	Becketwell Regeneration Contingency	0.027	-	-	**0.027**
Schools	Childrens Home Accommodation Strategy	0.999	-	-	**0.999**
Schools	D2N2 Childrens Homes	0.300	-	-	**0.300**
Schools	St Clare's Expansion	3.241	2.593	-	**5.834**
	Total Corporate Unsupported Borrowing	**61.947**	**40.918**	**17.579**	**120.444**
	Service Financed Borrowing				
Vehicle, Plant & Equipment	MULTIPLE - Refuse Vehicles & Plant	0.705	0.734	-	**1.439**
Vehicle, Plant & Equipment	MULTIPLE - Street Cleaning Equipment	0.408	-	0.190	**0.598**
Vehicle, Plant & Equipment	Highways Vehicle, Plant & Equipment	0.048	-	1.275	**1.323**
	Total Service Financed Borrowing	**1.161**	**0.734**	**1.465**	**3.360**
	TOTAL BORROWING	**63.108**	**41.652**	**19.044**	**123.804**

Annual Minimum Revenue Provision Statement 2024/25

An underpinning principle of the local authority financial system is that all capital expenditure must be financed either from capital receipts, capital grants (or other contributions), by debt or eventually from revenue.

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. 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 Authority to have regard to the former Ministry of Housing, Communities and Local Government’s Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 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 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 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 from 2024/25 is 5.7%, this is an increase from 4.3% budgeted in 2023/24. The rate has been revised to reflect the current forecast interest rates in line with our external Treasury Management guidance.

- 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 MHCLG 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.

- Where former operating leases have been brought onto the balance sheet due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.

- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make zero MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead.

In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since where loans are accepted as funding for a specific project, the MRP charged will be equal to the loan principal repayments.

- Voluntary MRP may be made at the discretion of the Section 151 Officer.
- No MRP will be charged in respect of assets held within the Housing Revenue Account.
- Capital expenditure incurred during 2024/25 to be met from revenue will not be subject to a MRP charge until 2025/26 or the year after the asset becomes operational if later than 2025/26.

Appendix 16

Prudential Indicators

Prudential Indictors 2022/23 to 2026/27	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m
Capital Expenditure					
General Fund	82.9	182.7	175.8	118.4	30.2
HRA	22.9	26.9	43.4	40.8	40.9
Total Capital Expenditure	105.8	209.6	219.2	159.2	71.1
Capital Financing Requirement (CFR)					
General Fund	520.6	596.6	652.8	682.0	684.3
HRA	208.3	208.3	208.3	208.3	208.3
Total CFR	728.9	804.9	861.1	890.3	892.6
External Debt					
Borrowing	359.5	440.3	379.1	378.3	373.6
Other long-term liabilities	76.1	71.2	66.4	61.5	56.3
Gross Debt	435.6	511.5	445.5	439.8	429.9
Operational Boundary for External Debt					
Borrowing	664.1	779.6	935.8	1010.3	1074.3
Other long-term liabilities	76.2	74.7	66.4	61.5	56.3
Total	740.3	854.3	1002.2	1071.8	1130.6
Authorised Limit for External Debt					
Borrowing	759.2	862.2	1135.6	1159.3	1117.4
Other long-term liabilities	91.4	82.1	83.0	76.9	70.4
Total	850.6	944.3	1218.6	1236.2	1187.8
Ratio of Financing Costs to Net Revenue Stream					
General Fund	3%	5%	6%	7%	8%

**2022/23 and 2023/24 operational boundary and authorised limit figures are the levels set as per 2022/23 and 2023/24 Budget reports reported to previous Cabinets.*

Capital Strategy 2024/25

1.1 **Background**

The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a Capital Strategy to demonstrate how capital expenditure, capital financing and treasury management activity contribute to the provision of desired outcomes and take account of stewardship, value for money, prudence, sustainability, and affordability. The Prudential Code has been significantly updated to incorporate changes which restrict councils using borrowing to finance commercial property investment solely for generating yield. The Capital Strategy reflects the new requirements and compliance to them.

1.2 **Introduction**

This capital strategy report 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. It has been written in an accessible style to enhance members' understanding of these sometimes-technical areas.

1.2.1 Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

1.3 **Capital Expenditure and Financing**

1.3.1 In contrast to revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services, capital expenditure seeks to provide long-term solutions to Council priorities and operational requirements.

1.3.2 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 £0.010m are not capitalised and are charged to revenue in year.

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

procedure-notes-capitalisation-policy-P1.pdf (derby.gov.uk)

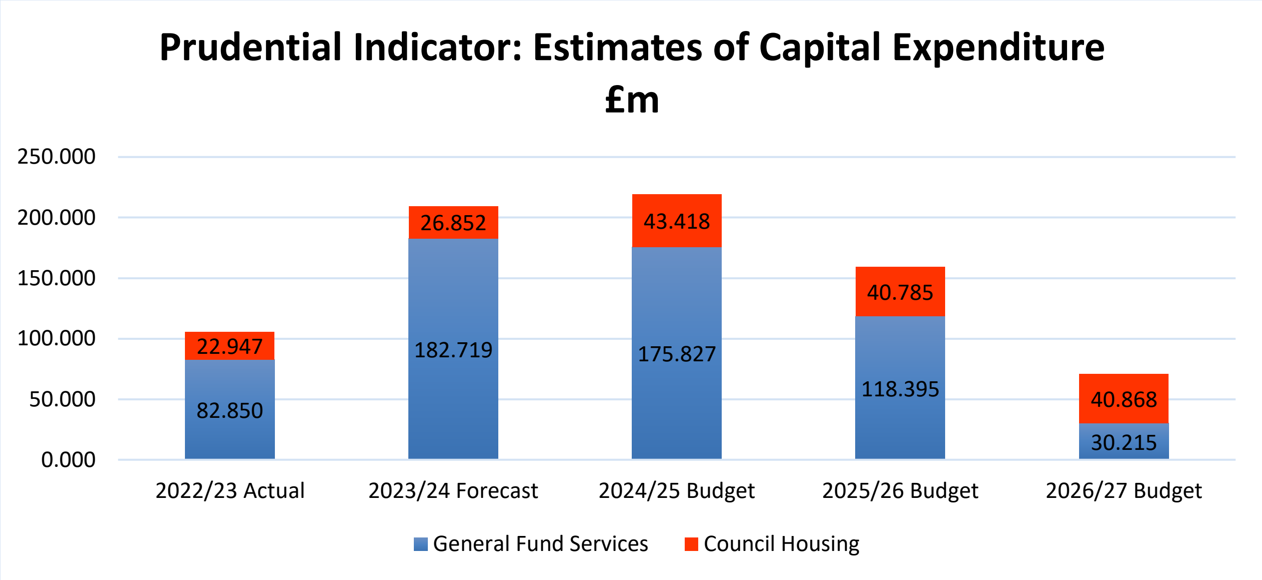
1.4 **Capital Ambition**

1.4.1 The Council's Capital Programme delivers across themes such as economic regeneration, health and wellbeing, economic vibrancy, diversification and skills, job creation and the development of the City's cultural offers.

1.4.2 The UK economy is recovering from the unprecedented economic impact of the Covid pandemic and the War in Ukraine and is consequently facing significant inflationary pressures.

1.4.3 A review of the capital programme has been undertaken. Due to the rising inflationary costs and national shortage of resources there has been significant slippage on the 2023/24 Capital programme.

1.4.4 In 2024/25, the Council is planning capital expenditure of £219.245m as summarised below. The capital programme from 2022/23 actual to 2026/27 forecast budget is outlined below:



1.4.5 The main capital programme includes major projects which span several years including 2023/24 to 2026/27. The full budgeted amounts of schemes including previous spend are shown for completeness:

- £52.4m for Becketwell Arena
- £17.5m for the Smartparc
- £15.7m for MRC Midlands
- £69m for Transforming Cities
- £33.2m for the Market Hall refurbishment Phase 1 & 2
- £5.3m New Primary School Fellow lands.

1.5 Housing Revenue Account (HRA)

1.5.1 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.

1.5.2 Housing is a long-term asset, and it is important that a longer-term view is taken around asset management.

1.5.3 The proposed capital programme covers both the development and acquisitions of new homes and major maintenance works.

1.5.4 On new homes - The lifting of the debt cap in 2018/19 gave greater flexibility in budget setting and has enabled the HRA Capital plan to be more ambitious in terms of funding more new homes in the future. Additionally, changes to Right to Buy rules in 2021 has meant combined with the increased price of acquisitions over the last year, that a shift in our plans has taken place to re-emphasise building new homes.

1.5.5 The Council remains committed to providing suitable accommodation for those in housing need. We continue to develop new homes so people who are homeless or at risk of homelessness are able to transition into a settled environment and those residents that need extra support to live independently have the housing they need. New development schemes will be incorporated and prioritised into the HRA programme when sites are identified and secured.

1.5.6 On major maintenance works – the strategy revolves around the replacement of housing components in line with de-carbonisation objectives and Decent Homes timescales and standards.

1.6 Governance

1.6.1 During the summer capital programme sessions are held with each strategy area to review the current capital programme and for programme managers to put forward their proposed capital programme for consideration to be included in the future years Council's capital programme.

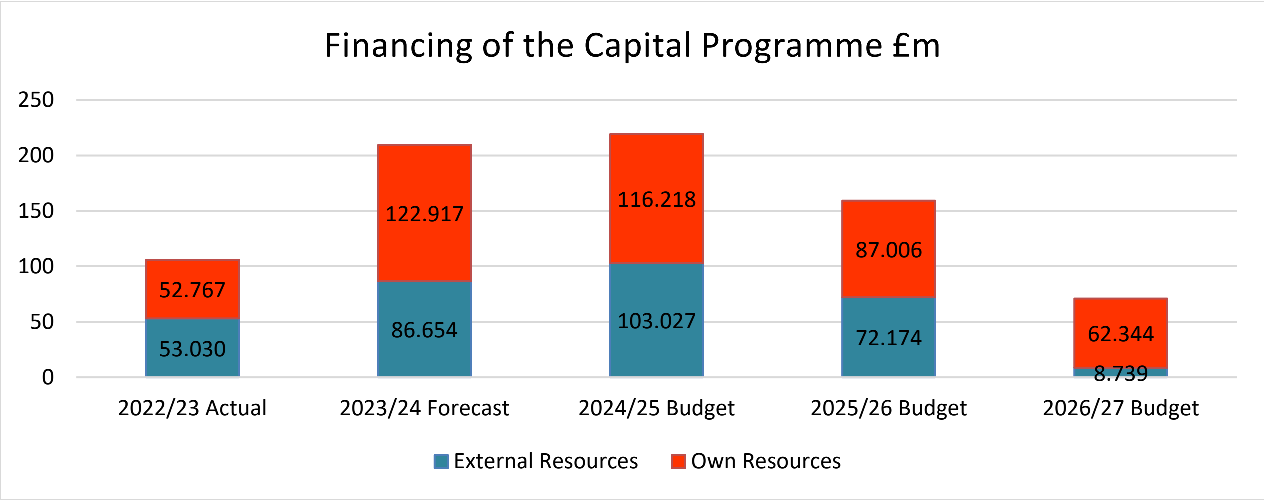
1.6.2 New bids for new schemes are also put forward and dependent on value will be subject to the Gateway process. This process includes going through a number of gateways to allow for acceptance of a new idea against service objectives and council need, feasibility, design full business case, financial appraisal, and eventually new scheme.

1.6.3 The Project Management Office (PMO) governs this process which involves the project managers reporting to the PMO for each gateway they have reached. The final capital programme is then presented to Cabinet in February following a consultation process and then to Council later in February each year.

1.6.4 As well as the PMO some of the major projects have their own project boards and governance. This ensures a more focused approach to large projects for deliverability, spend and risks.

1.6.5 For full details of the Councils capital programme see the main budget within this report (Section 5).

1.6.6 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:



1.6.7 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:

1.6.8 **Table: Replacement of debt finance**

Replacement of Debt Finance	2022/23 Actual £m	2023/24 Forecast £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
Own resources	13.308	17.713	22.392	25.139	22.690

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

1.6.10 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 £76m during 2023/24 and is forecast to rise to a further increase of £88m by 2026/27. Based on the above figures for expenditure and financing. The Council's estimated CFR can be found in Appendix 16.

1.7 **Asset Management:**

1.7.1 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, including the MTFP objectives.

In support of this the Council Plan 2022 -2025 established an Asset Rationalisation programme with the objective of:

- Generating income and achieving financial savings (through a reduction in property holding and operating costs)
- Disposing of those assets that are no longer required and optimising and maximising the use of those property assets which are retained; and
- Supporting more efficient and effective partnership working, achieving better outcomes for our residents.

1.7.2 The Council is also now focusing on how its property estate can support our commitment to the climate emergency and achieving the Council's stated target of becoming carbon neutral.

1.8 Asset Disposals

1.8.1 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 2025/26. Repayments of capital grants, loans and investments also generate capital receipts. The council plans to receive capital receipts in the coming financial years as follows including RTB receipts.

1.9 Treasury Management

1.9.1 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, the Council currently has £430.6m borrowing at an average interest rate of 4.37% and £29.6m treasury investments at an average rate of 4.9% as at 31st December.

1.10 Borrowing Strategy:

1.10.1 The Council's main objectives when borrowing is 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 and long-term fixed rate loans where the future cost is known but higher.

1.10.2 The Authority does not borrow to invest for the primary purpose of financial return and therefore retains full access to the Public Works Loans Board.

1.10.3 Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases) can be found in the Treasury Management Strategy Report included on this meeting's agenda.

1.10.4 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 Report.

1.10.5 IFRS 16 is being applied to the public sector from 1 April 2024 the main change resulting from the implementation of this standard is the introduction of a single lessee accounting model, whereby the lessee must 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 impact of IFRS 16 on the balance sheet is currently under review as part of the implementation.

1.11 Liability Benchmark

1.11.1 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 £15m at each year end. This benchmark is currently forecast at £469.9m and is forecast to rise to £624.6m over the next three years. The Treasury Management Strategy provides full details.

1.12 Affordable Borrowing Limit:

1.12.1 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.

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

1.13 Investment Strategy

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

1.13.2 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 can be 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.

1.13.3 **Governance:** Decisions on treasury management and borrowing are made daily and are therefore delegated to the Section 151 Officer and colleagues, 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 mid-year report on the treasury management activities. The audit committee is responsible for scrutinising treasury management decisions.

1.14 Investments for Service Purposes

1.14.1 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.

1.14.2 **Governance:** Decisions on service investments are made by the relevant service manager in consultation with the Section 151 Officer 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.

1.15 Commercial Activities

With Central Government financial support for local public services declining, some Councils have chosen to invest in commercial property purely or mainly for financial gain. Derby City Council has not undertaken in this activity to date. 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 may seek options to implement a CPIS in future years as part of the capital strategy and MTFP, which will require cabinet and council approval. This will be reviewed periodically by the council's leadership.

1.16 **Liabilities**

In addition to debt of £430.6m detailed above, the council is committed to making future payments to cover its pension fund deficit valued at £6.412m; It has also set aside £7.113m to cover risks of Business Rates appeals and Insurance losses. The Council also has potential liabilities for the Derby Homes pension deficit and other contingent liabilities detailed in the statement of accounts.

1.16.1 **Governance:** Decisions on incurring new discretional liabilities are taken by service directors in consultation with the Section 151 Officer. The risk of liabilities crystallising and requiring payment is monitored by corporate finance and reported in the Council's year-end financial statements.

1.16.2 Further details on liabilities and guarantees are on pages 34 and 120 of the 2022/23 'Draft' Statement of Accounts (as the audit is currently on-going, please note these are subject to change).

1.17 **Revenue Budget Implications**

1.17.1 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.

1.18 **Sustainability**

1.18.1 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 Section 151 Officer is satisfied that the proposed capital programme is prudent, affordable, and sustainable in the short to medium term.

1.19 **Knowledge and Skills**

1.19.1 Appropriate training will be provided to all charged with investment responsibilities. This includes all those involved in making investment decisions such as members of Capital Investment Board as well as those charged for scrutiny and governance such as relevant scrutiny commissions and audit committee. Training will be provided either as part of meetings or by separate ad hoc arrangements.

1.19.2 When considering complex and ‘commercial’ investments, the Council will ensure that appropriate specialist advice is taken. If this is not available internally it will be commissioned externally to inform decision making and appropriate use will be made of the Council’s Treasury Management advisers.

1.20 **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

Treasury Management & Investment Strategy 2024/25

Purpose

1.1 This report outlines and seeks approval of the Council's Treasury Management Strategy for the Financial Year 2024/25 and the Treasury Management Indicators derived from this strategy. The report includes:

- Background and Context
- The Treasury Management Strategy
- Treasury Management indicators
- Investment Strategy (Appendix 3).

Recommendation

2.1 To approve:

a) The Treasury Management Strategy for 2024/25 outlined in section 4

b) The Treasury Management Indicators for 2024/25 to 2026/27 outlined in section 4.73

c) The Current debt and Investment Portfolio Position outlined in Appendix 1

d) The Definitions of Types of Permitted Investments outlined in Appendix 2

e) The Investment Strategy for 2024/25 outlined in the report in section 4.42 and attached Appendix 3

f) The Investment approach for Commercial or Social Return in section 1.7 and Appendix 3

g) The Investment Indicators for 2024/25 to 2026/27 outlined in section 1.26 and Appendix 3.

2.2 **To delegate:**

- Authority to the Section 151 Officer to amend investment levels following appropriate advice from the Council's treasury advisors as detailed in section 4.56.

Reason

3.1 Under the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) the Council is required to approve a treasury management strategy before the start of each financial year. This report also fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

Supporting information

4.1 **Background**

Treasury Management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has historically borrowed to finance capital expenditure and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates.

4.2 The successful identification, monitoring and control of financial risk are central to the Council's treasury management where the priority is to protect capital rather than maximise return. Consistent with the spirit of the CIPFA's Code, the Treasury Team priorities are Security, Liquidity and Return in that order when making investment-related outcomes.

4.3 Financial activity invariably exposes the Council to risk. A non-exhaustive list of treasury-related risks would include:

- Credit and Counterparty risk
- Liquidity risk
- Interest rate risk
- Refinancing risk
- Legal and Regulatory risk
- Fraud, error and corruption, and contingency management
- Market risk
- Price risk

These risks can occur by a significant event, or a series of events, such as:

- Political uncertainty or unrest as currently seen as a result of the ongoing war in Ukraine and the Middle East
- Natural disasters as exhibited by the COVID-19 pandemic
- Changes in government policy, regulations, and legislation
- Changes to general market conditions
- Volatility due to changes in inflation.

4.4 Treasury-related risks can potentially create volatility within the financial market. The value of asset prices can swiftly go down leading to a loss of funds initially, investment and borrowing costs are examples of changes which the Council are exposed to when there is a sudden movement in the market. Accordingly, a robust risk management framework must be in place to eliminate or minimise risk exposure and its impact. The Council's risk-based approach is operated within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) and the Prudential Property Investment Guidance issued November 2019.

4.5 Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy. The Investment Strategy can be found in Appendix 3.

4.6 The Treasury Management position is influenced by the Council’s capital plans and their funding. These capital plans provide a guide to the borrowing need of the Council, requiring longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer term cash flow surpluses. On occasion debt previously drawn may be restructured to meet the Council’s refinancing risk or cost objectives.

4.7 **External Context**
The information relating to the overall global position of the UK financial markets is provided by the Council's Treasury Management Advisors, Arlingclose. They provide a technical resource to support the Council with information including on-going market intelligence, inflation, and interest forecasts. They also provide details on the creditworthiness of institutions that the Council invest money into.

4.8 **Economic background**
The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with the war in Ukraine and the Middle East, will be major influences on the council’s treasury management strategy for 2024/25.

4.9 The Bank of England (BoE) increased the Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE’s Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%.

4.10 **Interest rate forecast**
Although UK inflation and wage growth remain elevated, the council’s treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England’s Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Qtr.3 2024 to a low of around 3% by early mid-2026.

4.11 For the purpose of setting the budget, is has been assumed that new treasury management investments will secure an average rate of return of 4%, and that new long-term loans will be borrowed at an average rate of 5%.

4.12 **Local Context**
As of 31 December, the total debt portfolio of the Council (including HRA debt) was £430.599m offset by investments of £29.579m resulting in an overall net debt position of £401.020m. This is set out in further detail at Appendix 1.

4.13 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council’s current strategy is to maintain borrowing and investments below the CFR is known as internal borrowing.

4.14 The table below sets out the estimated CFR from 1st April 2023 to 31st March 2027 from analysing the balance sheet and forecasts future changes.

Table 1: Balance Sheet Summary and Forecast

Balance Sheet Summary and Forecast	31/03/2023 Actual £m	31/03/2024 Forecast £m	31/03/2025 Forecast £m	31/03/2026 Forecast £m	31/03/2027 Forecast £m
General Fund CFR	520.6	596.6	652.9	682.0	684.3
HRA CFR	208.3	208.3	208.3	208.3	208.3
Total CFR	**728.9**	**804.9**	**861.1**	**890.3**	**892.6**
Less: Other debt liabilities	(76.1)	(71.2)	(66.4)	(61.5)	(56.3)
Borrowing CFR	**652.7**	**733.7**	**794.8**	**828.8**	**836.3**
Less: External borrowing	(359.4)	(440.3)	(379.2)	(378.3)	(373.6)
Internal (over) borrowing	**293.3**	**293.4**	**415.6**	**450.5**	**462.6**
Less: Balance Sheet Resources	(304.7)	(279.0)	(274.6)	(269.1)	(224.8)
Investments (New borrowing)	**11.4**	**(14.4)**	**(141.1)**	**(181.4)**	**(237.8)**
Treasury Investments	11.4	15.0	15.0	15.0	15.0
New borrowing	**0**	**29.4**	**156.1**	**196.4**	**252.8**

**Balance Sheet Resources include revenue reserves, capital reserves and capital receipts*

4.15 Within the figures in the above table, supported borrowing has been modelled to include a Capital ‘Headroom’ within the Capital Programme of £7m (£3.5m in 2024/25 and £3.5m in 2025/26). This has been provided for agility within the Capital Programme without the need to return to cabinet for further approvals and revisions to prudential code permissions. This could fund existing Capital Programme schemes, inflationary pressures if all other considerations have been exhausted.

4.16 The Council has previously been able to defer external borrowing for capital purposes since 2008, utilising internal financing sources and cash balances. This has previously been of benefit to the MTFP as the council did not incur borrowing costs.

4.17 However, the Council has an increasing CFR due to the capital programme and has now moved into a need to borrow position and is forecasting to take on new borrowing during 2024/25 with an increased need in future years. The associated costs for this level of borrowing have been included in the MTFP, as has the flexibility to fund the Minimum Revenue Provision (MRP) cost of emerging priorities.

4.18 CIPFA’s Prudential Code for Capital Finance in Local Authorities recommends that the Council’s external borrowing and other debt liabilities should be lower than its highest forecast CFR over the next three years. Table 1 above shows that the Council expects to comply with this recommendation during 2023/24 through to 2026/27.

4.19 **Liability benchmark**
To compare the Council’s actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest level of borrowing the Council would be required to have to enable cash and investment balances to be kept to a minimum level £15m 2024/25 onwards to maintain sufficient liquidity but minimise credit risk.

4.20 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

4.21 **Table 2: Liability benchmark**

Liability Benchmark	31/03/2023 Actual £m	31/03/2024 Forecast £m	31/03/2025 Forecast £m	31/03/2026 Forecast £m	31/03/2027 Forecast £m
Loans CFR	652.7	733.7	794.8	828.8	836.2
External Borrowing	(359.4)	(440.3)	(379.2)	(378.3)	(373.6)
Internal (over) borrowing	293.3	293.4	415.7	450.5	462.6
Balance Sheet Resources	(304.7)	(279.0)	(274.6)	(269.1)	(224.8)
Investments (new borrowing)	**11.4**	**(14.4)**	**(141.1)**	**(181.4)**	**(237.8)**

Treasury investments	11.4	15.0	15.0	15.0	15.0
New borrowing	**-**	**29.4**	**156.1**	**196.4**	**252.8**

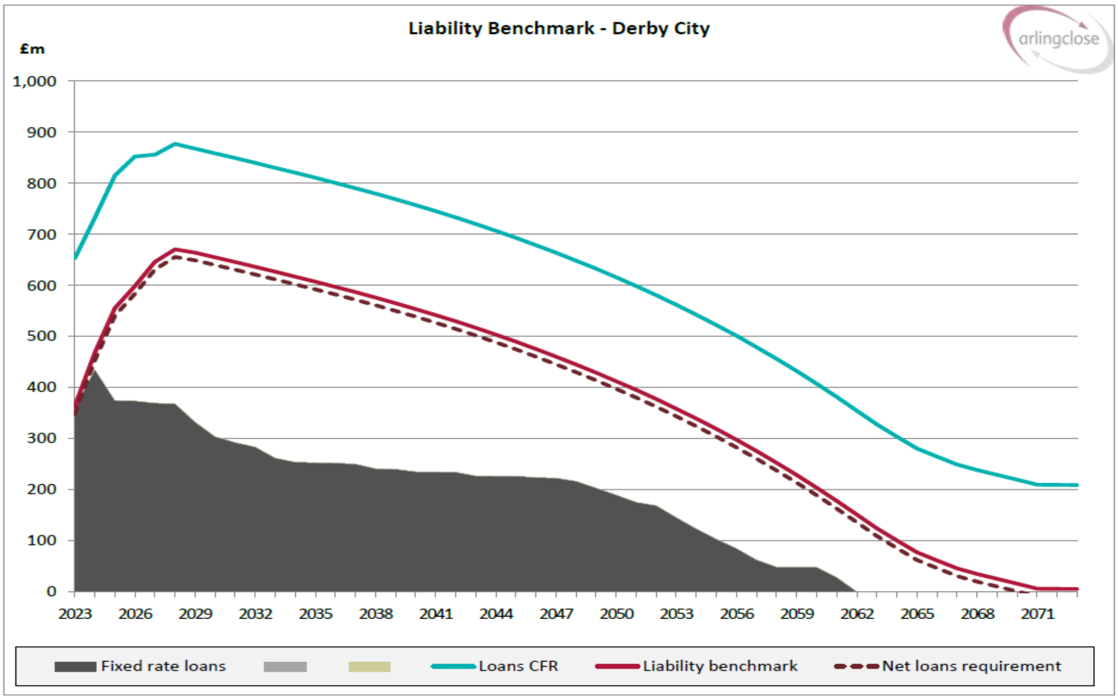
Net loans requirement	348.1	454.7	520.3	559.7	611.4
Plus, Liquidity Allowance	15.0	15.0	15.0	15.0	15.0
Liability Benchmark	**363.1**	**469.7**	**535.3**	**574.7**	**626.4**

4.22 The Table above forecasts that the council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments.

4.23 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes:

- Capital Expenditure funded by borrowing of £130.8m from 2024/25 to 2026/27 as detailed in the Capital section of the Medium-Term Financial Report included on this meeting's agenda
- Minimum Revenue Provision on new capital expenditure based on the Council's MRP policy
- Income, Expenditure and Reserves forecasts.

This is shown in the chart below together with the maturity profile of the council's existing borrowing.



4.24 The Loan CFR (Blue line) represents the need to fund capital expenditure through borrowing. The Liability benchmark (Red Line) represents the level of borrowing requirement once reserves and working capital has been taken into account. Where the liability benchmark exceeds the Council's current borrowing levels (Grey area), this indicates the real need to borrow.

4.25 Treasury Management Strategy - Borrowing Strategy

4.26 The Council currently holds £430.6m of loans as part of its strategy for funding previous years' capital programmes. This is an increase of £71.150m from 31st March 2023, due to:

Long term borrowing increased by a net £24.273m due to additional long term PWLB borrowing of **£10m** and General fund borrowing of **£25m** and a net movement of **(£10.727m)** due to £0.149m principal repayments and (£10.876m) of loans moved to short term due to principal repayments falling due within one year.

Short-term borrowing had a net increase of £46.877m, this is due to new loans arranged of £90m offset by repayment of short-term loans taken out during closedown period 2022/23 **(£33.999m)** and net balance of short-term loans taken out in year of **£70m**, **£10.876m** transfer of balance of repayment of principal falling due within one year. This is in line with our current strategy too short to medium term borrow to manage cash flows to avoid being tied into longer term costly rates in the current economic climate.

4.27 The Council may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of as detailed in the prudential indicators included in Appendix 16 of the Medium-Term Financial report also included on this meeting's agenda) and is in accordance with the prudential code and borrowing guidelines.

4.28 The Council's chief consideration when borrowing money will be to strike an appropriate balance in terms of risk between securing low interest costs and achieving cost certainty over the period which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

4.29 Given the significant cuts to public expenditure and in particular to local government funding and the increasing inflationary pressures, the council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short to medium term interest rates are currently slightly lower than long-term borrowing rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short to medium term loans instead or being tied into long term higher rates in the current economic climate. By doing so, the Council is able to reduce net borrowing costs (despite forgone investment income) and reduce overall treasury risk.

4.30 The Council and our financial advisors will also monitor long-term fixed rates. The cost of long-term borrowing has risen significantly in the last year to try and control the economies increasing interest rates; however, it is predicted that rates will stabilise, and we should see a downward spiral as the economy recovers, resulting in lower rates in the medium term. Decisions on when to undertake borrowing in line with this strategy is delegated to the Section 151 Officer.

4.31 The Council has previously raised the majority of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pensions, and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the council intends to avoid this activity in order to retain its access to PWLB loans.

4.32 The Council will consider the option of forward starting loans, where the interest rate is fixed in advance, but the cash is received later, depending on the economic climate and future forecasts. Forward starting loans enables certainty of cost to be achieved without suffering a cost of carry in the intervening period.

4.33 The Council may borrow short to medium term loans to cover net cash flow needs and will seek to delay significant long-term borrowing as planned in the capital programme until the economy settles and interest rates reduce.

4.34 In addition, the council may borrow short-term loans to cover unplanned cash flow shortages.

4.35 The approved sources of long-term and short to medium term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- Any other UK public sector body
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except our local Derbyshire CC Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
- The UK Infrastructure Bank where borrowing applications if they match their core objectives (i.e., Tackling climate change and supporting regional and local economic development - regeneration).

4.36 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire purchase
- Private Finance Initiative
- Sale and leaseback
- Similar asset-based finance.

4.37 **Short-term and Variable Rate loans**: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

4.38 **Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

4.39 **Municipal Bond Agency**: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Full Council.

4.40 **Capital Market/Bond Funding**: There are different structures that can be obtained through the capital markets such as deferred bonds, CPI-linked bonds, fixed rate bonds. This borrowing option would be evaluated with the support of the Council's Treasury Advisors.

4.41 The following includes issues that will be considered prior to undertaking any external borrowing:

- Affordability
- Maturity profile of existing debt
- Interest rate and refinancing risk
- Borrowing source
- Internal cash balances
- Borrowing need
- Purpose in line with approval process.

4.42 **Treasury Management Strategy - Treasury Investment Strategy**
At 31st December 2023, the Council held £29.579m of invested funds in counterparties and institutions. In the past 9 months, the Council's treasury investment balance has ranged between £15m and £79m.

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

4.44 **Strategy:** As demonstrated by the liability benchmark in section 4.19, the council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different sectors and boost investment income.

4.45 The CIPFA Code does not permit local authorities to both borrow and invest long-term for cash flow management. But the council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation.

4.46 **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

4.47 Currently, the majority of the Council's surplus cash remains invested in short-term money market funds. The average rate of interest received on short-term. investments during the period to 31 December 23 was 4.91% with an average duration. of 1 day. Due to the authorities borrowing requirement, there is unlikely to be scope to improve the short-term investment returns achieved as liquidity of the surplus funds will play a key role.

4.48 **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

4.49 **Recommended Counterparties:** The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Recommended Counterparties and Limits

Sector	Time limit	Counterparty limit:	Sector limit
The UK Government	3 years	Unlimited	n/a
Local authorities & other government entities	3 years	£7m	Unlimited
Secured investments *	3 years	£7m	Unlimited
Banks (unsecured) *	13 months	£4m	Unlimited
Building societies (unsecured) *	13 months	£4m	£7m
Registered providers (unsecured) *	13 months	£4m	£20m
Money market funds *	n/a	£10m	Unlimited
Strategic pooled funds	n/a	£7m	£40m
Real estate investment trusts	n/a	£7m	£20m
Other investments *	3 years	£4m	£7m

*This table must be read in conjunction with the notes below.

4.50 **Operational bank accounts:** The Council's operational bank account is currently provided by Lloyds Bank. The maximum balance held in the operational bank account will be £4m.

4.51 **Credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than [A-]. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered. Types of investments are detailed included as an appendix within the Investment Strategy Appendix 3.

4.52 **Risk assessment and credit ratings**: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document.

Where an entity has its credit, rating downgraded so that it fails to meet the approved investment criteria then:

- No new investments will be made,
- Any existing investments that can be recalled or sold at no cost will be, and
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

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

4.53 **Other Information on the Security of Investments**: The council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

4.54 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the council's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

4.55 **Investment Limits**: The Council focus on security as its primary investment criteria as well as limiting investment in any counterparty or sector. This reduces the potential for investment losses. In order that no more than 10% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £7m. A group of entities under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries, and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country since the risk is diversified over many countries.

4.56 **Table 4: Additional Investment Limits**

Provider	Cash Limit
The Councils Banking Provider - Lloyds	£4m
Any group of organisations under the same ownership	£30m per group
Any group of pooled funds under the same management	£20m per manager
Negotiable instruments held in a broker's nominee account	£20m per Broker
Foreign Countries	£7m per Country
Loans to unrated companies	£7m in total
Bonds	£7m in total

4.57 It should be noted that although the table above shows the maximum amount that can be held in any counterparty or group to be agreed as part of the strategy, reduced limits may be adhered to in-year based on the advice of our Treasury Advisors or as instructed by the Section 151 Officer.

4.58 **Liquidity management**: The Council uses a bespoke spreadsheet for its cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and longer-term cash flow forecast.

4.59 The council will spread its liquid cash over at *least* four providers (e.g., bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties with any one provider.

4.60 **Treasury Management Strategy – Other Items**
The CIPFA Code requires the Council to include the following additional items in its Treasury Management Strategy.

4.61 **Policy relating to Environment, Social and Governance (ESG) investment considerations**

Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

4.62 Although there is a demand for ethical investments there is no legal requirement for treasury managers to give any weight to ethical considerations when making their investment decisions. Although treasury managers do not have to do anything other than comply with law and the Treasury Management Code of Practice, there are external pressures which can seek to influence investment decisions. If ethical investments are contemplated, it is necessary to bear in mind the 'Wednesbury Principles'. These are a development of English law which mean that any ethical investment could be open to challenge if it were regarded as indefensible and a wasteful use of public funds.

4.63 The power to invest must be exercised for investment purposes, and not for any wider purpose. Investment decisions must therefore be directed towards what is best for the Council's financial position of the fund.

4.64 The Council will therefore only use other considerations (including those around ethical considerations and fossil fuels) to choose between investments which were otherwise broadly equivalent in terms of Security, Liquidity and Yield (the SLY principle), and in that order (as per DCLG Investment Guidance, dated 11 March 2010).

4.65 The global framework for assessing ESG is under development and the Council strategy will develop alongside this.

4.66 **Policy on the use of Financial Derivatives**

The council will only use standalone financial derivatives (such as swaps, forwards, futures, and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

4.67 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

4.68 In line with the CIPFA Code, the council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

4.69 **Policy on Apportioning Interest to the HRA**

On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. The HRA currently receives interest on the average value of its reserves; the interest rate this is based on is to be the 1-month UK Government Treasury Bill interest rate to reflect a credit risk-free return. Investments are credit risk-free to the HRA because if any credit losses are made on investments, the credit loss cannot be charged to the HRA, they would be a General Fund charge.

4.70 **Markets in Financial Instruments Directive**

The council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers, and fund managers under the MiFID II regulation. As a result, the Council has access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the council's treasury management activities, the Section 151 officer has assessed this to be the most appropriate status.

4.71 **Financial Implications**

The budget for investment income in 2024/25 is £1.2m based on an average investment portfolio of £30m and at an expected rate of return of 4%. The total budget for debt interest paid in 2024/25 is £23.3m based on a forecast debt portfolio of £520m and residual transferred debt. £9.4m of this debt interest is charged to the HRA based on the average HRA debt of £210.3m. If actual levels of investments, borrowing, and interest rates differ from those forecasts, performance against budget will be different, the budget is monitored throughout the year and variances are reported quarterly to Cabinet within the forecast quarterly outturn report.

4.72 Capital and Treasury management expenditure can be volatile and therefore if budgetary savings or pressures are generated, these will be smoothed through the earmarked Treasury Management Reserve created for this purpose.

4.73 **Treasury Management Indicators**

The Council measures and manages its exposures to treasury management risks using the following indicators.

4.74 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk. Our score is less than the target set. This demonstrates that our weighted average credit score is better than the indicator and we have a low level of credit risk.

Weighted Average Credit Score	Actual as of 31st December 2023	Target
Portfolio average credit score	0.98	<3.00

4.75 **Liquidity:** The council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available in a rolling one-month period to meet unexpected payments each day, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within one month	>£15m

4.76 **Maturity Structure of Borrowing:** This shows the amount of fixed rate borrowing maturing in each period, expressed as a percentage of total fixed rate borrowing. This indicator is designed to be a control over having large amounts of fixed rate debt falling to be replaced at the same time, exposing the Council to refinancing risk.

The upper and lower limits on the maturity structure of fixed rate borrowing will be:

Maturity structure of fixed rate borrowing	Lower Limit %	Upper Limit %
Up to 2 years	0	25
Up to 5 years	0	30
Up to 10 years	0	50
Up to 20 years	0	70
Up to 30 years	0	80
Up to 40 years	0	95
Up to 50 years	0	100

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. To minimise refinancing risk, future borrowing will be undertaken with an end date in a year where little other borrowing matures.

4.77 **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2023/24	2024/54	2025/26
Limit on principal invested for longer than 364 days	£20m	£20m	£20m

4.78 **Capacity, Skills, and Culture**
The training needs of the Council's Capital and Treasury Management team is assessed as part of the staff Great Performance Conversation (appraisal) process. Staff periodically attend training courses, seminars and conferences provided by external advisors and CIPFA.

4.79 The CIPFA Code requires the responsible officer to ensure that councillors with responsibility for treasury management are to receive adequate training. Appropriate training is offered to all members of the Audit and Accounts Committee and is mandatory for the chair of this committee.

Public/stakeholder engagement

5.1 The Council carried out a detailed consultation exercise between 21 December 2023 to 26 January 2024 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 Medium-Term Financial Plan included on this meeting's agenda. The consultation document can be found on the council's website. These spending proposals are reflected in the Treasury Management Strategy.

Other options

6.1 The CIPFA Code does not prescribe any particular treasury management strategy for Local Authorities to adopt. The Council believe the above strategy represents an appropriate balance between risk management and cost effectiveness.

Financial and value for money issues

7.1 The financial and value for money implications are outlined in the main body of the report.

Legal implications

8.1 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**.**

Climate implications

9.1 As outlined in the body of the report.

Other significant implications

10.1 As outlined in the body of the report.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal		
Finance	Toni Nash, Head of Finance	
Service Director(s)		
Report sponsor	Section 151Officer	
Other(s)		

For more information contact:	Toni Nash Head of Finance, Corporate Resources
List of appendices:	Appendix 1 – Current Debt and Investment Portfolio Appendix 2 – Definitions of Types of Permitted Investments Appendix 3 – Investment Strategy

Appendix 1

Current Debt and Investment Portfolio Position 31st December 2023

	£m
External Borrowing:	
- Fixed Rate PWLB	315.064
- Fixed Rate Market	20.000
- Other Local Authorities – Long Term	25.000
- Other Local Authorities – Short Term	70.000
- SALIX Energy Efficiency	0.068
- University of Derby	0.467
Total External Borrowing	**430.599**
Other Long-term Liabilities:	
- PFI Financing	70.228
- Finance Leases	1.021
- Transferred Debt from other Local Authorities	0.193
Total Gross External Debt	**71.442**
Total External Borrowing and Debt	**502.041**
Treasury Investments:	
- Money Market Funds	(11.502)
- Local Authority Fixed Term Deposits	-
- Debt Management Office	(13.000)
- Unsecured Banks	(5.077)
Total Treasury Investments	**(29.579)**
Total Net External Debt	**472.462**

Appendix 2

Definitions of Types of Permitted Investments

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

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Government: Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities, and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Registered Providers (unsecured): Loans and bonds issued by, guaranteed by, or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing, as providers of public services; they retain the likelihood of receiving government support if needed.

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

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

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Operational bank accounts: The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the council maintaining operational continuity.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the council's investment at risk.

Glossary of Treasury Management Terms	
Term	**Description**
Bail-in	Investors take a loss on their investment to rescue a failing bank. It is alternative to a bail- out of a failing bank, where the loss is made good by the governments and taxpayers.
Bank Rate	The official interest rate set by the Bank of England's Monetary Policy Committee and what is generally termed at the "base rate".
Call Accounts	A call account is a bank account for investment funds it has no fixed deposit period, provides instant access to funds, and allows unlimited withdrawals and deposits.
Capital Expenditure	Expenditure on the acquisition, creation, or enhancement of capital assets.
Capital Financing Requirement (CFR)	The Council's underlying need to borrow for capital purposes representing the cumulative capital expenditure of the council that has not yet been financed.
Credit Default Swap	A financial instrument for swapping the risk of debt default; the buyer effectively pays an insurance premium against the risk of default.
Credit Ratings	A formal opinion issued by a registered rating agency of a counterparty's (or a country's) future ability to meet its financial liabilities; these are opinions only and not guarantees.
Financial Derivative	A financial contract whose value is based on, or "derived" from, a traditional security (such as a stock or a bond), an asset (such as a commodity), or a market index.
Gilts	Gilts are a UK government liability in sterling, issued by HM Treasury and listed on the London Stock Exchange. Being issued by the UK government, they are deemed to be very secure as the investor expects to receive the full-face value of the bond to be repaid on maturity.
London Interbank Bid Rate (LIBID)	The London interbank market is a wholesale money market in London were banks exchange monies. The bid rate is the rate London banks are willing to pay for deposits and other banks' unsecured funds from other banks in the London interbank market.
Money Market Fund (MMF)	Pooled funds which invest in a range of short-term assets providing high credit quality and high liquidity.
Monetary Policy Committee (MPC)	The Monetary Policy Committee (MPC) is a committee of the Bank of England who decides what monetary policy action to take. The MPC sets and announces policy eight times a year.
Minimum Revenue Provision (MRP)	An annual provision that the Council is statutorily required to charge to the Revenue Account to finance capital expenditure funded by unsupported borrowing that has not yet been financed. (See appendix 15 of the MTFP report also included on this meeting's agenda)
Public Works Loan Board (PWLB)	The Public Works Loan Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local authorities, and to collect the repayments.

Appendix 3

Investment Strategy 2024/25

1.1 The Council can invest its money for three broad purposes:

- It has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments)
- To support local public services by lending to or buying shares in other organisations (service investments), and
- To earn investment income (known as commercial investments) where this is the main purpose.

1.2 This Investment Strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

1.3 The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Authority interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Authority’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

1.3 **Treasury Management Investments**

1.4 The council typically receives its income in cash (e.g., from taxes and grants) before it pays for its expenditure in cash (e.g., through payroll and invoices). It also holds reserves for future commitments. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA).

1.5 **Contribution**: The contribution that these investments make to the objectives of the council is to support effective treasury management activities and contribute to the Council’s revenue budget.

1.6 Full details of the council’s policies and its plan for 2024/25 for Treasury Management Investments are covered by the main body of this report.

1.7 **Investing for Commercial or Social Return**

1.8 To support frontline services such as central Government funding changes over time, Councils have to consider how best they deploy their resources, knowledge and borrowing capacity to replace lost income. The drivers, characteristics, available credit, and risks associated with such transactions will differ from one scheme to another as well as from general treasury activity. Schemes, for instance, may consider non-financial ‘social’ returns alongside financial gain.

1.9 The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity could include loans supporting service outcomes, investment in subsidiaries, and investment property portfolios.

1.10 The Council will ensure that all its investments are covered in either the financial strategy or a separate commercial investment cabinet report, which sets out, where relevant, the council's risk tolerance, and specific policies and arrangements for non-treasury instruments. The Council recognises that the risk appetite for investment types may differ from traditional treasury management activities. However, irrespective of the purpose, the Council undertakes a vigorous risk assessment and devises a robust risk management framework to safeguard its money against financial risks before committing into and whilst holding any investment opportunity.

1.11 The funding of any such commercial investments would be carefully considered with consideration to the new PWLB borrowing guidance.

1.12 **Service Investments: Loans**

1.13 The Council lends money to local businesses and organisations to support local public services and stimulate local economic growth.

1.14 The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk and ensure that total exposure to service loans remains proportionate to the size of the council, upper limits on the outstanding loans to each category of borrower can be seen in the table below.

1.15 **Table: Loans for service purposes**

Borrower	Balance Owing 31/03/23 £m	Loss Allowance 31/03/23 £m	Net Figure in Accounts 31/03/23 £m	Approved Limit 2024/25 £m
Derby Homes	2.797	-	2.859	**8.363**
Service Loans	1.925	0.567	1.358	
TOTAL	**4.722**	**0.567**	**4.217**	

1.16 Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the council's statement of accounts are shown net of this loss allowance. The loss allowance reflects the expectation that future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses. However, the council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

1.17 The Council assesses the risk of loss before entering into, and whilst holding a service loan. This is done through a robust assessment of and approval process for initial loan applications, due diligence, and continued monitoring. For contracts over £0.100m the Council have procured an independent specialist to provide due diligence on its behalf. An organisations credit rating is highlighted as part of the loan approval process and the companies risk rating is taken into account when the interest rate is set. Risk is monitored using a variety of tools including company accounts, companies house, management information, cashflow forecasts and track record.

1.18 **Financial Guarantees**

1.19 Although not strictly counted as investments, since no money has exchanged hands, yet financial guarantees carry similar risks to the council and are included here for completeness.

1.20 The Council continues to underwrite the pension liability relating to Derby Homes' membership of the Local Government Pension Scheme. In the event of Derby Homes ceasing to trade, this liability would transfer to the Council.

1.21 **Borrowing in advance of need**

1.22 Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

1.23 **Capacity, Skills, and Culture**

1.24 The training needs of the Council's Capital and Treasury Management team is assessed as part of the staff Great Performance Conversation (appraisal) process. These staff periodically attend training courses, seminars and conferences provided by external advisors and CIPFA.

1.25 The CIPFA code requires the responsible Section 151 officer to ensure that councillors with responsibility for treasury management receive adequate training. Appropriate training is offered to all members of the Audit and Accounts Committee and is mandatory for the chair of this committee.

1.26 **Investment Indicators**

1.27 The Council has set the following quantitative indicators to allow elected members and the public to assess the council's total risk exposure as a result of its investment decisions.

1.28 **Total Risk Exposure**: The first indicator shows the council's total exposure to potential investment losses. This includes amounts the council is contractually committed to lend but have yet to be drawn down and guarantees the council has issued over third-party loans.

1.29 **Table: Total Risk Exposure**

Total investment exposure	31.03.2023 Actual £m	31.03.2024 Forecast £m	31.03.2025 Forecast £m
Treasury Management Investments	16.697	15.000	15.000
Service investments: Loans	4.784	7.636	6.853
TOTAL EXPOSURE	**21.481**	**22.636**	**21.853**

1.30 **How investments are funded**: Government guidance is that these indicators should include how investments are funded. Since the council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the council's investments are funded by usable reserves and income received in advance of expenditure. Service loans, for example, are funded through a mix of grant and capital receipts.

1.31 **Table: Investments funded by borrowing**.

Investments funded by borrowing	31.03.2023 Actual £m	31.03.2024 Forecast £m	31.03.20245 Forecast £m
Service investments: Loans	0	0	0

1.32 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

1.33 **Table: Investment Rate of Return**

Investments net rate of return	2022/23 Actual %	2023/24 Forecast %	2024/25 Forecast %
Treasury management investments	3.5	4.6	4
Service investments: Loans	4.9	7.4	6.5

1.34 **Operational Bank Balance Limit Tolerance**

Operational Bank Account Limit Tolerances	Limit £m	Limit Tolerance £m
Minimum closing balance	0	0.5
Maximum closing balance	0	4.0