

Report sponsor: Simon Riley, Strategic Director of Corporate Resources and S151 Officer
Report author: Toni Nash, Head of Corporate Finance

DRAFT - Medium Term Financial Plan 2021/22 – 2023/24

(Revenue Budget, Capital Budget, DSG Grant, Reserves, Capital Strategy)

Purpose

1.1 To outline the Council's budget proposals for the period 2021/22 to 2023/24 to recommend to Council:

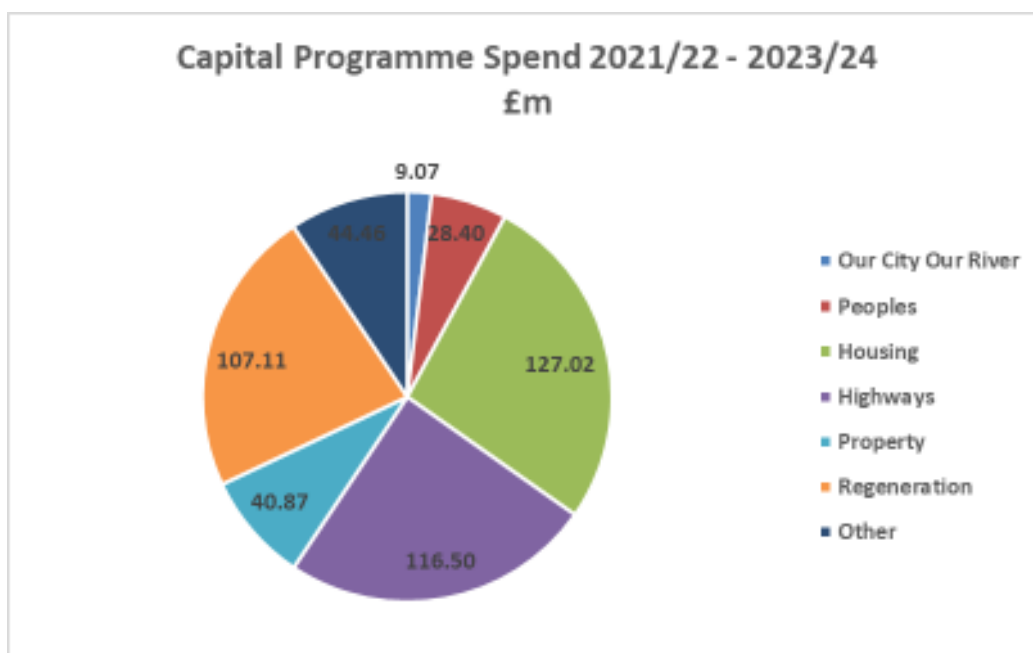
1.2 **Revenue budget:**

This report outlines proposals to recommend to Cabinet a net budget requirement of £256,372,732 for 2021/22 and outlines further budget proposals for 2022/23 and 2023/24.

It also sets out permanent savings requirements of (£11.140m) over the three-year period to address the impact of demand pressures, rising costs, maintaining priority services and investing in the Derby Recovery plan. These savings total (£9.654m) in 2021/22, (£1.516m) in 2022/23 and £0.030m in 2023/24.

1.3 **Capital budget:**

The report sets out the 2021/22 to 2023/24 capital programme to recommend to Council. The main areas of the £473.4m programme over the next three years are:



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

The report also contains a refreshed Capital Strategy that gives a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability as detailed in Appendix 16. During 2021/22 a Capital Ambition Statement for the City will be developed.

1.4 **Reserves:**

The report details a series of strategies and assessments of the adequacy of reserves which are required as part of the budget process. These demonstrate that the Council is able to set a balanced budget for 2021/22 and to plan its finances on a sustainable basis.

Prior to Cabinet recommending to Council the Budget Requirement to set the Council Tax it is required to consider the Section 25 report from the Strategic Director of Corporate Resources (attached at Appendix 6). This details the adequacy of reserves and robustness of the estimates for the period 2021/22 to 2023/24.

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

1.6 **Dedicated Schools Grant:**

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

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 2021/2022 allocation for the DSG is £272.785m and is made up of four blocks of funding:

- Schools Block £204.737m (includes £8.496m mainstreamed pay and pension grants)
- Central School Services Block £3.130m
- High Needs Block £45.138m
- Early Years Block £19.780m.

The announced national increase in the Schools Block is around 4.3% although allocations to individual Local Authorities will be different as the levelling up to the National Funding Formula is different for each Council. Derby's increase is 3.6% excluding the teachers' pay and pension allocations (mainstreamed for the first time).

The High Needs Block has been increased by 11.8% circa £4.7m (this includes £1.018m for the mainstreamed pay and pension grants). There continues to be significant challenges for the High Needs Block in Derby, this is a national position.

Recommendations

2.1 To consider and note:

- (a) The outcomes of the Budget Consultation detailed in Appendix 8 and 9 and 10 and Scrutiny detailed in Appendix 11
- (b) The outcomes of the Executive Scrutiny Board of the 19th January detailed in Appendix 11 and associated recommendations
- (c) The Section 25 Report of the Section 151 officer on the robustness of estimates and on the adequacy of the reserves 2021/22 to 2023/24 detailed in Appendix 6
- (d) The use of the S106 contributions detailed in section 5.3.7

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

2.3 Revenue Budget

- a) Derby City Council's net budget requirement for 2021/22 of £256,372,732 subject to the finalisation of the Council's Council Tax for 2021/22
- b) To increase the City Council element of Council Tax by 4.99% as set out in in section 4.9
- c) The directorates revenue budget plans for 2021/22 to 2023/24 as set out in section 4.7 of this report and the revenue budget estimates as detailed in Appendix 3
- d) The implementation of savings proposals included in Appendix 4a
- e) Subject to the completion and consideration, where relevant, of any further consultation exercises, equality impact assessments and assessments under Section 17 of the Crime and Disorder Act 1998
- f) The commencement of appropriate procurement procedures to support the specific budget proposals listed in Appendix 4a.

2.4 Reserves

- a) The use of reserves of £1.967m on a non-recurrent basis to smooth the timing differences on the collection fund for 2021/22
- b) The reserves adequacy report as detailed in Appendix 6 of this report.

2.5 **Capital**

- a) The capital programme for 2021/22 and note the indicative capital programme for 2022/23 and 2023/24 as set out in section 5. A summary and detail is detailed in Appendix 12
- b) To recommend that Council approve the additional borrowing outlined in section 5.1, 5.1.9 and 5.3.4.
- c) The MRP policy detailed in Appendix 14
- d) The prudential indicators detailed in Appendix 15
- e) The Capital Strategy attached at Appendix 16
- f) Application of the Flexible Use of Capital Receipts Policy as outlined in section 5.3.6 and Appendix 19

2.6 **Dedicated Schools Grant**

- a) The allocations of the Dedicated Schools Grant as detailed in section 6
- b) The increase of Minimum Funding Level per pupil to £4,180 per primary school pupil and £5,415 per secondary aged pupil
- c) The base rate element of the Early Years Funding for 2 year olds of £5.36 and 3/4 year olds £4.43 per hour
- d) The application of the following formula criteria for 2021/22:
 - i. To implement a cap on growth above 2.91% per pupil and a scaling factor of 100%
 - ii. To set a Minimum Funding Guarantee of 0.5%.
- e) The transfer of £0.500m from the Schools Block to the High Needs Block
- f) The use of the Dedicated Schools Grant Reserve to the value of £0.600m to support the 2021/22 Dedicated Schools Grant Budget
- g) To approve the value of Growth Fund of £0.160m to be retained centrally and to continue with the infant class size funding of £0.3m.

2.7 To delegate:

- Approval to the Strategic Director of Corporate Resources to make necessary adjustments in order to retain a balanced budget for 2021/22
- Approval to the Strategic Director of Corporate Resources in consultation with the Cabinet Member for Finance to permit movement of schemes (detailed within the 3-year capital approved programme) within and between financial years to facilitate delivery and agility in Capital Programme delivery. These will be subsequently reported in the quarterly financial monitoring reports.

Reasons

- 3.1 The Council is required to set a balanced budget for 2021/22 by 11th March. This report proposes a balanced budget for the financial year 2021/22.
- 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.
- 3.3 The 2021/22 to 2023/24 MTFP budget proposals included within this report provides the resources framework for the delivery of Council priorities including the Derby Recovery Plan in relation to the Covid pandemic and building back stronger over the next three years.
- 3.4 The Capital programme for 2021/22 and the indicative capital programme for 2022/23 and 2023/24 require Council approval under Contract and Financial Procedure Rules to ensure that the programme meets the corporate outcomes.
- 3.5 In order to support the decision-making process a review of the existing capital programme has been carried out to ensure that the funds available can be targeted appropriately to meet the Council's overall aims.
- 3.6 Under the Prudential Code 2017, the Council is required to produce a capital strategy, to be approved by Full Council before the start of the new financial year.

Supporting Information

4. Revenue Budget

4.1 Key areas of the section are as follows:

- I. The budget process leading up to these proposals
- II. The Financial Context
- III. The current local government financial picture nationally and locally
- IV. The MTFP financial position and main risks
- V. Directorate savings and pressures
- VI. Impact on FTE
- VII. Proposed Council Tax levels.

4.2 The Budget Process

4.2.1 The budget process is an ongoing process which engages officers, members and the public on a cyclical basis to continuously update the medium-term position of the Council once new information becomes available. This includes funding projections and any emerging pressures and savings. This year's process has of course been challenging because of the global Covid pandemic.

4.2.2 The Medium Term Financial Strategy update was approved by Cabinet on 9th September 2020. On 16th December 2020, Cabinet approved proposals that required consultation to balance the budget for 2021/22. A detailed consultation exercise on the budget proposals has been carried out between 17th November 2020 and 17th January 2021 with Councillors, key stakeholder groups, members of the public, Trade Unions and the business community. The consultation document is attached at Appendix 8 and can be found on the council's website. There are no recommended changes to the budget proposals in response to consultation (though Members are required to consider the outcomes of the consultation before recommending a budget to Council). However there are changes to the proposals as a result of updated information outlined in section 4.5.

4.2.3 The late announcement of the Local Government Finance Settlement just before Christmas means that the funding assumptions in this report are still the provisional funding settlement figures. It is not expected that the final funding settlement will differ.

- 4.2.4 Included in the budget proposals are savings based on a thematic approach that deliver the priorities detailed within the Council Plan and Recovery Plan and ensure that the resources of the Council are deployed to have the maximum effectiveness. The main themes are summarised pictorially below:



The key MTFP themes are:

- Digital Council – Digital Customer and Intelligent Council
- Property Rationalisation
- Transforming Cities and Transport
- Demand Management/Commercialisation
- Community Working Model – Better Together
- Service Optimisation – Effective, Efficient and Economic Services.

The strategic and thematic approach to the MTFP complement the Council Plan and Recovery Plan Ambition of:

“Working WITH the city to recover from Covid-19; re-building and re-shaping services that are based on local needs and that are sustainable for the future, in line with the resources that we have available to us”

- + Ensuring vulnerable people get the health and care that they need
- = Supporting our communities
- = Helping business and workforces to stay resilient
- = Maintaining essential services
- = Keeping people informed

- 4.2.5 A series of budget meetings were held between Cabinet and Chief Officers during 2020 to review base budgets, scrutinise budget savings and pressures and examine funding forecasts and also consider these proposals in line with the development of the Derby Recovery plan. On the 16th December Cabinet approved an indicative budget for consultation.

4.3 Financial Context

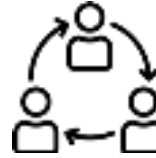
- 4.3.1 Included within the MTFP are provisional figures from the recent Government provisional funding announcements, which are due to be confirmed in the final Local Government Finance Settlement.
- 4.3.2 The proposed budget incorporates the budget pressures experienced by the Council in 2020/21 for the cost of Children's Social Care. The Council have in place a number of interventions to manage the demand pressures. However, this pressure continues to be experienced nationally.
- 4.3.3 The MTFP includes savings which include service optimisation proposals to balance the budget. These combined with the previously approved savings for 2021/22 to 2022/23, total £11.140m over the MTFP period. Further efficiencies and income generation opportunities will be examined over the medium term, and these future savings will contribute to bridging the remaining forecast gaps in 2022/23 and 2023/24.
- 4.3.4 The MTFP includes a 4.99% increase in the City's share of the Council Tax for 2021/22. This incorporates a core increase of 1.99% and a further 3% for the social care levy.
- 4.3.5 The cumulative MTFP proposals (including those agreed by Council in the February 2020 Budget Report), if implemented following consultations with colleagues could result in an estimated headcount reduction of 37.72 FTE over the three-year period. The proposed reduction in FTE includes deletion of vacant posts where possible.

4.4 Local and National Context

- 4.4.1 The essential role of Local Government has been reinforced in our response to the Covid 19 pandemic. This has involved reprioritising services and budgets; initiating whole new support frameworks for the City (infection control, business grants etc). The Council, its' partners, residents and businesses have collaborated to respond in a way that the City can be proud of, met new areas of need and reinforced the power of Communities to create local solutions and responses. This budget therefore continues to reshape the role of the Council as an enabler and facilitator building on our response to the pandemic.
- 4.4.2 The City landscape has fundamentally changed in the past year. Whilst some of these will revert-back post the pandemic there is the need to respond to new needs and opportunities on an ongoing basis. Some of these are detailed below:



There have been over **8,000 confirmed COVID 19 cases** in the city, with more than **300 lives lost**, to date.



There has been increased isolation, loneliness and mental health issues for some of our residents and communities.



There have been big impacts on the aerospace, hospitality and manufacturing sectors, which are some of the city's biggest employers. Over 6,000 redundancies have been announced in the city so far.



We have recorded over 1,000 homelessness approaches (including those at risk of losing their home) in the first 6 months of 2020/21, despite national policy to limit evictions during Covid 19.



35% of the city's workforce were furloughed, at the height of the virus. The Council has paid grants to support businesses worth over £45 million, with payments continuing.



1,867 people have volunteered through our Community Hub and given over 75,000 hours to provide support to local people who need food, medication or help.



More people across the city are at risk of poverty. Around 12,000 children in Derby (22%) live in low-income households and this is expected to rise.



Between April 2020 and the end of September 2020 there was a 13% increase in referrals, compared to 2019, to our Adult Multi-Agency Safeguarding Hub, with increased complexity of need in the cases we are supporting.



There has been a decline in footfall in our city, significantly impacting an already fragile city centre. 32% of commercial units in the city centre are currently empty.



We recorded a 16% rise in referrals to Children's Social Care during the first 6 months of 2020/21 compared to 2019/20, Including a 27% rise in domestic abuse referrals.



Youth unemployment (18 to 24-year olds) has increased from 4% to 10%. At September 2020, 18.2% of young people in Years 12 and 13 were not in education, training or employment (NEET) or their activity was 'Not Known'.



We have seen an increase in our budget pressures/overspend of £7.093million (September 2020) impacted by an increased demand and loss of income during the pandemic.



There are increasing risks of debt and financial exclusion for our residents, with **Universal Credit claims increasing by 15,353 in 12 months** (September 2019 to 2020).

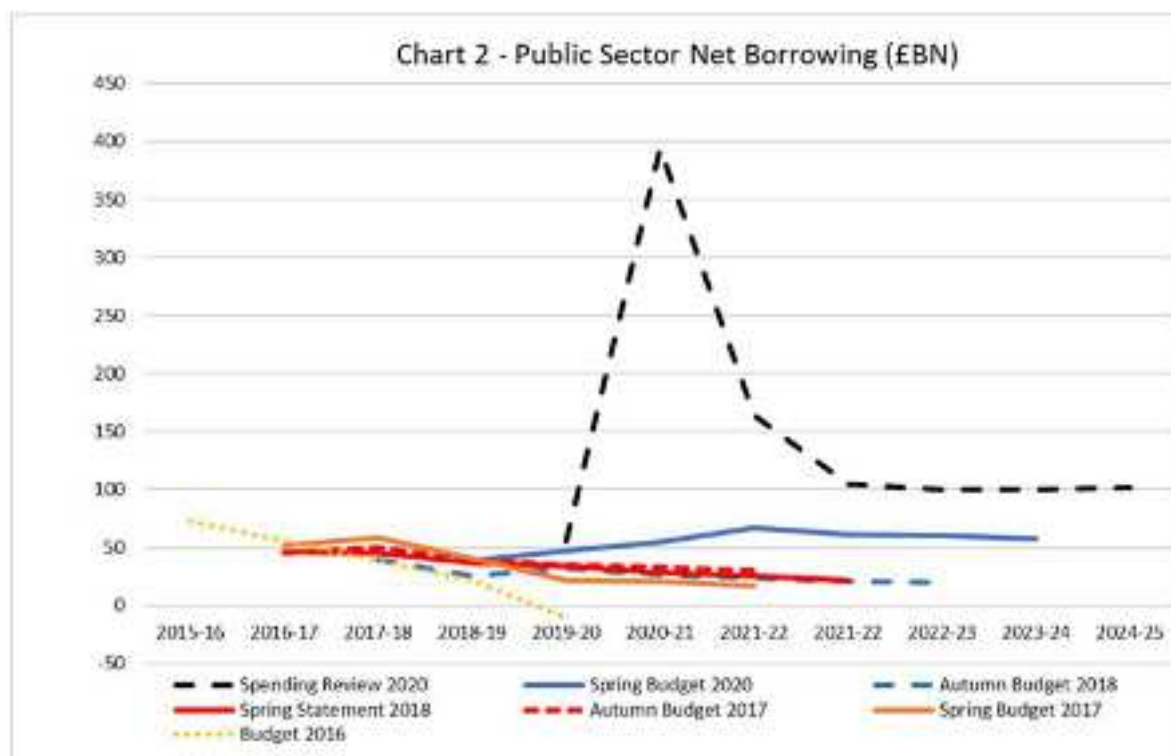


We have experienced some backlogs in services, due to the impacts of lockdowns, but we have responded flexibly by reallocating over 200 colleagues toward Covid services at various points since March 2020.

- 4.4.3 The proposed budget for 2021/22 has incorporated over £27m of additional needs, pressures and impact of Covid 19 on an ongoing basis. In response, the Council's budget process has been shaped by a thematic and partnership approach to reshape services against a commitment to deliver financial sustainability in the medium term and to continue to invest in priority areas in line with the Council Plan and the emerging Recovery Plan.
- 4.4.4 In recent years the Council has (in line with the national picture) seen significant increases in the number of looked after children which increased from 480 in 2018 to 645 in December 2020. This statutory responsibility has resulted in in-year overspends for the past three years due to the increased demand and also lack of residential provision or foster care within the City. The 2021/22 Budget incorporates growth of £8m for children's social care alongside investment in demand management initiatives to respond to children entering care and the cost of placements. Early indications are that the increase in demand is plateauing as a result.
- 4.4.5 Derby, like many regional cities, has a relatively limited ability to raise resources through local taxation when compared to other councils. This is because Council Tax income is limited by the high proportion of low value dwellings, over 51 per cent of which fall into band A, which is the lowest band. This has impacted in previous years when permitted increases in Council Tax have not been enough to mitigate decreases in core Government funding. The other impact of having a low tax base is that it is vital for the Council to consider increasing Council Tax (over the next two years) by the maximum allowed to secure the funding into the Council Tax base for future years. including an option to levy an additional Social Care precept of 3% in 2021/22 which will be then incorporated in the baseline funding levels for future years.

4.4.6 National Context

The Covid 19 pandemic has had a very significant impact on the National public finances. This is illustrated in the below chart:



The chart illustrates that national borrowing is expected to peak at £394bn in 2021/22 compared to just £55bn in March and will still be double that forecast in March 2020 from 2024/25 onwards.

- 4.4.7 This creates a very challenging financial scenerio for H.M Treasury. Against this background the Comprehensive Spending Review (announced on the 25th November) provided an increase of 4.5% in Core Spending Power (which included an assumption that Councils will increase Council Tax by 4.99%). This was in line with the Council's expecatations in its budget planning and alongside the savings proposals detailed within the report allows the Council to propose a balanced budget (with no recurrent use of reserves) for 2021/22.
- 4.4.8 Nationally, the Government has postponed a number of planned changes to the funding framework that were due to be implemented in 2021/22 (Fair funding, Business Rate Retention to 75% and a business rate reset). These alongside the fact that a number of grants are/or could be one-off leads to uncertainty in future Central Government funding allocations. For this reason, the MTFP does not incorporate estimates of these changes but has factored in the reversing out of one-off funding streams provided from Government in 2021/22 that result in the indicative budget gap for 2022/23 and 2023/24.

- 4.4.9 The Government have provided a support package for 2021/22 comprising of un-ringfenced grants to manage the immediate and potential long term impacts of the pandemic. This includes funding to enable councils to support more households in meeting council tax bills through the Council Tax Support Scheme Government has also announced an extension of the sales fees and charges income support scheme to June 2021. Government are also launching a new Guarantee Scheme for 75% of 2020/21 irrecoverable local tax losses funding assumptions are incorporated into this MTFP and will be monitored.

4.5 MTFP Update

- 4.5.1 The table below shows our forecasted MTFP position for 2021/22 to 2023/24 included within this report compared to that presented to Cabinet on 16th December 2020:

Proposed MTFP	2021/22 £m	2022/23 £m	2023/24 £m
Net Budget Requirement	256.373	259.952	267.158
Total Resources Available (funding)	256.373	248.788	253.491
Budget Gap	-	11.164	13.667

Compared to the position presented to Cabinet on 16th December 2020:

16th December Cabinet Report	2021/22 £m	2022/23 £m	2023/24 £m
Net Budget Requirement	255.095	259.134	266.428
Total Resources Available (funding)	255.095	248.627	253.331
Budget Gap	-	10.507	13.097

Over the MTFP period, there is currently an additional £26m being invested into services from Government funding and maximising the flexibility to levy Council Tax at the maximum permitted level. The net budget requirement is forecast to be £267.158m by the end of the three-year MTFP forecast.

- 4.5.2 The MTFP has been refreshed and updated for a limited number of additional budget proposals since December

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

4.5.3 Table: Changes to Budget Requirement

Changes to budget requirement post 16th December Cabinet Report	2021/22 £m	2022/23 £m	2023/24 £m
Pressures:			
Updated inflation to match Period 8 budgets	0.096	0.239	0.452
DSG Pressure updated Central schools block pressure updated to match funding announcement	(0.226)	(0.076)	(0.076)
New one off Pressure - Free School Meals - financial support to families during the school holidays (January 21Cabinet)	0.573	-	-
New Pressure – Unachievable Economic Growth Income Target	0.160	0.160	0.160
Unachievable 2020/21 Saving - <i>Bringing trade union facility time into line with our comparator councils</i>	0.040	0.040	0.040
Net Reduction to Emerging Covid pressures to contribute to free school meals pressure and Trade Union unachievable saving	(0.080)	-	-
Savings:			
Highways Maintenance and Parks - Service Optimisation - Capitalisation - updated to partial one off saving	-	0.200	0.200
Increase in saving: HWRC - Maintain current service offer using MiPermit, restricting access to Derby and Derbyshire residents	(0.075)	(0.075)	(0.075)
Reduction to Saving: Derby Live, To account for reduced demand within the service	0.030	0.030	0.030
Reserves:			
*Update use of collection fund smoothing reserve to align with quarter 3 updated collection fund forecast	0.760	0.300	-
Net Change:	1.278	0.818	0.731

*The forecast anticipated transfer to the collection fund smoothing reserve has been requested in the Quarter 3 Financial Monitoring report for 2020/21. There is uncertainty over allocation and collection over the next three years and this will be monitored closely and reported as appropriate.

4.5.4 Table: Changes to Funding

Changes to funding post 16th December Cabinet Report	2021/22 £m	2022/23 £m	2023/24 £m
Changes to forecast government funding figures due to provisional local government funding allocations announced 17th December 2020	(0.006)	0.015	0.015
Additional 0.5% Council Tax Precept	(0.512)	0.012	0.012
Updated Collection Fund forecast as per Quarter 3 forecasts	(0.760)	(0.188)	(0.188)
Net Change:	(1.278)	(0.161)	(0.161)

- 4.5.5 Cabinet is proposing £7.106m of savings in addition to £4.034m and £18.604m of pressures in addition to £7.392m previously approved by Council in February 2020. This summarised in the table below:

Savings and Pressures	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Savings/Income Generation				
MTFP Feb 2020 Council	(2.275)	(1.759)	-	(4.034)
Current MTFP	(9.654)	(1.516)	0.030	(11.140)
Difference	(7.379)	0.243	0.030	(7.106)
Pressures				
MTFP Feb 2020 Council	5.258	2.134	-	7.392
Current MTFP	22.754	(0.368)	3.610	25.996
Difference	17.496	(2.502)	3.610	18.604

- 4.5.6 The MTFP incorporates the additional Government funding of an additional £14m announced in the recent spending announcement and the option to increase Council Tax by a further 3% social care levy for 2021/22, which is targeted to generate an additional £3m plus.
- 4.5.7 The recommended budget includes use of reserves of £1.967m in 2021/22 this is to smooth the Collection Fund requirement in 2021/22. There is no recurrent use of reserves required to balance the 2021/22 Budget.

There are residual budget gaps in Year 2 and 3 of the MTFP of approximately £13.7m that the Council will seek to bridge through the budget themes detailed in section 4.2.4. If these were not to be deliverable in the short term there may be the need for short term use of reserves in the future.

4.6 MTFP Forecast 2022/23 to 2023/24

- 4.6.1 The MTFP incorporates all the proposals detailed within this report and has been refreshed for the forecast revenue costs for the capital investment programme.

The MTFP is summarised in the table below with a detailed breakdown at Appendix 1. The cumulative MTFP position shows a budget gap of £11.164m in 2022/23 which increases to £13.667m in 2023/24 if the gap is not permanently funded in 2022/23.

4.6.2 Medium Term Financial Plan 2021/22 - 2023/24 Position

MTFP	2021/22 £m	2022/23 £m	2023/24 £m
Resources Available (Funding)			
Core Government Funding	13.868	14.063	13.791
Business Rates Tax Base Reduction/Growth	62.709	65.141	66.443
Council Tax Base/Uplift Increases	107.597	110.888	114.451
Better Care Fund	24.583	24.583	24.583
Other Grants	29.827	15.710	15.820
Public Health	19.756	19.756	19.756
Collection Fund Deficit/(Surplus)	(1.967)	(1.353)	(1.353)
Total Resources Available (Funding)	256.373	248.788	253.491
Net Opening Budget:	240.972	258.340	259.952
Pressures:			
Inflationary Pressures	4.268	3.496	3.566
Existing Pressures as part of 2020/21 to 2022/23 MTFP	5.258	2.134	-
Proposed New Pressures	17.496	(2.502)	3.610
Total Pressures	27.022	3.128	7.176
Existing Savings as part of 2020/21 to 2022/23 MTFP	(2.275)	(1.759)	-
Proposed New Savings	(7.379)	0.243	0.030
Total Savings	(9.654)	(1.516)	0.030
Net Budget Requirement before reserves movement	258.340	259.952	267.158
One -off Use of Reserves (Collection Fund)	(1.967)	-	-
Net Budget Requirement	256.373	259.952	267.158
Current Budget Gap/(Surplus)	-	11.164	13.667

4.6.3 MTFP – Main Risks

The MTFP is prepared against a background of uncertainty in respect of national public finances, final allocations in the Local Government Finance Settlement and the impact of the pandemic. The following general risks are brought to Cabinet's attention:

Collection fund (Council Tax and Business Rates) – Forecasts are based on the current position; however, this is subject to change. There may be reductions in ratings income, changes in collection rates and increases in Local Council Tax Support Scheme (LCTSS) due to the impact of Covid, which could significantly reduce the forecast income. This will be reviewed on an ongoing basis.

New Homes Bonus – Forecast income is currently included to continue over the medium term, however it was originally planned (pre-Covid) that government would review/reallocate this funding, this is now postponed and a review will take place in 2021.

Government Funding - The Government's 2021/22 spending review is a one-year spending round; further clarification is still required for 2022/23 and 2023/24.

Pay Award – A 1% pay increase is included for each year in the MTFP, this is subject to review of details of awards for local government colleagues.

Savings Plans – With a significant volume of savings required in 2021/22 there is a risk of slippage through unforeseen delays and the timing of savings delivery. Plans within directorates need to be managed robustly and services potentially reduced in order to identify alternative savings within each directorate to ensure a balanced position and therefore limit any use of reserves.

Covid 19 – The continuation of the pandemic will further impact the economy and therefore budget allocations; and may require a reallocation of earmarked reserves and cessation or reduction in services to fund any shortfall. The Council has assumed Covid scarring over the medium term but there is a risk that this will continue, and the economy will not recover in certain sectors and tax income will have a longer-term impact than anticipated.

Brexit – Brexit brings uncertainty to the national financial outlook, which could have significant impact on both the Councils funding, but also spending. The medium- term impacts of Brexit are still unclear. The MTFP will be updated as certainty becomes clearer.

Workforce profile – Reduction in the workforce could have an impact on delivery of savings and associated delivery of efficiencies in the short term.

4.7 Directorate Savings and Pressures

- 4.7.1 The MTFP for 2021/22 to 2023/24 needs to address some significant additional pressures and build on the savings proposals agreed in the MTFP approved by Council in February 2020. The table below outlines the total savings and pressures in the current MTFP by Directorate:

Savings	2021/22 £m	2022/23 £m	2022/23 £m	Total £m
Peoples	(5.352)	(0.764)	-	(6.116)
Communities and Place	(2.589)	-	-	(2.589)
Corporate Resources	(1.713)	(0.752)	0.030	(2.435)
Total	(9.654)	(1.516)	0.030	(11.140)

Pressures	2021/22 £m	2022/23 £m	2022/23 £m	Total £m
Peoples	11.842	1.417	1.900	15.159
Communities and Place	3.488	(1.160)	(0.210)	2.118
Corporate Resources	7.424	(0.625)	1.920	8.719
TOTAL	22.754	(0.368)	3.610	25.996

4.7.2 The Peoples Directorate - Revenue Savings Proposals and Pressures

- 4.7.3 The Medium-Term Financial Strategy (MTFS) is shaped by the national context and the need to respond to increasing service demands and pressures from our local communities.
- 4.7.4 The Peoples Directorate is a significant and complex service area for the Council, providing mainly statutory services to the people of Derby.
- 4.7.5 The services include covering the provision of education and learning in Derby schools, specialist support including services to children in care and care leavers, special educational needs and disabled children services, safeguarding of the most vulnerable children and adults and the associated regulatory duties.
- 4.7.6 Adult social care offers support services to vulnerable adults, as well as providing information and advice about social care to carers and the general public more broadly and to people who fund their own support. Specifically, adult social care supports older people as the single largest group of individuals in the city, plus an increasing number of adults of working age with physical, mental health and learning disability support needs. The Council also has a duty to ensure sufficiency and quality of adult care services in the local area for all residents.
- 4.7.7 The Directorate also discharges the full suite of statutory requirements relating to public health, with responsibility for improving the health of the local population and for public health services including most sexual health services, public health in children's nursing, statutory advice to NHS commissioners and services aimed at reducing drug and alcohol misuse. During this year the public health team has played a key role in leading the Council and city through the Covid 19 pandemic.

- 4.7.8 Indeed, Covid 19 has triggered an important public debate about health inequalities, deprivation and the disproportionate impact on our Black and Minority Ethnic communities and represents a time of severe pressure across society particularly across health and social care services with a raft of new requirements. There is a high risk that the consequences of Covid 19 will be significant and long lasting and could lead to increases in costs and demand across adult and children's services.
- 4.7.9 There remain pressures across adult services. Nationally evidence indicates that tens of thousands of people are turning to social services for urgent help because of the impact of the Covid 19 crisis on families and individuals with support needs, who are unable to cope any further on their own or whose usual arrangements have broken down. A survey of all Directors of Adult Social Services by the Association of Directors of Adults Social Services (ADASS) carried out in autumn 2020 found that Covid 19 had led to a huge surge in demand for most forms of care, and ADASS continues to press government for greater financial certainty and equality of treatment with NHS colleagues.
- 4.7.10 For children's services the pressures continue; in 2019, the LGA estimated that children's social care was facing a funding gap of £3.1bn by March 2025. However, since then, the landscape in which children's services operates has changed beyond what anyone could envisage. The Association of Directors of Children Services (ADCS) has highlighted that the looked after children population continues to increase as do the levels of poverty children and families are experiencing. Layered on top of this is the immediate impact of Covid 19, national lockdowns and the lasting legacy this has on access to and the delivery of services. This is compounded by latent demand leading to increases in vulnerable children and increasing levels of complexity and throughput. It's because of this that the ADCS estimates that children's services need a significant investment of between £4.1bn to £4.5bn over the next three years.
- 4.7.11 Our budget strategy reflects these pressures, providing growth for the expected areas of demand whilst our saving proposals focus on improvements and efficiencies released by transformational reform whilst protecting front line services.
- 4.7.12 The MTFP includes the following proposed savings and pressures for the Peoples Directorate.

Peoples	2021/22 £m	2022/23 £m	2022/23 £m	Total £m
Savings:				
Adults & Public Health	(1.609)	-	-	(1.609)
Children's	(3.743)	(0.764)	-	(4.507)
Total Savings	(5.352)	(0.764)	-	(6.116)
Pressures:				
Adults & Public Health	2.527	1.400	1.400	5.327
Children's	9.315	0.017	0.500	9.832
Total Pressures	11.842	1.417	1.900	15.159

- 4.7.13 This clearly demonstrates the impact of demand and other pressures within the Peoples directorate. The MTFP builds in growth for demographic and demand pressures. Details of savings and pressures are included in Appendices 4a and 4b. Headlines include:

4.7.14 **Adults & Public Health**

- Provision for increased demand for Adult Services, £0.9m in 2021/22. With further increases planned in 2022/23 and 2023/24. This reflects increases in the adult population aged over 85 and the number of adults with severe or chronic learning and/or physical disabilities supported by social care. It is expected that the success of Adult Social Care in managing demand in recent years will mean that these relatively small increases in the commissioning budget will be enough to meet new demand and dependency pressures in this area
- Roll out of the local area co-ordination model to all wards of the city to support early intervention and prevention for children and adult social care services, through asset-based approaches £0.170m
- Derby City contribution to DRIVE £0.045m - a Countywide multiagency high-risk domestic abuse perpetrator rehabilitation programme
- Care-link has a structural unachievable income target, the proposal is to rebalance the income target to reflect actual activity resulting in a pressure of £0.250m
- Mental Health Packages £0.600m – there is growing pressure on mental health services as the volume of Mental Health Act assessments have increased significantly, resulting in more community treatment orders and after care support requirements. The volume of older people with complex mental health issues such as Dementia with challenging behaviour is also on the rise
- A permanent adjustment to the Public Health budget to reflect the agenda for change uplift for pay costs which is funded through the public health grant allocation £0.482m.

4.7.15 **Children's Services**

- Provision for an increase in demand across children's social care including the costs of placements for looked after children £8m
- Looked after children demographic pressure £0.125m reflecting the increase in the numbers of children forecast to enter care in 2020/21 and beyond
- Temporary Project Management arrangements in the SEND Service to be made permanent (£0.100m)
- Education Health and Care Plan (EHCP) Service - additional 5 SEND officers to increase the capacity within the team to 12 (11.8 FTE) £0.150m in order to effectively respond and manage the significant increase in demand for statutory assessments and EHCPs and improve the quality of plans
- Exit from care – Additional social work capacity £0.145m for the service to increase the numbers of children in care who can safely and appropriately exit the system
- Financial Support to Families during School Holidays - To implement a support package to the 31st December 2021 to ensure access to food support for children at risk of food poverty (one off) £0.573m.

Transformational activity continues to help manage or stabilise demand and improve outcomes for vulnerable adults and children within the City that require support.

Adults & Public Health

- A review of adult care packages (£0.4m) - These builds on the Council's "community led support" ethos whereby we want to ensure individuals make the best use of social capital and universal services rather than traditional commissioned care arrangements
- A review of the commissioned model for Extra care (£0.2m) Review of onsite support dealing with unplanned care and emergencies in the Extra Care schemes in Derby
- Day Centre additional savings from the transformation of day service provision (£0.3m), which has already been delivered
- A reflection of current income contributions which allows us to increase our income budgets by (£0.5m)
- Realise savings from a review of our adults commissioning service (£0.025m)
- Removal of vacant posts across the service which will not impact on service delivery (£0.104m).

Children's Services

- Social impact bonds – this is a different way of providing services since payments are made on the basis of clear outcomes being achieved rather than traditional methods of funding or commissioning services. Derby City, Nottingham City and Nottinghamshire County Councils have developed a joint approach, with a focus on children in care and on the edge of coming into care. These efficiencies will be delivered by reducing the cost of care (£0.364m)
- Foster Care - recruitment of foster carers. Further savings from an increased rate of recruitment and a reduction in the use of more expensive agency fostering placements (£0.400m)
- A reconfiguration of the way in which contacts and referrals into children's social care about children who are at risk of coming into care are dealt with leading to less children entering care (£0.200m)
- Demand Management (£1.9m) a reduction in the cost of care placements by increasing our internal residential children's home capacity and reviewing placement contracts
- A reduction of uncommitted service contingencies (£0.027)
- Confirmation that the national Troubled Families Programme will continue for another year (£0.852).

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

4.7.17 The proposed MTFP includes the following proposed savings and pressures for the Communities and Place Directorate.

Communities and Place	2021/22 £m	2022/23 £m	2022/23 £m	Total £m
Savings	(2.589)	-	-	(2.589)
Pressures	3.488	(1.160)	(0.210)	2.118

- 4.7.18 2020/21 did not turn out the way it was envisaged when the Council was able to set a stable and balanced budget for the financial year in February 2020 and this is played out within the services which make up the Communities and Place Directorate.
- 4.7.19 Over the last financial year whole teams have been reallocated at pace to fulfil critical new tasks to support our city through the Pandemic and while these are too many to mention here chief among them has been creating the Community Hub to provide support to our communities, working with our partners to reopen and create a positive city centre environment for local businesses and enforcing business adherence to Covid restrictions. At the same time services have been forced to close under the Lockdown restrictions and have created new ways to continue to offer support to residents, direct assistance has been provided to our NHS and other partners around logistical support for Health Hubs and testing, and our front line and essential services have continued to deliver in extraordinary circumstances. Aligned to this 'highly unpredictable' period in which to deliver services the level of income relied upon within budgets of the Directorate has been dramatically affected making effective budgetary predictions for 2021/22 uncertain.
- 4.7.20 Income pressures have increased following the Covid pandemic especially in the areas of Parking and Leisure Services. Headlines also include:
- Loss of Leisure and Cultural Income £0.460m
 - Loss of Parking income £1.046m.

In light of the above context and a clear need to prioritise important service delivery to the city both now and to support the effective recovery from the emergency into 2021 and beyond, savings have been identified through the maximisation of our operational efficiency, accelerating collaboration with key partners, the removal of vacant posts across services and a general reforecasting of demand levels. Headlines include;

- Maintain operational approach at Household Waste Recycling Centre (HWRC) and restrict use to Derby / Derbyshire residents (£0.400m)
- Continue to promote recycling to reduce the cost of waste disposal (£0.250m)
- Work with partners to remodel the Cultural Events Programme (£0.080m)
- Reduction in direct grant to Derby Museums Trust of (£0.070m)
- Removal of vacant and limited posts across services where demand has significantly reduced and is likely to remain low.
- Re-forecast cost of the concessionary fare scheme based on current /predicted demand for public transport (£0.400m)
- Remodel highways maintenance to avoid external costs, build income and utilise technology (£0.440m).

4.7.21 **The Corporate Resources Directorate Including Corporate Budgets - Revenue Savings Proposals and Pressures**

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

Corporate Resources	2021/22 £m	2022/23 £m	2022/23 £m	Total £m
Savings:				
Corporate Resources	(1.435)	(0.062)	0.030	(1.467)
Corporate	(0.278)	(0.690)	-	(0.968)
Total Savings	(1.713)	(0.752)	0.030	(2.435)
Pressures:				
Corporate Resources	1.918	(0.600)	-	1.318
Corporate	5.506	(0.025)	1.920	7.401
Total Pressures	7.424	(0.625)	1.920	8.719

4.7.23 **Corporate Resources**

The Corporate Resources Directorate is managed by the Strategic Director of Corporate Resources and has a focus on ensuring robust financial and corporate governance arrangements for the Council. The Directorate includes:

- Policy Insight and Communication
- Frontline Services – Revenues, Benefit and Customer Services
- Finance and Exchequer Services
- Human Resources and Organisational Development
- Legal, Procurement, Democracy, Land Charges and Elections
- Digital Services including the Council's Digital Strategy and Information Software Support
- Business Support and Facilities Management
- Property Design and Maintenance, Strategic Asset Management and Estates and Facilities Management
- Treasury Management – Debt and Investments

4.7.24 Some of these budgets are historically difficult to reduce or gain efficiencies from, including legacy pension payments and external audit fees and banking requirements.

4.7.25 The Corporate Resources Directorate is predominantly a support provider with many efficiencies being dependent on reduction in staffing resource. The services within this Directorate have made significant savings since 2010. Further service savings will be delivered through service redesign including developing the Digital Strategy Agenda which will lead to further future efficiencies in the medium term.

4.7.26 The Directorate will need to reconfigure and re-prioritise to meet the demands it faces including the requirements of the Derby Recovery Plan but within the level of resources it will have at its disposal. A number of alternative service delivery models and alternative ways to fund continue to be explored.

4.7.27 The directorate has reviewed and updated its pressures for the MTFP. Main pressures for 2021/22 are outlined below with a full list at Appendix 4b.

4.7.28 The following pressures have been included in Corporate Resources Budget:

- Single Discretionary Allowance budget £0.500m
- Resource for Change Derby/Recovery Programme £0.250m
- Reduced income due to lower anticipated searches as a result of Housing market conditions £0.160m
- Increased costs from the Coroners Service administered by Derbyshire County Council £0.100m
- Anticipated increases in insurance premiums and insurance provision requirements £0.572m
- Reduction in Housing Benefit overpayment recovery due to impact of transfer to Universal credit £0.170m
- Unachievable savings for layers and levels and commercialisation and annual leave buy back £0.550m
- Covid impact provision for one off impacts to budgets £2.780m
- Reduction in Scape Dividend payment £0.150m

4.7.29 This directorate continues to make significant savings in 2021/22 despite the continued demands placed on the services. Main savings are outlined below with a full list at Appendix 4a.

4.7.30 ***Existing Savings which were outlined in the budget setting process in 2020 include:***

- Efficient use of Consultants and Contracts in property service to deliver a percentage saving on spend (£0.125m)
- Business Support efficiencies (£0.035m)
- Sale of small pieces of land to generate a revenue saving (£0.030m).

4.7.31 ***New Service Optimisation Savings include:***

- A review of the directorate including vacancies and staffing efficiencies have identified a potential saving (£0.652m)
- A fiscal forensic project to potentially identify and recover accounts payable duplicate payments (£0.100m)
- Reviewing the availability of email, intranet and user accounts to non-IT users and review of non-critical mobile phone deployment (£0.189m)
- Review and redesign of the absence management process (£0.150m).

4.7.32 ***Further Savings include:***

- Digital Saving - Reduction to photocopying and travel expenditure budgets through new ways of working (£0.120m)
- Asset Savings - Savings from review off assets of the council (£0.100m).

4.8 Impact on Full Time Equivalents (FTE)

- 4.8.1 The cumulative MTFP proposals contained in this report will potentially result, if implemented, in an estimated reduction of 37.72 FTE. The proposed reduction in FTE includes deletion of 32.72 vacant posts.

Change in FTE	Vacant Posts	Occupied Posts
Proposals detailed in February 2020 Budget	2.00	-
Proposals detailed in 21/22 Budget Setting	30.72	5.00
Sub Total	32.72	5.00

The position has improved since consultation on the 16th December 2020 with only 5 occupied posts currently at risk. Work is ongoing to further mitigate this.

- 4.8.2 The Council will continue to seek to minimise potential redundancies wherever possible by reviewing vacant posts and alternative service delivery methods.

4.9 Proposed Council Tax Levels

- 4.9.1 This report includes proposals to increase Council Tax for 2021/22 by the maximum 1.99% and using the flexibility to levy an additional 3% Social Care Precept. This means the headline Council Tax increase for 2021/22 will be 4.99%. The Government in its definition of Core Spending Power for Local Government assume that councils will recommend the maximum increase to support service delivery. Indeed, the levying of the 3% additional social care precept will generate an extra £3m Council Tax income for 2021/22 which will be then incorporated in the baseline funding levels for future years.
- 4.9.2 Derby is a low tax-base council where the majority of properties are in band A, B and C. This, by implication, means that any increase in Council Tax will raise less additional revenues than neighbouring higher tax-base authorities. It is vital therefore that Derby maximises the opportunity to maximise its Council Tax base wherever possible.
- 4.9.3 The Council requires all Council Tax payers of working age to pay at least 30% of the Council Tax before application of Council Tax Support. Council Tax support is provided to 17,389 properties out of the total number of properties of 111,460. The support is for anyone with a Council Tax liability that is on a low income.
- 4.9.4 The impact of the pandemic has resulted in the number of Council Tax support claimants increasing from 16,999 in April 2020 to 17,404 in December 2020. The consequence of this is that the Council's tax base is reduced impacting on the total amount of Council Tax collectable in year.
- 4.9.5 The impact of the pandemic has also led to a slowdown in new home completions which has contributed to a lower Council Tax Base.

- 4.9.6 Council Tax charged includes that levied by Derby alongside the preceptors (Police and Fire and Rescue). Details from the other preceptors will be known in February 2020. The impact of the proposed 4.99% increase is detailed in the table below:

Band	Number of Properties	% in receipt of Council Tax Support	2020/21 Derby City Council Tax	Proposed 2021/22 Derby City Council - Council Tax	Annual Increase	Weekly Increase
			£	£	£	£
Band A	56,980	24.66%	982.41	1031.43	49.02	0.94
Band B	21,558	9.63%	1,146.14	1203.33	57.19	1.10
Band C	16,686	5.48%	1,309.88	1375.24	65.36	1.26
Band D	8,642	2.87%	1,473.61	1547.14	73.53	1.41
Band E	4,584	1.18%	1,801.08	1890.95	89.87	1.73
Band F	2,298	1.52%	2,128.55	2234.76	106.21	2.04
Band G	661	1.51%	2,456.02	2578.57	122.55	2.36
Band H	51	0	2,947.22	3094.28	147.06	2.83

- 4.9.7 The proposed 4.99% Council Tax increase for 2021/22 results in 70% of Derby payers not having to pay more than £1.10 a week more than they paid in 2020/21. The increase will be mitigated for a number of properties in these bands (Band A, B and C) who are in receipt of full or partial Council Tax support.
- 4.9.8 The proposed MTFP currently includes 1.99% increases in 2022/23 and 2023/24; This is in line with current 'capping' limits and not assuming availability of any future Social Care Precept.

5 Capital Budget

5.1 Development of Capital Programme

In February 2020, Council approved a Capital Programme for 2020/21 to 2022/23. This represented a significant investment programme in key areas such as:

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

- 5.1.1 During 2020/21, 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.

As well as the above key areas and following successful bidding and development of economic growth during the year the Council has incorporated into the Capital Programme a number of schemes to deliver economic growth, increase vibrancy within the City and to deliver on existing Capital priorities. Key additions to the programme included Smartparc, Becketwell Performance Venue, Advanced Manufacturing Centre at Infinity Park and OCOR Flood Defence Programme.

5.1.2



In addition, the Council had the Transforming Cities funding of £69m approved by Central Government.

- 5.1.3 During 2020/21 a review of the existing Capital Programme was undertaken against strategic objectives, deliverability and risk and with regard to the global pandemic. This has resulted in a number of schemes being removed from the programme including:

- Cathedral Green
- Bold Land
- Project Mulberry

5.1.4 The Capital Programme includes the following additional schemes:

- £0.250m for the flood defence programme for 2023/24 funded from corporate unsupported borrowing
- Further programme of works totalling £4.874m for the property maintenance programme based on previous years allocations and again funded from corporate unsupported borrowing
- Addition of a further allocation for highways maintenance of £5.9m for 2023/24 funded in the main from Supported capital expenditure (SCE C)
- New scheme for highway trees of £0.156m 2022/23 and 2023/24 as an ask for additional corporate resources. This will be for the replacement of highway trees. Derby's tree volumes and canopy is not to current standards and it is proposed to correct the situation, by tree planting over a series of years. The scheme will contribute to the city's carbon reduction footprint
- Addition of the Emergency Active Travel (EMAT) grant tranche 2 £0.621m for 2021/22.

Other Schemes have been refreshed and rolled forward.

The proposed Capital Programme is detailed in Appendix 12 and totals £473.4m over the next three years (General Fund, £364.7m and HRA £108.7m).

5.1.5 The Cabinet issued a Capital Programme for consultation (excluding the HRA) on 16th December. Since then additional schemes have been through the Capital Gateway approval process and have been added to the Capital Programme. Slippage identified in the 2020/21 Quarter 3 Capital Monitoring has been included in the revised programme.

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

- 5.1.6 The following amendments have been made to the Capital Programme since the budget issued for consultation approved by Cabinet on 16th December 2020.

Table: Final changes to 2021/22 to 2023/24 capital programme since the Consultation process.

Change (cumulative)	2021/22 £m	2022/23 £m	2023/24 £m
Capital Programme Consultation	189.907	105.131	51.489
HRA not included in consultation	44.271	33.916	30.514
Q3 slippage	26.709	10.376	
Addition of future years capital works delivered by schools		0.250	0.250
Addition of Emergency Active Travel (EMAT) Grant	0.621		
Addition of an increase to the futures Pot for further investments		5.000	5.000
Reprofiling of Transforming Cities Fund (TCF)	(7.765)	(23.929)	
Reprofiling Our City Our River (OCOR)		(1.637)	(0.327)
Reprofiling MRC Midlands	(0.995)	4.482	0.158
Revised Capital programme	252.748	133.589	87.084
Funding Available at Consultation	189.907	105.131	51.489
HRA (MRA and Right to Buy receipts)	44.271	33.916	30.514
2020/21 Q3 slippage all funding sources	26.709	10.376	
Additional revenue funding for capital works delivered by schools		0.250	0.250
EMAT grant	0.621		
Additional borrowing for the futures provision		5.000	5.000
Reprofiling of TCF grant	(7.765)	(23.929)	
Reprofiling of OCOR funding SCE C, UBC, GG		(1.637)	(0.327)
Reprofiling of MRC Midlands GG, EC, UBC	(0.995)	4.482	0.158
Revised Funding Available	252.748	133.589	87.084

5.1.7 **Major projects**

The proposed capital programme includes a number of projects that are monitored monthly and reported quarterly to the Project Management Office, these include:

- Our City Our River
- Moorways Swimming Complex
- Market Hall Refurbishment
- Performance venue
- Becketwell Regeneration
- Smartparc
- MRC midlands
- Assembly Rooms Demolition.

5.1.8 In recent years the Council has been more successful in securing significant external funding to deliver the City's ambition. This funding is secured on more robust programmes and bids being created (often with partners). 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.

5.1.9 An assessment of the use of reserves supporting the Capital Programme to strengthen the Council's financial resilience has been undertaken during this budget cycle to make best use of the Council's limited resources. In 2020/21 £3.207m has been currently modelled as switched from reserves to borrowing and in 2021/22 a further £3.016m has been modelled as switched.

5.1.10 For block programmes, approval will be needed to the content of programmes, where this is not set out in the initial programme. This will include the Local Transport Plan, Regeneration programme, the Schools programme, and the HRA programme details of which will be reported to Cabinet at a future meeting.

5.2 **Capital Delivery**

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

A key priority for 2021/22 is to further strengthen the arrangements implemented to strengthen the planning, governance and delivery of major capital schemes through the provision of project boards, quarterly reporting on the top major projects over £5m via the Project Management Office (PMO) and gateway processes for Capital Business Cases. It is likely that these reviews may identify the need for revised business cases as surveys and other funding information are quantified. If these require capital allocations in addition to the amount identified within the Capital Programme, this will be subject to separate reports to Cabinet. If schemes are contained within the funding envelope within the three-year Capital Programme they will progress without the need for additional reports to Cabinet.

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

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

- 5.2.3 The Capital 'Headroom' within the programme is £38.5m supported by borrowing costs within the MTFP further provided for agility within the Capital Programme without the need for Council approval of revised prudential code permissions. This will fund existing commitments and support the capital ambitions detailed in Appendix 17.

5.3 Capital Strategy

- 5.3.1 The capital strategy is required under the prudential code and introduced in 2017 edition of the code. Authorities are required to produce this annually as part of the revenue, capital and balance sheet planning. The capital strategy demonstrates that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. It sets out the long-term context in which capital expenditure and investment decisions are made and give due consideration to both risk and reward and the impact on achievement of priority outcomes. The updated capital strategy can be found at Appendix 16.

- 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 12.

5.3.4 **Borrowing**

A number of capital allocations for the Single Capital Pot (Supported Capital Expenditure Capital through Government grant allocations which are not ring-fenced) have not been received at the time of writing this report. Where confirmations of allocations have not been received, the previous year's allocations have been used. The programme will be amended at a future cabinet if appropriate.

The proposed programme includes total borrowing of £161m over the three years. New borrowing has been programmed to include requirements for a continued property maintenance programme an additional year for flood defence schemes around the city and further future provision for future capital investment for the year 2023/24. As well as these additions to the borrowing requirement Smartparc and the MRC Midlands schemes were added to the programme in Quarter 1 as a placeholder and as match funding for the getting building fund which also utilise borrowing and therefore require Council approval. Due to the flexible use of capital receipts proposal detailed below for transformational projects the Council will utilise borrowing to fund spend rather than the original planned receipts. The revenue budget detailed in this report includes the borrowing requirements.

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

The proportion of the existing three-year capital programme funded from borrowing is 43%. The proportion funded from borrowing for the next three years programme is 44%. This meets the requirement contained within the Prudential Code that borrowing needs to be prudent affordable and sustainable. A detailed breakdown of all projects forecast to be borrowed for can be found at Appendix 13.

5.3.5 **Capital Receipts**

Only those capital receipts that have already been received have been added to the 2021/22 capital programme. Capital receipts for the years 2022/23 and 2023/24 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 revised capital receipts policy with the exception of schools, Our City our River and regeneration receipts as specified in the policy. This ensures best use of corporate resources across the different asset categories; e.g. capital receipts would be applied against the ICT programme as these are short life assets that mean it would be less cost effective to borrow for these types of assets.

5.3.6 **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 which allowed authorities to use qualifying receipts to fund transformational projects. The Council although opted into the scheme have not currently made use of this facility due to the large capital programme and the need to apply receipts to fund our capital expenditure.

It is proposed the receipt from the Wholesale Market of £1.850m is utilised for transformational projects within the Council and similarly to apply part of the receipt from the disposal of Allestree Hall £0.218m. This will invest in the Council's transformation programme and achieve associated savings and efficiencies.

Appendix 19 outlines the current projects this will be used for.

5.3.7 **S106 Contributions**

Any allocation of S106 monies is reported to Cabinet during the year to inform members what specific contributions are intended to be used for. Any in year allocations are reported through the monthly Compliance with Contract and Financial Procedure Rules reports, and quarterly Capital Monitoring reports, as they arise. New S106 contributions programmed within the Capital Programme for 2021/22 are as detailed in Appendix 18.

5.3.8 **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 revenue budget within this report and will be updating through regular monitoring to take into account any changes in the programme.

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

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

The revenue implications of the 2021/22 programme which are programmed as borrowing will create a revenue pressure in the form of MRP (Minimum Revenue Provision) in 2022/23 as there is a one year time lag before the revenue consequences need to be taken into account within the revenue budget (provided the scheme has been completed within the financial year). This has been factored into the MTFP.

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

5.3.9 **Minimum Revenue Provision (MRP)**

The Council is required to declare its MRP (set aside for the repayment of debt) Policy each year. 2021/22 policy is detailed at Appendix 14.

- 5.3.10 The Capital Strategy will be reviewed during 2021/22 to incorporate refreshed Capital ambitions and to incorporate the Council's proposed commercial strategy (including property investments) to support the vibrancy of the City and its communities, economic growth, public service delivery and support to the financial sustainability and resilience of the Council's MTFS.

6. **Dedicated Schools Grant**

- 6.1 In recent years the DSG has been under financial pressure due to changes in the National Funding formula and high level of demand in the High Needs Block and support for young people with special educational needs (SEN) as a result of the direct implications of the SEND reforms enshrined in the Children and Families Act 2014. As a result, the DSG reserve has been depleted in recent years with the urgent need for service redesign, engagement with the school community and management of demand.

- 6.1.1 The majority of the additional Government funding has been targeted at additional per pupil allocations for Schools linked to the National Funding Formula which is welcomed. However, the Councils share of the additional High Needs Funding is unlikely to be sufficient to meet the demand in this area.

- 6.1.2 Locally demand in the education system remains very high. 2020/21 saw the continued increase in Educational Health and Care Plans costing 60% more than 2019/20. This has resulted in a projected £1.3m overspend in 2020/21.

- 6.1.3 The combination of funding pressures in previous years and demand pressures has required significant drawdowns of the DSG reserve. If Councils exceed a 1% deficit, they are required to agree a DSG recovery plan with the DfE. The Council forecast that this trigger is highly probable during 2021/22 if demand continues to grow at this scale.

6.1.4 **Schools Block (£204.737m)**

- 6.1.5 Funding to Local Authorities is distributed using the National Funding Formula (NFF), a local formula is adopted to distribute funding (soft National Funding Formula) although the Department for Education (DfE) has given a strong indication that the move to a full National Funding Formula for individual school allocations is still very much the desired ambition and local authorities should be adopting this approach in the design of its local funding formula.

- 6.1.6 The Schools Block is the only ring-fenced block of the DSG and for 2021/22 has increased by £15.257m from the 2020/21 allocation, this increase includes £8.496m for the mainstreaming of the teachers' pay and pension grants.

6.1.7 Although the government has stated that it remains committed to a 'hard' national formula; one where local authorities have little or no role in determining schools' budgets, the approach to be applied for the year 2021/22 is that there still remains some local discretion. The national changes and permissions to the Schools Block are:

- An increase of 4% has been applied to the National Funding Formula multipliers (it is not mandatory to replicate these values at a local level)
- Minimum funding levels per pupil, set as part of the NFF, for 2021/22 are primary school at least £4,180 per pupil and secondary school at least £5,415 per pupil. These values are mandatory and have to feature at a local level
- Pupil mobility will be allocated to local authorities via a formulaic approach rather than the historic basis previously used and the threshold for individual schools to trigger this is 6% of their pupil cohort being defined as 'mobile'; defined as pupils entering school outside of the 'normal' admission date
- The Minimum Funding Guarantee (MFG) can be set at between 0.5% and 2% per pupil
- There is no gains cap in the allocations applied to local authorities however local formulae can feature one this is usually used to address affordability issues.

6.1.8 The following set of principles will be applied to Derby's Schools Block Funding Formula for 2021/22:

- Implementation of the National Funding Formula rates in the local funding formula
- A Minimum Funding Guarantee set at 0.5% (per pupil funding protection mechanism). This can be set at the lowest permissible level just 4 schools in Derby trigger the MFG; there is no protection in the system, all schools are funded at the correct levels. This again is a positive position as a high MFG will cause overall affordability issues and will mean that those schools triggering the MFG will be on a trajectory of reduced funding as the MFG tapers out
- A transfer of 0.25% to the High Needs Block (£0.5m). Schools Forum have the powers to approve a transfer of up to 0.5% from the Schools Block to other areas of the DSG
- A cap on growth above 2.91%. This is required as there is not sufficient funding to fully implement the above principles
- A retention of the Infant Class Size Fund at the previous year level. It should be noted that a previous decision was taken to phase out this funding over a 3 year period, 2020/21 being the last year. It is recognised that this affected a small number of relatively low funded schools in Derby. In a period of significant growth, which had been the case for the previous 2 financial years, this reduction is mitigated by the general growth in schools funding. After considering the impact on those schools by its complete removal in 2021/22 at time of relatively limited growth and in a period of unsettlement due to the current pandemic it has been recommended that stability is provided through the continuation of this funding stream

- The allocation for the growth fund within the DSG settlement is £1.3m. £0.840m will be retained within the school's block to support the costs of pupil number adjustments and £0.300m will fund infant class size. £0.160m will be held centrally for growth within schools.

In terms of what this all means for Derby Schools (those funded from the Schools Block element of the DSG) is that £8.496m has been added to the funding envelope to allow the funding formula to distribute funding for teachers pay and pensions grant which had previously been distributed through a separate grant allocation. This has been distributed by increasing the AWPU.

6.1.9 Although formula factors have been increased by 4% this has not translated into a 4% per pupil increase for every school, this is because:

- The total increase for Derby was 3.6%
- A top slice has been made for infant class size funding, a transfer to the High Needs Block and a Growth Fund for new and expanding schools.

6.1.10 Schools Forum have the flexibility to approve a transfer of up to 0.5% from the Schools Block to other areas of the DSG. At their meeting of 20th January 2020, the Forum agreed to a transfer of £0.500m (0.25%) from the Schools Block to the High Needs Block.

6.1.11 Table: School Block Allocation:

Schools Block	2021/22 £m	2020/21 £m	Change £m
Allocation	196.242	189.480	6.762
Schools Block Teachers pay and pensions	8.496	-	8.496
Transfer to the High Needs Block	(0.500)	(0.947)	0.447
Allocation including SB Transfer	204.237	188.532	15.705
Requirement			
Infant Class Size Funding	0.300	0.300	-
Growth Fund	0.160	0.500	(0.340)
Balance to be distributed to Schools through the Funding Formula	203.777	187.732	16.045
TOTAL Requirement	204.237	188.532	15.705

6.1.12 **High Needs Block (£45.138m)**

6.1.13 In recent years the change to the National Funding formula for core school funding and high needs block has limited the ability to transfer funding from the Schools Block to High Needs. This change was accompanied by a significant increase in ECHPs referenced earlier in the report. Nationally the LGA forecast a national projected shortfall in the High Needs Block.

- 6.1.14 The DfE have announced that 5 years since the implementation of SEND reform a major review will be undertaken into support for children with Special Educational Needs and Disabilities (SEND). The review aims to improve the services available to families who need support, equip staff in schools and colleges to respond effectively to their needs as well as ending the 'postcode lottery' they often face. It will conclude with actions to boost outcomes and improve value for money, so that vulnerable children have the same opportunities to succeed, as well as improving capacity and support for families across England. The Department for Education has reported that the review should be published later in 2021.
- 6.1.15 Whilst additional funding of £4.5m for 2021/22 will alleviate some of the pressures it has been recognised that the additional funding for the High Needs Block will only really prevent the DSG falling into a deficit in the short term and that the medium to longer term will require some transformational changes to the system to ensure that outcomes are improved within the constraints of the funding envelope.
- 6.1.16 Since 2018/19 local authorities are able to transfer up to 0.5% of the gross Schools Block to High Needs following the approval of the Schools Forum. Should the Schools Forum not approve a transfer approval can be sought from the Secretary of State. A transfer of greater than 0.5% of the gross Schools Block can only be made with the approval of the Secretary of State. There are no restrictions on transfers between other blocks. Approval for a transfer is only for the year it is enacted, further approvals are required annually.
- 6.1.17 Currently the system in Derby is facing significant pressure in terms of meeting the needs of children with SEND. The demand for Education, Health and Care Plans (EHCPs) in Derby continues to rise. Mainstream schools are challenged by a greater complexity of need than they have historically dealt with, and there are clear trends in terms of increased EHCPs for autism and social and emotional behavioural needs.
- 6.1.18 The budget in 2020/21 for E3 top up requests was increased to £4m, the current forecast is showing a total spend of £5.4m. The proposed allocation for 2021/22 is £6.1m (an increased budget of £2.1m).
- 6.1.19 The increase of EHCP's has correlated to an increase cost of E3 payments. The cost of E3 request has increased significantly in 2020/21, resulting in a 17% increase in requests for payments to schools, but a 60% increase in costs. The average cost of an E3 request being paid is circa £9,000 per year. This sudden increase in the average cost is significantly outweighing any increase in funding and is unaffordable within the 2021/22 High needs budget.
- 6.1.20 To ensure that a balanced budget is delivered for the High Needs Block efficiencies will be achieved by:
- Establishing a gateway process for E3 requests
 - Reviewing commissioned places and ensuring that the commission reflects actual need and use, this will mean that those places that have not been filled will not be funded
 - Ensuring that all exceptional funding payments are reviewed and reflect current needs.

6.1.21 Table: High needs block allocation

High Needs Block	2021/22 £m	2020/21 £m	Change £m
HN block allocation	45.138	40.345	4.793
Import/Export adjustment	0.534	0.366	0.168
Transfer from Schools Block	0.500	0.947	(0.447)
Allocation including transfer	46.172	41.658	4.514
Requirement	2021/22 £m	2020/21 £m	Change £m
Schools block transfer - transformational project	-	0.426	(0.426)
Additional High Needs Top Up in school block schools Schools (E3 payments)	6.100	4.000	2.100
Enhanced Resource Schools	2.595	2.826	(0.231)
Special Schools and Pupil Referral Units - place funding E1/2	19.624	17.972	1.652
Independent Special Schools	12.246	10.100	2.146
Post 16 High Needs Other Providers	4.142	4.186	(0.044)
High Needs Contingency	0.478	0.500	(0.022)
Additional Alternative Provision	0.107	0.420	(0.313)
Hospital and Medical Education	0.332	0.272	0.060
Other High Needs Support Services	1.148	1.148	-
Total Requirement	46.772	41.850	4.923
Use of DSG Reserves	(0.600)	(0.191)	(0.409)

6.1.22 Central School Services Block (CSSB) (£3.130m)

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

6.1.24 The Department for Education (DfE) have indicated that the historic commitment elements of the CSSB will eventually cease which will mean eventually a loss of funding for Derby City Council of £2.7m as this funding is used to support services provided by the Council. For 2021/22 there is a reduction of £0.284m which has been adsorbed within the Council's MTFP.

6.1.25 Table: Central Schools Block Allocation

School Central Block	2021/22 £m	2020/21 £m	Change £m
Allocation	3.130	3.414	(0.284)
Requirement			
Historic Commitments	1.410	1.410	-
Historic Retirement costs	1.300	1.300	-
Teachers' Pension grant	0.095	-	0.095
Admissions	0.314	0.314	-
Prudential borrowing	0.175	0.175	-
Copyright Subs balance	0.215	0.215	-
TOTAL Requirement	3.509	3.414	0.095

6.1.26 DSG Reserve

- 6.1.27 There are significant pressures on the High Needs Block and Dedicated Schools Grant Reserves have been depleted. The DSG overspent by £2.7m during 2018/19 and reserves were reduced to £2.8m, 2019/20 remained critically low.

The ongoing pressures within HNB is forecasting further overspends that will reduce the reserve down further. It is estimated that just £1.3m of DSG reserves will be carried forward into 2021/22. A summary of the reserves in recent years is shown in the table below:

Financial year	£m	
2015/16	6.882	
2016/17	6.955	
2017/18	6.994	
2018/19	2.836	
2019/20	2.582	
2020/21	1.300	Estimated

- 6.1.28 The Council is permitted by the DFE to operate a deficit budget of no more than 1% - this is £2.5m for 2020/21. Based on current levels of activity the Council is not forecasting a deficit budget in 2020/21 but our ability to respond to unplanned pressures with little or no reserves could mean that this becomes a reality in future years.

7 Reserves

- 7.1 The MTFP includes a non-recurrent draw down of reserves in 2021/22 of £1.967m.

- 7.1.1 The planned use of reserves both current and future years is detailed in Appendix 5 and summarised in the table below:

	Estimated Opening Balance 31.03.20 £m	In Year Movements £m	Estimated Commitments £m	Residual Balances £m
General Fund	10.933	(2.000)	-	8.933
Budget Risk Reserve	20.186	(3.389)	(15.042)	1.755
Earmarked Reserves (excluding PFI and Capital)	33.356	7.102	(32.326)	8.132
School Balances	5.866	-	(5.866)	-

- 7.1.2 It is important to note that through previous decisions and those contained within the MTFP there are commitments to use reserves beyond the current MTFP period. This is illustrated in the diagram below:

Reserve Commitments			
Opening Reserves 31st March 2020 £101.624m	In Year Movements to/(from) £1.713m	Estimated Commitments £83.980	Remaining Reserve £19.357m
School Balances £5.866m		School Balances £5.866m	
General Fund £10.933m	General Fund (£2.000m)		General Fund 8.933m
Budget Risk Reserve £20.186m	Budget Risk Reserve (£3.389m)	Earmarked Revenue Reserves £37.295m	Budget Risk Reserve £1.755m
Revenue Earmarked Reserves £33.356m	Earmarked Revenue Reserves £7.102m	Earmarked Corporate Reserves £3.673m	Revenue Earmarked Reserves £8.132m
		Reserves Supporting the Capital Programme £6.400m	Capital Reserves £0.537m
PFI Reserves £29.029m		PFI Reserves £29.029m	
Capital Reserves £2.254m		Capital Reserves £1.717m	

- 7.1.3 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.
- 7.1.4 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 as Appendix 6.

- 7.1.5 The Council is currently forecasting a £6.415m overspend at Quarter 3 mainly for pressures emerging in Children's social care in 2020/21 which reflects an increase in the Looked After Children population within the City and is a trend that is being reflected nationally. Whilst, management action plans are being implemented to hopefully reduce this overspend between now and year end the full charge of the overspend against the reserves is included in the table and diagram above. However, any residual overspend (over the £6.415m forecast) would be an additional commitment on the reserves detailed above.

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 have undertaken a screening process of all pressures and savings proposals identified as part of the 2021/22 budget setting process. This screening focuses on both financial and service factors to determine whether specific equality impact assessments were required. For the financial assessment a significance level of £0.200m as a nominal figure has been used. All relevant EIA's are published on the Council's website and have been considered as part of this report – councillors are reminded that they also need to consider the equality implications before a decision is made. <https://www.derby.gov.uk/community-and-living/equality-diversity/equality-impact-assessments/>
- 8.1.2 This screening process has allowed the Council to identify key pressures and savings for which an EIA is required. The level of potential risk associated with each proposal has also been considered and all high risk areas were considered to require a specific equalities impact assessment. Lower risk proposals have been considered at a directorate-wide level. For those service areas requiring a significant review, EIAs for specific proposals are currently being developed as part of the project planning work in each case.
- 8.1.3 The impact of some savings could affect certain groups disproportionately, given the scale of savings required and the level of existing budget supporting customers with a high level of need. However, the Council has considered the impact across all service areas and believes that the approach taken is appropriate in order to reach a balanced position.

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 17th December 2020 to 17th January 2021 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 8. The consultation document can be found on the council's website.

9.3 The Council carries out consultation on its spending proposals on an on-going basis. The outcomes of many pieces of consultation have influenced what cabinet members and officers have put forward as proposals in this budget. Therefore, when the Council budget proposals are made public each year, maximum effort goes in to communicating the proposals. The Council also carry out a detailed consultation process with Councillors through the Council's Scrutiny Boards and the meetings with statutory bodies including the trade unions and business community. Cabinet are asked to consider the consultation responses outlined in Appendix 8 to 11 of this report.

9.4 Consultation includes:

- a. Special meeting of the Council's Executive Scrutiny Board on Tuesday 19th January. Minutes are attached at Appendix 11
- b. Meetings including representatives from Business Ratepayers on Friday 22nd January. Minutes are attached at Appendix 9
- c. Notes from to young people through 'Voices in Action' meeting on Monday 11th January. The notes are attached at Appendix 10
- d. Publishing of all relevant budget proposal information on the Council's website.
- e. Meetings and forums with Trade Unions and Staff forums.

Other options

10.1 None, The Council is required to set a balanced revenue and capital budget for 2021/22 by 11th March 2021.

Financial and value for money issues

11.1 The financial and value for money implications are outlined in detail within 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 6 and has concluded:

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

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

There is of course the unknown element of Covid which will impact on the Council – however the MTFP includes £2.3m for Covid scarring and £0.480m as a Covid contingency budget which will be used in the first instance and mitigate any further unplanned use of reserves.

In my opinion, the estimates are sufficiently robust to allow the Council to set the Revenue Budget, Capital Programme, HRA Budget, Dedicated Schools Grant and Council tax for 2021/22.

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. The need to consult before any final decisions are made that translate into a service delivery change is acknowledged within the report. Equally important is the need to ensure that the Council complies with the public sector equality duty and undertakes an assessment of the impact of the savings proposals that may be agreed across all impacted sectors prior to a final budget decision being made.
- 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 It is not possible at this point to provide an accurate assessment of the climate implication of all the schemes and projects mentioned in this report which will need to be considered, and where necessary challenged, on a case by case basis to ensure that the Council's strategic ambitions in this area are delivered. To help with this process more detailed self-help guidance is currently being worked up for report authors to supplement the current report writing guidance to ensure that the climate change implications of any decision are treated both robustly and consistently.

Other significant implications

- 14.1 **Personnel**
Any proposal which may affect staff if implemented in 2021/22 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 the forecast out-turn report. There are reserves that, if required, can be used to manage risks.

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	22/01/2021
Finance	Toni Nash	28/01/2021
Service Director(s)	Alison Parkin	
Report sponsor	Simon Riley	
Other(s)	Janice Hadfield Head of Finance Peoples - DSG	25/01/2021
	Ann Webster	25/01/2021
	Liz Moore	
	Andy Hills	25/01/2021

For more information contact:	Toni Nash Head of Finance, Corporate Resources
Background papers:	Budget consultation documents and strategy reports
List of appendices:	Appendix 1 – MTFP Summary Appendix 2 – Changes to Grant funding 2021/22 Appendix 3a – Revenue Budget Summary 2021/22 Appendix 3b – Revenue Budget Summary 2022/23 Appendix 3c – Revenue Budget Summary 2023/24 Appendix 4a – Schedule of Budget Savings Appendix 4b – Schedule of Budget Pressures Appendix 5 – Reserves Appendix 6 – Section 25 Reserves and Adequacy Report Appendix 7 – Reserves Policy Appendix 8 – Consultation Feedback Appendix 9 – Non Domestic Rates Budget Consultation Minutes Appendix 10 – Extract from Voices in Action Minutes Appendix 11 – Minutes from Executive Scrutiny Board Appendix 12 – Summary Capital Expenditure Programme 2021/22 – 2023/24 General Fund Appendix 13 – Summary of unsupported borrowing Appendix 14 – Minimum Revenue Position 2021/22 Appendix 15 – Prudential Indicators 2020/21 to 2023/24 Appendix 16 – Capital Strategy 2021/22 Appendix 17 – Capital Ambition Appendix 18 – S106 Allocations 2021/22 Appendix 19 – Policy for Flexible use of Capital Receipts

Medium Term Financial Plan 2021/22 to 2023/24			
	Draft MTFP		
	2021/22 £m	2022/23 £m	2023/24 £m
FUNDING			
- Retained Business Rates	62.709	65.141	66.443
- Core Government Grants	13.868	14.063	13.791
- Council Tax	107.597	110.888	114.451
- Estimated Surplus/(Deficit) on Collection Fund (one-off)	(1.967)	(1.353)	(1.353)
- Better Care Fund	24.583	24.583	24.583
- Public Health	19.756	19.756	19.756
- Other Grants	29.827	15.710	15.820
Total Resources Available	256.373	248.788	253.491
BUDGET			
People Services:			
Adults & Health:			
- Employee Costs	18.328	18.610	18.811
- Running Costs	74.189	76.099	79.202
- Public Health	16.009	16.491	16.491
- Inflation Estimates	1.686	1.573	1.607
- Grant Income	(0.006)	(0.006)	(0.006)
- Other Income (<i>Client Contributions, FNC, Joint Funding</i>)	(14.986)	(15.057)	(15.387)
- Pressures	2.527	1.400	1.400
- Savings	(1.609)	-	-
Adults & Health Net Budget:	96.138	99.110	102.118
Children & Young People:			
- Employee Costs	38.634	39.146	39.265
- Running Costs	288.185	295.158	295.107
- Inflation Estimates	1.052	0.806	0.818
- Grant Income	(259.616)	(259.616)	(259.616)
- Other Income	(4.781)	(5.642)	(5.651)
- Pressures	9.315	0.017	0.500
- Savings	(3.743)	(0.764)	-
Children and Young People Net Budget:	69.046	69.105	70.423
Peoples Total Net Budget:	165.184	168.215	172.541
Communities and Place:			
- Employee Costs	34.828	35.079	35.284
- Running Costs	45.830	45.527	45.036
- Inflation Estimates	0.895	0.693	0.708
- Grant Income	(1.322)	(1.322)	(1.322)
- Other Income	(35.290)	(33.444)	(33.625)
- Pressures	3.488	(1.160)	(0.210)
- Savings	(2.589)	-	-
Communities and Place Net Budget:	45.840	45.373	45.871
Corporate Resources:			

- Employee Costs	30.136	30.042	30.613
- Running Costs - <i>includes Housing Benefits</i>	89.331	90.291	89.568
- Inflation Estimates	0.636	0.425	0.433
- Grant Income - <i>Includes Housing Benefit</i>	(69.532)	(69.532)	(69.532)
- Other Income	(15.593)	(15.341)	(15.425)
- Pressures	1.918	(0.600)	-
- Savings	(1.435)	(0.062)	0.030
Corporate Resources Net Budget:	35.461	35.223	35.687
Corporate:			
- Treasury Management	6.840	8.708	9.613
- Bank Charges	0.095	0.095	0.095
- Pension Cost	0.593	0.593	0.593
- Transport Act	0.081	0.081	0.081
- Schools DSG Grant Income - Corporate	(0.284)	(0.284)	(0.284)
- Corporate Contingency Fund	(0.628)	2.583	0.961
- Corporate Revenue Budget Contingency	0.190	0.190	0.190
- Scape Dividend	(0.400)	(0.250)	(0.250)
- Opportunity Fund	0.140	0.140	0.140
- Pressures - <i>Including council Wide pressures</i>	5.506	(0.025)	1.920
- Savings - <i>Including council wide pressures</i>	(0.278)	(0.690)	-
Corporate Net Budget:	11.855	11.141	13.059
Net Budget (prior to movement in reserves)	258.340	259.952	267.158

Operating Surplus/(Deficit) before use of Reserve	(1.967)	(11.164)	(13.667)
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Reserves			
- Use of reserves - MTFP	(1.967)		
Net Budget Requirement after use of Reserves	256.373	259.952	267.158
Budget Gap/(Surplus)	-	11.164	13.667

<i>Total Savings Identified:</i>	<i>(9.654)</i>	<i>(1.516)</i>	<i>0.030</i>
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<i>Total Savings as per 20/21 MTFP</i>	<i>(3.719)</i>	<i>(1.436)</i>	<i>(0.658)</i>
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Net Budget Requirement	256.373	259.952	267.158
Total Resources Available (Funding)	(256.373)	(248.788)	(253.491)
Budget Gap/(Surplus)	-	11.164	13.667

Changes to Funding:

Funding Statement	Final	Final	Difference	
	2020/21 £m	2021/22 £m	£m	%
<u>REVENUE SUPPORT GRANT, TOP UP AND BUSINESS RATES</u>				
Revenue Support Grant	12.728	12.798		
Retained Business Rates	45.890	46.157		
Business Rates Top-Up Grant	16.552	16.552		
Prior Year Business Rates Collection Fund Surplus / (Deficit)	(1.639)	(1.489)		
REVENUE SUPPORT GRANT & BUSINESS RATES	73.532	74.019	0.487	0.66%
<u>SPECIFIC GRANTS</u>				
- Public Health Grant	19.274	19.756		
- Education Services Grant	0.400	0.400		
- Housing and Council Tax Subsidy Admin Grant	1.026	1.026		
- Better Care Fund	23.951	24.583		
- New Homes Bonus	1.262	0.677		
- Independent Living Fund	1.035	1.035		
- Extended Rights to Free Travel	0.083	0.109		
- Local Reform and Community Voices Grant	0.163	0.165		
- SFA s31 grant business rates cap, SBRR, Retail Relief	6.599	6.674		
- Troubled Families	0.852	-		
- Adult Social Care and Children's one off funding	7.050	7.050		
- Lead Local Flood	0.015	-		
- Business Rates Levy Surplus	1.348	-		
- Council Tax Hardship Grant (Covid one off grant)		1.978		
- Additional funding for Social Care (Covid one off)		1.927		
- Covid Grant (one off)		8.017		
- Lower Tier Support Grant		0.392		
- Income Support Scheme April to June Grant (Covid one off)		1.446		
Total Specific Grants	63.058	75.236	12.178	19.31%
REVENUE SUPPORT GRANT, BUSINESS RATES & SPECIFIC GRANTS	136.589	149.254	12.665	9.27%
<u>COUNCIL TAX</u>				
Council Tax Requirement	102.552	107.597		
Prior Year Collection Fund Surplus / (Deficit)	(0.941)	(0.479)		
Total Council Tax	101.610	107.119	5.508	5.42%
Total Resources	238.200	256.373	18.173	7.63%

- New Homes Bonus is subject to a government review in Spring 2020 which could affect the forecasts included for 2022/23 and 2023/24

Overall Summary by Directorate - Revenue Budget 2021/22

SERVICE ACTIVITY	Controllable 2020/21 Base Budget £m	Budget Changes			Controllable 2021/22 Base Budget £m
		Inflation £m	Pressures £m	Savings £m	
Directorates:					
People Services	155.957	2.737	11.842	(5.352)	165.184
Communities and Place	44.046	0.895	3.488	(2.589)	45.840
Corporate Resources	40.969	0.636	7.424	(1.713)	47.316
Total Directorate Budgets	240.972	4.268	22.754	(9.654)	258.340
Transfer to/(from) reserves:					
To/(from) corporate reserves	(2.772)				(1.967)
NET BUDGET REQUIREMENT	238.200				256.373
Funded By:					
Retained Business Rates	(45.890)				(46.157)
Business Rates Top Up Grant	(16.552)				(16.552)
Core Government Grants	(13.990)				(13.868)
Collection fund (surplus)/deficit	2.580				1.967
Income raised from Council Tax	(102.552)				(107.597)
Other Specific Grants	(61.796)				(74.166)
TOTAL RESOURCES	(238.200)				(256.373)

Overall Summary by Directorate - Revenue Budget 2022/23

SERVICE ACTIVITY	Controllable 2021/22 Base Budget	Budget Changes			Controllable 2022/23 Base Budget
	£m	Inflation £m	Pressures £m	Savings £m	£m
Directorates:					
People Services	165.184	2.378	1.417	(0.764)	168.215
Communities and Place	45.840	0.693	(1.160)	-	45.373
Corporate Resources	47.316	0.425	(0.625)	(0.752)	46.364
Total Directorate Budgets	258.340	3.496	(0.368)	(1.516)	259.952
To/(from) corporate reserves	(1.967)				-
NET BUDGET REQUIREMENT	256.373				259.952
Funded By:					
Retained Business Rates	(46.157)				(47.919)
Business Rates Top Up Grant	(16.552)				(17.221)
Core Government Grants	(13.868)				(14.063)
Collection fund (surplus)/deficit	1.967				1.353
Income raised from Council Tax	(107.597)				(110.888)
Other Specific Grants	(74.166)				(60.050)
TOTAL RESOURCES	(256.373)				(248.788)
BUDGET GAP	-				11.164

Overall Summary by Directorate - Revenue Budget 2023/24

SERVICE ACTIVITY	Controllable 2022/23 Base Budget £m	Budget Changes			Controllable 2023/24 Base Budget £m
		Inflation £m	Pressures £m	Savings £m	
Directorates:					
People Services	168.215	2.426	1.900	-	172.541
Communities and Place	45.373	0.708	(0.210)	-	45.871
Corporate Resources	46.364	0.432	1.920	0.030	48.746
Total Directorate Budgets	259.952	3.566	3.610	0.030	267.158
Transfer to/(from) reserves:					
To/(from) corporate reserves	-				-
NET BUDGET REQUIREMENT	259.952				267.158
Funded By:					
Retained Business Rates	(47.919)				(48.877)
Business Rates Top Up Grant	(17.221)				(17.566)
Core Government Grants	(14.063)				(13.791)
Collection fund (surplus)/deficit	1.353				1.353
Income raised from Council Tax	(110.888)				(114.451)
Other Specific Grants	(60.050)				(60.159)
TOTAL RESOURCES	(248.788)				(253.491)
BUDGET GAP	11.164				13.667

Peoples – Adults and Public Health Savings

Service	Saving Proposal	Brief Saving Description	Proposed Saving					Potential number of FTE's reduction
			21/22 £m	22/23 £m	23/24 £m	Total £m		
Existing Savings formally signed off by Full Council Meeting on 26 February 2020:								
Adult Services	Contract Efficiencies	Extra Care - A review of the commissioned model for additional support	(0.200)	-	-	(0.200)	-	
Adult Services	Service Efficiencies	Review of Adults Care Packages - Undertake a review of Adult care packages where there is the potential to incorporate an asset based approach to meet eligible needs	(0.200)	-	-	(0.200)	-	
Total Existing Savings:			(0.400)	-	-	(0.400)	-	
Proposed Savings:								
Adult Services	Service Optimisation	LAC - additional charge to the HRA to reflect current charges and activity	(0.080)	-	-	(0.080)	-	
Adult Services	Service Optimisation	Day Centre additional savings from transformation of day service provision for the elderly which has already been delivered	(0.300)	-	-	(0.300)	-	
Adult Services	Service Optimisation	Review service offer for ASC - maximise reviewing opportunity to utilise asset based approaches to meet eligible needs	(0.200)	-	-	(0.200)	-	
Adult Services	Service Optimisation	A reflection of current income contributions which allows us to increase our income budgets	(0.500)	-	-	(0.500)	-	
Adult Services	Service Optimisation	Realise savings from a review of our adults commissioning service	(0.025)	-	-	(0.025)	-	
Adult Services	Service Optimisation	Removal of vacant posts across the service	(0.104)	-	-	(0.104)	1.50	
Total Proposed Savings:			(1.209)	-	-	(1.209)	1.50	
TOTAL ADULTS SAVINGS			(1.609)	-	-	(1.609)	1.50	

Vacancies	Potential Redundancies
-	-
-	-
1.50	
1.50	-
1.50	-

Peoples – Children's Savings

Service	Saving Proposal	Brief Saving Description	Proposed Saving					Vacancies	Potential Redundancies	
			21/22 £m	22/23 £m	23/24 £m	Total £m	Potential number of FTE's reduction			
Existing Savings formally signed off by Full Council Meeting on 26 February 2020:										
Children's Services	Service Efficiencies	A remodelling of Child Placement Service through Social Impact Bonds - A reduction in the costs of placements for looked after children as their care packages are stepped down from high cost residential packages to supported foster care	(0.364)	(0.364)	-	(0.728)	-			
Children's Services	Service Efficiencies	Foster Care - Recruitment of foster carers. Savings deliverable from an increased rate of recruitment and a reduction in the use of agency fostering placements	(0.400)	(0.200)	-	(0.600)	-			
Children's Services	Service Efficiencies	Edge of care services and reconfiguration of the 'front door' - Reconfiguration of the access and referrals into Children's Social Care	(0.200)	(0.200)	-	(0.400)	-			
Total Existing Savings:			(0.964)	(0.764)	-	(1.728)	-	-	-	
Proposed Savings:										
Children's Services	Technical Adjustment - Income	Confirmation that the national Troubled Families Programme will continue for another year	(0.852)	-	-	(0.852)	-			
Children's Services	Demand Management	A reduction in the cost of care placements by increasing our internal residential children's home capacity and reviewing placement contracts	(1.900)	-	-	(1.900)	-			
Children's Services	Service Optimisation	A reduction of uncommitted service contingencies	(0.027)	-	-	(0.027)	0.40	0.40		
Total Proposed Savings:			(2.779)	-	-	(2.779)	0.40	0.40	-	
TOTAL CHILDREN'S SAVINGS:			(3.743)	(0.764)	-	(4.507)	0.40	0.40	-	
TOTAL PEOPLES SAVINGS:			(5.352)	(0.764)	-	(6.116)	1.90	1.90		

Communities and Place Savings

Service	Saving Proposal	Brief Saving Description	Proposed Saving					Vacancies	Potential Redundancies
			21/22 £m	22/23 £m	23/24 £m	Total £m	Potential number of FTE's reduction		
Existing Savings formally signed off by Full Council Meeting on 26 February 2020:									
Environmental Protection	Service Efficiencies	Neighbourhood Working - Extended approach to Neighbourhood working through an increase in number of Community Protection Officers and the addition of enforcement powers to incorporate parking offences.	(0.150)	-	-	(0.150)	-		
Leisure	Service Efficiencies	Queens Leisure Closure - Following the opening of the new swimming pool, there is an expectation that Queens Leisure Centre would be closed.	-	(0.200)	-	(0.200)	-		
Highways Maintenance and Parks	Service Efficiencies	Remodelling parks and grounds processes to carry out litter collection duties in a more efficient way	(0.114)	-	-	(0.114)	2.00	2.00	
Leisure, Culture and Tourism	Service Efficiencies	Allestree Golf Course option	(0.069)	-	-	(0.069)	-		
Total Existing Savings:			(0.333)	(0.200)	-	(0.533)	2.00	2.00	-
Proposed Savings:									
Highways Maintenance and Parks	Service Optimisation - Capitalisation	Remodel the maintenance service to avoid external costs, build opportunities for commercial income, reduce inefficient systems and capitalise charges where possible to maintain service levels	(0.240)	0.200	-	(0.040)	-		
	Asset Saving - Remodelling approach		(0.200)	-	-	(0.200)	-		
Service	Saving Proposal	Brief Saving Description	Proposed Saving						

			21/22 £m	22/23 £m	23/24 £m	Total £m	Potential number of FTE's reduction	Vacancies	Potential Redundancies
Streetpride & Public Protection - Waste Disposal	Service Optimisation	Waste Disposal - Reduction in waste disposal costs by continuing to promote recycling and diversion. (includes diversion from HWRC)	(0.250)	-	-	(0.250)	-		
Streetpride & Public Protection - Waste Disposal	Service Optimisation	HWRC Maintain current service offer using MiPermit, restricting access to Derby and Derbyshire residents	(0.400)	-	-	(0.400)	-		
Streetpride & Public Protection - Waste Disposal	Service Optimisation	Operational Efficiency Utilise new technology to improve targeting of services, introduce a charge for replacement refuse bins and delete 2 vacant posts	(0.240)	-	-	(0.240)	2.00	2.00	
Leisure, Culture and Tourism	Service Optimisation	Re-modelling of Events Programme Reduce costs by developing our approach to working collaboratively with cultural partners to ensure the number and quality of events throughout the year can be sustained to support city vibrancy	(0.080)	-	-	(0.080)	2.32	2.32	
Leisure, Culture and Tourism	Asset Saving	Museums Trust Reduction in core grant by 10%	(0.070)	-	-	(0.070)	-		
Leisure, Culture and Tourism	Service Optimisation	Derby Live To account for reduced demand within the service, the removal of 6 FTE posts within the back office related to finance, booking and sales capacity	(0.138)	-	-	(0.138)	5.00	2.00	3.00

Service	Saving Proposal	Brief Saving Description	Proposed Saving					Vacancies	Potential Redundancies
			21/22 £m	22/23 £m	23/24 £m	Total £m	Potential number of FTE's reduction		
Planning, Transportation & Environmental	Asset Saving	Concessionary Fares Reforecast budget requirement based on current and future demand trend	(0.400)	-	-	(0.400)	-		
Planning, Transportation & Environmental	Asset Saving	Car Parks Over 2021/22 we will work on our strategy for multi-story car park provision	(0.100)	-	-	(0.100)	-		
Planning, Transportation & Environmental	Service Optimisation	Management efficiency Improved use of technology, recognition of reduced demand in numbers of planning applications, removal of vacant posts and remodelling of management responsibility	(0.138)	-	-	(0.138)	5.00	5.00	
Total Proposed Savings:			(2.256)	0.200	-	(2.056)	14.32	11.32	3.00
TOTAL COMMUNITIES AND PLACE SAVINGS:			(2.589)	-	-	(2.589)	16.32	13.32	3.00

Corporate Resources Savings

Service	Saving Proposal	Brief Saving Description	Proposed Saving					Potential number of FTE's reduction	Vacancies	Potential Redundancies
			21/22 £m	22/23 £m	23/24 £m	Total £m				
Existing Savings formally signed off by Full Council Meeting on 26 February 2020:										
Property Services	Contract Efficiencies	Review of Consultants and Contracts to deliver a percentage saving on spend	(0.125)	-	-	(0.125)	-			
Property Services	Property management savings	*Planned closure of Queens Leisure Centre upon opening of the new swimming facility resulting in savings in property management costs (see slippage in proposed savings)	(0.225)	-	-	(0.225)	-			
Property Services	Property management savings	Identification and sale of small pieces of land to generate a revenue saving	(0.020)	0.060	-	0.040	-			
Business Support	Postage Savings	Document Management Centre (DMC) Reduction In Postage Costs	(0.025)	(0.075)	-	(0.100)	-			
Property Services	Income Generation	Increase in Identification and sale of small pieces of land to generate an ongoing revenue saving	(0.010)	(0.020)	-	(0.030)	-			
Business Support	Income Generation	Document Management Centre (DMC) Additional Income Generation	(0.010)	(0.010)	-	(0.020)	-			
Democracy Service	Income Generation	Civic Services Income - Hire of the civic suite for functions and charging for Council House tours in conjunction with Derby LIVE	(0.005)	-	-	(0.005)	-			
Total Existing Savings:			(0.420)	(0.045)	-	(0.465)	-	-		

Service	Saving Proposal	Brief Saving Description	Proposed Saving					Vacancies	Potential Redundancies
			21/22 £m	22/23 £m	23/24 £m	Total £m	Potential number of FTE's reduction		
Proposed Savings:									
Property Services	Income Generation	Increase in Identification and sale of small pieces of land to generate an ongoing revenue saving (removal of temporary saving)	-	-	0.040	0.040	-		
Business Support	Income Generation	Document Management Centre (DMC) Additional Income Generation	-	-	(0.010)	(0.010)	-		
Property Services	Property management savings	*Existing Saving Slipped - Planned closure of Queens Leisure Centre upon opening of the new swimming facility now not expected in 21/22, resulting in existing saving slipping to 22/23	0.225	(0.225)	-	-	-		
Property Services	Asset Saving	Review and potential sale or transfer of properties to realise revenue saving from associated revenue costs	(0.100)	-	-	(0.100)	-		
Financial Services	Service Optimisation	Reduction in administration support by looking at alternative ways of delivery (for example the digital offer which will become available for functions including diary requirements)	(0.105)	-	-	(0.105)	2.00	2.00	
Financial Services	Service Optimisation	Review of Revenue and Benefits to permanently delete a small number of long term vacancies in appropriate places to lessen impact on service delivery	(0.040)	-	-	(0.040)	1.50	1.50	

Service	Saving Proposal	Brief Saving Description	Proposed Saving					Vacancies	Potential Redundancies
			21/22 £m	22/23 £m	23/24 £m	Total £m	Potential number of FTE's reduction		
Financial Services	Service Optimisation	Use of External Funding to fund accountancy support and releasing core revenue funding	(0.041)	0.041	-	-	-		
Financial Services	Service Optimisation	Income allocation function - Reduction in Cash office through redesign and retirement opportunity	(0.018)	-	-	(0.018)	1.00	1.00	
Financial Services	Service Optimisation	Accounts Payable forensic Project - Accounts payable fiscal forensic project to identify and recover of duplicate payments	(0.100)	0.100	-	-	-		
Human Resources	Service Optimisation	Pause on the replacement of the Director of HR & OD and review the organisation development function to align roles and resources to meet Recovery Plan requirements	(0.025)	-	-	(0.025)	1.00	1.00	
Human Resources	Service Optimisation	Reduction of HR advisor provision. Capacity to support organisational change agenda and delivery employee relations and policy priorities to be reviewed	(0.041)	-	-	(0.041)	1.00	1.00	
Human Resources	Service Optimisation	Reduction of HR analytics provision. The HR analytics service provision to directorates to be reviewed	(0.044)	-	-	(0.044)	1.00		1.00
Human Resources	Service Optimisation	Review and potential redesign absence management process - HR would need to build internal solution. Potential impact on managers and services if move to internal solution, with guidance and protocols also to be developed	(0.150)	-	-	(0.150)	2.00	1.00	1.00
Policy Insight & Communications	Service Optimisation	Advertising - maximise income opportunities	(0.024)	-	-	(0.024)	-		

Service	Saving Proposal	Brief Saving Description	Proposed Saving					Vacancies	Potential Redundancies
			21/22 £m	22/23 £m	23/24 £m	Total £m	Potential number of FTE's reduction		
Policy Insight & Communications	Service Optimisation	Programme management including exploration of potential for funding specialist project resource from capital monies	(0.046)	-	-	(0.046)	1.00	1.00	
Information Technology	Service Optimisation	Emerging vacancy - Senior IT Officer - Review of IT project delivery capacity required. This is a one off and consideration given to whether this can be made permanent in subsequent years based on observed impact	(0.040)	0.040	-	-	1.00	1.00	
Information Technology	Service Optimisation	Emerging vacancy - IG Officer - Impact to Information Governance and Information Security compliance capacity to be reviewed. This is a one off and consideration given to whether this can be made permanent in subsequent years based on observed impact	(0.027)	0.027	-	-	1.00	1.00	
Information Technology	Service Optimisation	Review Microsoft F1 Licenses - Removing availability of email, intranet and user accounts to non-IT users (this would review and end the current commitment to provide email and intranet communications to the element of the workforce who are not daily computer users)	(0.139)	-	-	(0.139)	-		
Information Technology	Service Optimisation	Council Provided Mobile Telephony. Reduction in "Non-life and limb critical" mobile phone deployment. This would mean removing Council funded mobile telephones for large numbers of people who do not either perform direct "Life and Limb" services, provide emergency callout, or have mobile telephony for personal safety reasons	(0.050)	-	-	(0.050)	-		

Service	Saving Proposal	Brief Saving Description	Proposed Saving					Vacancies	Potential Redundancies
			21/22 £m	22/23 £m	23/24 £m	Total £m	Potential number of FTE's reduction		
Legal, Procurement & Democratic Services	Service Optimisation	Do not recruit to vacant post in Members and Civic Services - Some reduction in service to Mayoralty and Members and Council support for Civic Events	(0.029)	-	-	(0.029)	1.00	1.00	
Legal, Procurement & Democratic Services	Service Optimisation	Do not recruit to vacant post in Procurement Service - Post has been vacant for some time due to difficulty in recruitment.	(0.037)	-	-	(0.037)	1.00	1.00	
Property Services	Service Optimisation	Review of Staffing vacancies in Property Services	(0.159)	-	-	(0.159)	5.00	5.00	
Property Services	Service Optimisation	Review of property budgets	(0.025)	-	-	(0.025)	-		
Total Proposed Savings:			(1.015)	(0.017)	0.030	(1.002)	19.50	17.50	2.00
TOTAL CORPORATE RESOURCES SAVINGS			(1.435)	(0.062)	0.030	(1.467)	19.50	17.50	2.00

Corporate Savings

Service	Saving Proposal	Brief Saving Description	Proposed Saving					Potential number of FTE's reduction	Vacancies	Potential Redundancies
			21/22 £m	22/23 £m	23/24 £m	Total £m				
Existing Savings formally signed off by Full Council Meeting on 26 February 2020:										
Corporate	Treasury Management Savings	Treasury Management Review based on capital requirement (caveat treasury management/capital budgets will continue to be reviewed in line with the capital programme)	(0.158)	(0.750)	-	(0.908)	-			
Total Existing Savings:			(0.158)	(0.750)	-	(0.908)	-	-	-	
Proposed Savings:										
Corporate	All Directorates	Part of Digital Placeholder Saving - Reduction to Photocopying and Travel Expenditure Budgets - new ways of working	(0.120)	0.060	-	(0.060)	-			
Total Proposed Savings:			(0.120)	0.060	-	(0.060)	-	-	-	
TOTAL CORPORATE SAVINGS:			(0.278)	(0.690)	-	(0.968)	-	-	-	
TOTAL CORPORATE RESOURCES SAVINGS:			(1.713)	(0.752)	0.030	(2.435)	19.50	17.50	2.00	

Peoples Pressures - Adults

Service	Pressures	Proposed Pressures			
		21/22 £m	22/23 £m	23/24 £m	Total £m
Existing Pressures formally signed off by Full Council Meeting on 26 February 2020:					
Adults	*Demographic social care pressures (see reduction to pressure below)	1.400	1.400	-	2.800
Total Existing Pressures:		1.400	1.400	-	2.800
Proposed Pressures:					
Adults	BCF - DFE Match Funding pressure	0.250	-	-	0.250
Adults	*Demographic Social Care and National Living Wage (NLW) pressures	(0.500)	-	1.400	0.900
Adults	Joint contribution to DRIVE	0.045	-	-	0.045
Adults	Carelink income target	0.250	-	-	0.250
Adults	Mental Health Packages	0.600	-	-	0.600
Public Health	Agenda for change uplift for pay costs (funded through increase in Public Health Grant)	0.482	-	-	0.482
Total Proposed Pressures:		1.127	-	1.400	2.527
TOTAL ADULTS PRESSURES:		2.527	1.400	1.400	5.327

Peoples Pressures - Children's

Service	Pressures	Proposed Pressures			
		21/22 £m	22/23 £m	23/24 £m	Total £m
Existing Pressures formally signed off by Full Council Meeting on 26 February 2020:					
Children's	*DSG - Central Services Schools Block pressure (see reduction to pressure below)	1.000	0.850	-	1.850
Children's	Looked after Children demographic pressure	0.125	0.125	-	0.250
Children's	Temporary Project Management arrangements in the SEND Service to be made permanent. (Removal of Pressure)	(0.100)	-	-	(0.100)
Total Existing Pressures:		1.025	0.975	-	2.000
Proposed Pressures:					
Children's	Education Health and Care Plan (EHCP) Service - additional 5 SEND officers to increase the capacity within the team to 12 (11.8 FTE)	0.150	-	-	0.150
Children's	Provision for an increase in demand across children's social care including the costs of placements for looked after children	8.000	-	-	8.000
Children's	Exit from Care - Additional social work capacity	0.145	-	-	0.145
Children's	*Reduction/slippage to Existing Pressures - DSG Pressure	(0.613)	(0.350)	0.500	(0.463)
Children's	Children's Placements/Residential Homes Project Officer - one off funding	0.035	(0.035)	-	0.000
Children's	Financial Support to Families during School Holidays - To implement a support package to the 31st December 2021 to ensure access to food support for children at risk of food poverty (one off)	0.573	(0.573)	-	-
Total Proposed Pressures:		8.290	(0.958)	0.500	7.832
TOTAL CHILDREN'S PRESSURES:		9.315	0.017	0.500	9.832
TOTAL PEOPLES PRESSURES:		11.842	1.417	1.900	15.159

Communities and Place Pressures

Service	Pressures	Proposed Pressures			
		21/22 £m	22/23 £m	23/24 £m	Total £m
Existing Pressures formally signed off by Full Council Meeting on 26 February 2020:					
Leisure and Culture	Moorways Swimming Pool Potential Running Costs	0.400	-	-	0.400
Leisure and Culture	Moorways Swimming Pool Pre-opening costs	0.700	(0.800)	-	(0.100)
Leisure and Culture	New Assembly Rooms revenue support operational and property maintenance (Removal of Pressure)	(0.114)	(0.269)	-	(0.383)
Markets	Markets - Underachievement of income (Removal of Pressure)	(0.045)	-	-	(0.045)
Housing	High Rise Buildings assessment (Removal of Pressure)	(0.029)	(0.091)	-	(0.120)
Total Existing Pressures		0.912	(1.160)	-	(0.248)
Proposed Pressures:					
Leisure and Culture	Queens Leisure Centre Income Pressure (Removal of Pressure) agreed to remove 23/24	-	-	(0.210)	(0.210)
Housing	Change to Carelink Saving	0.130	-	-	0.130
Leisure and Culture	Leisure and Cultural Services - base budget Income shortfall pressure	0.460	-	-	0.460
Parking Services	Parking Income base budget shortfall pressure	0.600	-	-	0.600
Parking Services	Full Street Car Park - loss of income if demolished 2021	0.446	-	-	0.446
All	Salary Pressure across directorate due to low turnover and staff being at top of grade	0.380	-	-	0.380
Public Protection	Public Protection Officers (PPO) Shortfall Income	0.400	-	-	0.400
Economic Regeneration	Economic Growth Income Shortfall	0.160	-	-	0.160
Total Proposed Pressures:		2.576	-	(0.210)	2.366
TOTAL COMMUNITIES AND PLACE PRESSURES:		3.488	(1.160)	(0.210)	2.118

Corporate Resources Pressures

Service	Pressures	Proposed Pressures			
		21/22 £m	22/23 £m	23/24 £m	Total £m
Existing Pressures formally signed off by Full Council Meeting on 26 February 2020:					
Policy, Insight & Communications	Consultation Support Officer – Part year effect of making permanent an existing post which had previously been funded from temporary solutions	0.012	-	-	0.012
Human Resources	Apprenticeship Team - Additional funding required to extend team to March 2021 (Removal of one off pressure)	(0.017)	-	-	(0.017)
Policy, Insight & Communications	Local Government non-structural reform (Removal of temporary pressure)	-	(0.050)	-	(0.050)
Policy, Insight & Communications	City Vision Consultancy (Removal of one off pressure)	(0.100)	-	-	(0.100)
Total Existing Pressures:		(0.105)	(0.050)	-	(0.155)
Proposed Pressures:					
Land Charges	Reduced income due to lower anticipated searches as a result of Housing market conditions	0.160	-	-	0.160
Coroners	Increased costs relating to Coroners recharges which Derbyshire County Council administer	0.100	-	-	0.100
Internal Audit	Insufficient budget to meet Central Midlands Audit Partnership funding commitments	0.022	-	-	0.022
Insurance	Anticipated insurance premium increase	0.382	-	-	0.382
Insurance	Anticipated Top up of Insurance provision to cover losses	0.190	-	-	0.190
Income Management	PCI compliance software requirement (one off pressure)	0.050	(0.050)	-	-
IT	Upgraded critical IT infrastructure	0.028	-	-	0.028
Benefits & Exchequer	Housing Benefit Overpayment Recovery impact from transfer to Universal Credit	0.170	-	-	0.170
Benefits & Exchequer	Single Discretionary Allowance Budget	0.500	(0.500)	-	-
Connect Derby	Community Action Derby and Shot Tower including service charge and utility costs	0.065	-	-	0.065
Policy, Insight & Communications	Permanent Funding for Change Derby Team	0.250	-	-	0.250
Policy, Insight & Communications	Project Support Officer	0.031	-	-	0.031
Policy, Insight & Communications	Business Intelligence - Analyst Capacity	0.035	-	-	0.035
Human Resources	Unachievable Saving - Bringing trade union facility time into line with our comparator councils	0.040	-	-	0.040
Total Proposed Pressures:		2.023	(0.550)	-	1.473
TOTAL CORPORATE RESOURCES PRESSURES:		1.918	(0.600)	-	1.318

Corporate Pressures

Service	Pressures	Proposed Pressures			
		21/22 £m	22/23 £m	23/24 £m	Total £m
Existing Pressures formally signed off by Full Council Meeting on 26 February 2020:					
Corporate	Treasury Management Forecast Adjustments (caveat treasury management/capital budgets will continue to be reviewed in line with the capital programme)	1.026	(0.031)	-	0.995
Corporate	Prudential Borrowing - Treasury Management flexibility to fund emerging priorities	1.000	1.000	-	2.000
Total Existing Pressures:		2.026	0.969	-	2.995
Proposed Pressures:					
Corporate	Unachievable layers and levels saving 2020/21 MTFP	0.250	-	-	0.250
Corporate	Unachievable Commercialisation saving 2020/21 MTFP	0.250	-	-	0.250
All Directorates	Annual Leave Saving - one off reduction in uptake due to Covid	0.050	(0.050)	-	-
Corporate	Treasury Management Base budget updated pressure for future years	-	0.686	3.070	3.756
All Directorates	Covid Scarring - Additional loss of income - place holder	2.300	(1.150)	(1.150)	-
All Directorates	Emerging Covid Pressures Fund	0.480	(0.480)	-	-
Corporate	Anticipated Reduction in SCAPE dividend - due to impact of Covid	0.150	-	-	0.150
Total Proposed Pressures:		3.480	(0.994)	1.920	4.406
TOTAL CORPORATE PRESSURES:		5.506	(0.025)	1.920	7.401
TOTAL CORPORATE RESOURCES PRESSURES:		7.424	(0.625)	1.920	8.719

Summary of Reserves Movement as at 31 December 2020

Statement of Reserves	2020/21 Opening Balance £m	In Year Movement £m	2020/21 Commitments £m	2020/21 Closing Balance £m	Future Years Commitments £m	Ringfenced £m	Future Years Closing Balance £m
General Fund							
Unallocated General Fund Balance	(10.933)	2.000	0	(8.933)	0	0	(8.933)
Balances Held By Schools	(5.866)	0	1.317	(4.549)	0	4.549	0
Budget Risk Reserve	(20.186)	3.389	9.074	(7.723)	5.968	0	(1.755)
TOTAL	(36.985)	5.389	10.391	(21.205)	5.968	4.549	(10.688)
Revenue Earmarked Reserves							
Covid 19 Reserve	0	(7.142)	7.142	0	0	0	0
Central Schools Budget Reserve	(2.582)	0	1.882	(0.700)	0	0.700	0
General Insurance Reserve	(2.667)	0	0	(2.667)	0	0	(2.667)
Trading Services Reserve	(0.117)	0	0	(0.117)	0.061	0	(0.056)
Year end grants with restrictions	(3.874)	0.329	2.909	(0.636)	0.537	0.099	0
DEGF Interest Reserve	(0.717)	0.136	0.488	(0.093)	0.093	0	0
Regeneration Fund Reserve	(1.493)	0	0.428	(1.065)	1.065	0	0
Delivering Change Reserve	(2.036)	0.429	1.607	0	0	0	0
Better Care Fund Reserve	(0.939)	0.939	0	0	0	0	0
Business Rate Pilot Reserve	(2.906)	0	2.740	(0.166)	0.166	0	0
Business Rates Smoothing Reserve	(1.552)	0	1.552	0	0	0	0
Collection Fund Deficit Smoothing Reserve	0	0	(2.821)	(2.821)	2.821	0	0
Treasury Management Reserve	(1.987)	0	0.500	(1.487)	1.487	0	0
Public Health Reserve	(0.540)	0	0.240	(0.300)	0.300	0	0
Adult Social Care Reserve	(0.265)	0	0	(0.265)	0.257	0	(0.008)
Capital Feasibility Reserve	(0.919)	0	0.300	(0.619)	0	0	(0.619)
Other Service Reserves	(10.762)	(1.793)	2.572	(9.983)	5.090	0.111	(4.782)
PFI Reserves	(29.029)	0	(0.319)	(29.348)	29.348	0	0
Earmarked Reserves to support the capital programme	(2.254)	0	(0.200)	(2.454)	0.081	1.836	(0.537)
TOTAL	(64.639)	(7.102)	19.020	(52.721)	41.306	2.746	(8.669)

Statement of Reserves	2020/21 Opening Balance £m	In Year Movement £m	2020/21 Commitments £m	2020/21 Closing Balance £m	Future Years Commitments £m	Ringfenced £m	Future Years Closing Balance £m
Housing Revenue Account (Ringfenced)							
Housing Revenue Account (Ringfenced)	(47.311)	0	4.592	(42.719)	18.184	24.535	0
Major Repairs Reserve	(2.885)	0	0	(2.885)	0	2.885	0
Other Earmarked HRA Reserves	0	0	0	0	0	0	0
TOTAL	(50.196)	0	4.592	(45.604)	18.184	27.420	0

Section 25 Report of the Strategic Director of Corporate resources (S151 Officer) on the Robustness of Estimates and on the Adequacy of Reserves 2021/22 – 2023/24

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/Recovery Plan. Due to the impacts of Covid 19 there remain financial challenges and uncertainty ahead.
- 1.2 The MTFP process incorporates a review of current levels of reserves to ensure there is adequate cover for current and future planned needs and unforeseen eventualities and it identifies any reserves which can be released to support the delivery of our three year MTFP.
- 1.3 This report provides an opinion under Section 25 (1) of the Local Government Act 2003 which requires the Chief Finance Officer (Section 151 Officer) to report to Council on the robustness of the MTFP estimates made for the purposes of the budget calculations and the adequacy of Council reserves. Members are required to consider the advice in this report before agreeing the budget requirement and setting a Council Tax

Recommendations

- 2.1 To consider and note the Chief Finance Officer's opinion that the estimates used in the production of the MTFP for 2021/22 to 2023/24 and level of reserves and balances are robust prior to Council determination of its budget requirement and setting of Council Tax.

Reasons

- 3.1 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Strategic Director of Corporate Resources) 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 Strategic Director of Corporate Resources 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 next budget year (i.e. 2021/22). However, despite future uncertainties arising from Covid 19 the Council is proposing a 3 year MTFP. There are residual budget gaps in Year 2 and 3 of the MTFP of approximately £13.7m that the Council will seek to bridge through future government funding and through implementing the MTFP themes detailed in section 4.2.4.

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 robustness of the proposed MTFP and budget for 2021/22 benefits significantly from improvements in systems, processes and governance for delivery of the Council's Capital Programme implemented in 2020/21 and regular reporting of the Council's financial position to Cabinet and the Corporate Leadership Team.

4.1.4 The Council will during 2021/22 undertake a self-assessment against the new CIPFA financial management code and develop appropriate action plans to strengthen the Council's financial management arrangements.

4.1.5 Budget Assumptions

The formation of the 2021/22 budget and indicative budgets for the following two years to 2023/24 have allowed for best estimates of the total financial envelope over the medium term considering anticipated impacts of Covid 19, unavoidable pressures plus investments and the savings then required to match the funding available. In forming the estimates various assumptions have been made.

The key assumptions behind the estimates are attached at Annex 1. There is volatility with impacts of Covid-19 expected to be felt for some time. The MTFP assumptions in Annex 1 detail some of the mitigations to manage this over the medium term.

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

4.1.6 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 financial sustainability and allow the Council to be able to change without undue impact on Council Tax income forecasts. The Council's reserves are not set at a level where it could address (solely) the impact of a global shock such as the Covid pandemic. However, it provided the necessary budgetary provision to allow expenditure to be incurred prior to receipt of Government funding.

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.

4.1.7 Reserves are set at a level that recognises the financial risks facing the Council alongside monies set aside for specific purposes (earmarked reserves). The greater the level of uncertainty, the more likely reserves will be needed. The Council prepares its budget using the best information available at the time but inevitably includes some uncertainty. In setting the budget, it is important that Cabinet take account of the uncertainties involved, both in establishing a suitable level of balances and contingencies, and in setting an overall strategy for the budget and MTFP.

4.1.8 A prudent approach needs to be maintained between holding too much and too little money in reserves. If reserves are too low, this increases the Council's exposure to risk and endangers its capacity to deliver priorities in a planned and prudent fashion. Demand led services, Major Projects, an environment of ever changing legislative requirements, combined with delays in the Fair Funding review all threaten financial stability. However, money held unnecessarily in reserves is not being spent on front line services and the public may not receive full value for money. The Council therefore regularly reviews the reserves position to ensure reserves remain adequate. An optimum position is where there is no recurrent drawdown on reserves to support the budget strategy – this is achieved for the 2021/22 financial year. I would not recommend any planned recurrent use of reserves to form part of the agreed Revenue Budget for 2021/22 or the Medium Term Financial Plan

- 4.1.9 The Council's primarily manages financial risk through:
- (a) Budget Risk Reserve (Annex 2)
 - (b) General Fund (Annex 3)
- 4.1.10 The Council's policy is to hold a General Fund Balance between 3% and 5% of the net budget requirement to mitigate the financial impact of major events. The projected value of the Council's General Fund balance at 31 March 2021 is £8.933m; this is equivalent to 3.48% of the 2021/22 net budget requirement and is therefore within the recommended target range.
- 4.1.11 Each individual Council-controlled school in Derby also has its own financial reserve, collectively known as 'School Balances'. Schools balances are delegated directly to schools and are not available to the Council for general use. The uses of any surplus balances are considered by the Council's Schools Forum on an annual basis. The projected value of the Council's School Balances at 31 March 2021 is £4.549m.
- 4.1.12 The Council also holds a number of earmarked reserves to fund specific projects, or to manage risks or uncertainty in specific areas. Annex 3 shows the projected balance as at 31 March 2021 of £52.721m as earmarked reserves and £7.723m in the Budget Risk Reserve.
- 4.1.13 In the event of a significant financial loss which cannot be addressed through the Council's budget risk reserve, the Council could look to reallocating its other Revenue Earmarked Reserves (except for the General Fund, Reserves with restrictions and school balances) which taken together are projected to amount to £52.721m at 31 March 2021 and £8.669m in future years, as shown in Annex 3.
- 4.1.14 The Covid pandemic has introduced further risk into the financial forecasts and the sustainability of the amounts of monies held in reserves. Ideally at a time of increased risks to financial sustainability the Council would look to increase reserve levels. However, as a result of unbudgeted demand arising from a marked increase in Looked After Children in 2020/21 this was not possible in the 2021/22 Budget Setting. The Budget strategy focused on ensuring no recurrent use of reserves in the 2021/22 Budget – this objective is met in the proposed MTFP and budget requirement for 2021/22.
- 4.2.15 If the Council was to receive additional funding in 2021/22 or 'windfall' income it should look in the first instance to transfer these to support the future financial sustainability of the Council.

4.1.16 **Overall Opinion of the S151 Officer**

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

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

There is of course the unknown element of Covid which will impact on the Council – however the MTFP includes £2.3m for Covid scarring and £0.480m as a Covid contingency budget which will be used in the first instance and mitigate any further unplanned use of reserves

In my opinion, the estimates are sufficiently robust to allow the Council to set the Revenue Budget, Capital Programme, HRA Budget, Dedicated Schools Grant and Council tax for 2021/22.

The increased volatility of the budget post Covid 19 requires robust financial monitoring to ensure that the Council's financial sustainability is reviewed on a regular basis and corrective actions (if required) are implemented at an early stage.

Basis of Estimates

Budget Assumption	Commentary
Government Funding	The 2021/22 Budget is based on the draft Local Government Finance Settlement which is only for one year. It is assumed that the funding levels for 2021/22 will be built into the Government control totals going forward on a recurrent basis. The MTFP assumes settlement funding increases by CPI for Business Rates in the following two years with no assumed increase in other settlement funding. The Government has stated that the move to 75% business rates retention and changes to how funding is distributed between councils under the fair funding review will not now go-ahead next year (2021/22) due to the pandemic. Based on previous modelling by our external financial advisors Derby could be a 'gainer' from these changes. The potential for additional funding (over and above CPI) has not yet been factored into the MTFP. Equally, it is not felt necessary at this stage to plan for a decrease in core settlement funding from Central Government.
Specific Government Grants	The MTFP includes specific grant announcements announced by Government for 2021/22. These are forecast to be broadly static for future years.
Business Rates	Nationally, the Government has postponed a number of planned changes to the funding framework that were due to be implemented in 2021/22 (Fair funding, Business Rate Retention to 75% and a business rate reset). These alongside the fact that a number of grants detailed in 4.9 are/or could be one-off leads to uncertainty in future Central Government funding allocations. For this reason, the MTFP does not incorporate estimates of these changes but has factored in the reversing out of one-off funding streams that result in the indicative budget gap for 2022/23 and 2023/24. In addition to this there is also the risk of on-going business failures as a result of the pandemic that could impact on Business Rates collections.
Council Tax	The MTFP assumes the Council maximises Council Tax within referendum levels for the next three years (1.99% increases per year for 2021/22 to 2023/24) and a specific 3% Social Care Precept for 2021/22. There may be reductions in ratings income, changes in collection rates and increases in Local Council Tax Support Scheme (LCTSS) due to the impact of Covid, which could significantly reduce the forecast income. This will be reviewed on an ongoing basis. The MTFP has built in provisional assessments of Government support for Council Tax losses alongside the flexibility of spreading these over the next three years.

Inflation	The MTFP assumes a range of inflation indicators in areas such as Adults and Childrens Social Care. There may be emerging inflationary pressures for example in respect of Covid 19 and the MTFP contains contingencies for these.
Pay Award	The MTFP assumes Pay Awards of 1% per annum.
Demographic and Demand Growth	<p>The MTFP provides for significant investment in Social Care (£149.225m) linked to current level of service provision and interventions to manage future demand and cost of provision. The main demand pressure is within the area of Children's Social Care which in 2020/21 is forecast to overspend by £8.075m. The MTFP has factored an £8m increase in costs into the base budget going forward. There is a demand and demographic pressure totalling £1m for both Adults and Children's in the MTFP for 21/22, and also Adults only pressure for demographics in year 2 and 3 of £1.4m.</p> <p>The MTFP has a number of key themes one of which is Demand Management/Commercialisation. An early area of the programme is reviewing Social Care commissioning initiatives with a view to prioritising resource to those most in need. This involves innovative and better ways to manage entry and exits to/from the care system and secondly to ensure that the right services are available to meet needs in the future. In particular, there is the desire to ensure that more foster care and residential provision are provided in the City</p>
Delivery of Savings Targets	The MTFP includes £11.14m of savings and income targets
Capital Programme	<p>The MTFP includes a Capital Programme (including the HRA) totalling £473.4m. The prudential borrowing costs of this programme are included within the Revenue Budget as at Quarter 3 – 2020/21. Historically there has been significant slippage on the Capital Programme. Stronger programme management arrangements have been introduced to strengthen delivery of the Capital Programme. This should reduce risks of costs increases and/or losing external funding. A number of schemes within the programme have specific funding dates – these will be monitored closely.</p> <p>The MTFP includes provision for further capital schemes to be funded future prudential borrowing.</p>
Treasury Management and Investments	All existing debt is under fixed interest rates and is not subject to interest rate variation and the MTFP assumes an extension of the strategy to borrow internally for prudential borrowing schemes. The MTFP assumes new borrowing at a rate of 1.72% and average return on investments of 0.05%. Economic Forecasts indicate that the period of low interest borrowing will continue for the period of the MTFP.

BUDGET RISK RESERVE RISK ASSESSMENT 2021/22 – 2023/24

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 21/22 and included in budget requirements	£226,000
Variation from Estimates – Other Pressures	MTFP pressures accurately show levels of pressures and related risks and effects. Early budget-setting allows services to better plan savings into their forward budgets.	Pressures are continually monitored and Directorates will seek to contain emerging pressures. Any additional financial impact, and supporting explanations, would be reported to Members.	5% variation in other pressures	£1,136,000
Variation in Assumptions - Achievability of Savings	MTFP savings proposals show levels of savings achievable and related risks and effects. These are based on the latest information available. Early budget-setting allows services to better plan savings into their forward budgets.	Directorates are required to find alternative savings proposals or take alternative mitigating actions. Any undelivered savings, and supporting explanations, would be reported to Members.	5% - 10% variation in savings	£724,050

Risk Description	Controls in Place	Proposed Management Actions	Calculation	Estimated Risk Value (mid-point)
Funding Risk – Variations from assumptions	Technical assessment via expert external advisors and work with the Special Interest Group of Municipal Authorities (SIGOMA).	Regular reviews through settlement working group, LGA and SIGOMA etc.	0.5% to 1.0% variation in funding from specific grants	£556,245
Total MTFP risks with assumed 2 year time delay to reach permanent solution				£5,284,590
Estimated slippage of specific savings targets (3 months delay on 50% of savings targets)				£1,206,750
Unidentified future pressures/Emergency pressures including Property Maintenance/COVID	Early warnings through horizon scanning and monthly revenue monitoring.	The ability to address these issues has been limited because global pressures and corporate contingencies have been reduced in the MTFP in previous years. They will therefore have to be addressed in year, as they arise. The number and financial impact of such occurrences has been rising each year.	Nominal Allocation	£1,000,000
Minimum level of Budget Risk Reserve required				£7,491,340
Projected Budget Risk Reserve as at 31 March 2021*				£7,723,291

* Future years commitments for the budget risk reserve are £5.968m

GENERAL FUND RESERVES RISK ASSESSMENT

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

Area of Risk	Risk Description	Controls in Place	Calculation	Estimated Risk Value (£m)
Impact of Partner Funding	Pressure on Council budget if partner funding is withdrawn from critical services which require, as a minimum, continuation funding for a short term period.	The Council works closely with key partners to develop forward looking plans, including discussions regarding funding.	6 months funding cover of a range of £0.5m to £1m risk	£250,000 to £500,000
Business Critical Systems	Cost involved in setting up alternative arrangements to ensure legal obligations are met, including emergency payments and additional staffing costs	Detailed emergency plans in place and subject to regular review.	Nominal Allocation	£250,000 to £1,000,000
Impact of Adverse Weather Conditions	Risk of unforeseen costs for potholes, winter gritting, minor flooding etc.	In practice such events are outside of the scope of management control. However, the Council does have an ongoing programme of highways maintenance, which includes an element for emergency works.	5% - 10% of highways maintenance budgets	£233,974 to £467,947
Legislative Changes	Changes in legislation may place additional financial burdens on the Council.	Legislative changes may be accompanied by associated funding changes but this might not be adequate to cover costs.	Nominal Allocation	£100,000 to £250,000
Dedicated Schools Grant (DSG)	Impact of funding risk not covered by general fund budget risk reserve.	Rigorous review of current DSG assumptions based on latest information from central government and historic experience.	£249m DSG x 1%	£2,490,000

Area of Risk	Risk Description	Controls in Place	Calculation	Estimated Risk Value (£m)
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 2019/20 debt figures (based on value from 2019/20 Statement of Accounts)	£106,977
Current Provisions	Level of current provisions made are insufficient.	Anticipated liability cost calculations are based on the best available information.	Nominal Allocation	£250,000 to £1,000,000
Redundancy Funding	There is a risk of a temporary shortfall in the Council's redundancy funding to cover staff exits.	Anticipated redundancy cost calculations are based on the best available information, including data from the previous redundancy programmes. The funding calculations include a small element of flexibility to allow for changes in the actual costs incurred against budgeted values.	Nominal Allocation	£250,000
Recommended General Reserve Target Range				£6,230,951 to £9,364,924
Projected General Fund Balance as at 31 March 2021:				£8,933,000

Reserves Policy

Introduction

The requirement for financial reserves is acknowledged in statute.

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

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

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

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

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

Types of Reserves

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

- A contingency to cushion the impact of unexpected events or emergencies (Not a Global pandemic)
- Means of building up funds often referred to as earmarked reserves, to meet known or predicted requirements;

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

- Ensuring the projected level of General Reserve balance at the end of the MTFP is within the appropriate range calculated.
- The annual planned use of reserves in each year of the MTFP;
- The impact of sudden large changes in annual use of balances on services or Council Tax levels.

- The adequacy of the General Reserve Balance will be determined by assessing the financial risks associated with meeting continuing obligations to provide services. The risk assessment will be reviewed annually.

Guidance

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

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

The General Reserve Balance will be reviewed and projections on future earmarked reserve balances will be made at key points during the financial year, namely as part of the budget setting process and update of the MTFP. Only in exceptional circumstances, would the actual level of the Council's balance fall below the level which is considered appropriate. This is consistent with the need to provide to meet short-term unforeseen expenditure. The actual level will be monitored against balances outlined in the MTFP.

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

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

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

Financial Limits

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

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

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

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

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

Further Legislative Control

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

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

These requirements are reinforced by section 114 of the Local Government Finance Act 1988 which requires every Chief Finance Officer in England and Wales to report to the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year.

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



Budget and Recovery 2020/21 – 2022/23

Consultation Results

Introduction

On 17th December 2020 we launched a consultation on our Medium-Term Financial Plan (MTFP) and our Recovery Plan. The consultation was open for one month, closing on Sunday 17th January 2021. It was conducted through an online survey with paper copies, different versions and translations all available on request. People were also given the opportunity to write in with any other comments they had. **33** people gave their view through the online survey.

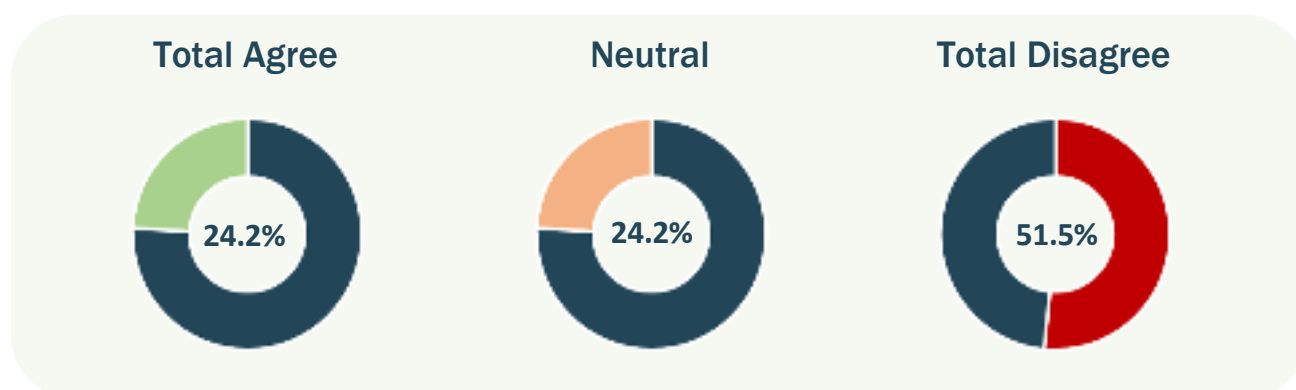
A note on the data in this report: Data from the ‘closed’ option questions is presented in the report as a % score. The data in the text of the report is rounded up or down to the nearest whole percentage point. Charts or tables therefore may result on occasions adding up to 99% or 101%. If a table or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

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

Feedback on our budget

The consultation document set out the thematic approach we took this year to planning and balancing our budget. Over half (51.5%) of those responding reported that they disagreed with the approach, with just under a quarter (24.2%) in approval. When given the opportunity to give their views in more detail, however, it does not appear to be the process that they contested, but some of the decisions and proposals within the budget itself.

Figure 1: Level of agreement with budget approach



Comments on the budget

Respondents commented on several different elements of the budget. The most common feedback related to:

- Criticism about the proposed Council Tax increase;
- Opposition to a reduction in Derby Live staffing;
- Disappointment that there was not enough focus on climate change and the environment within the plan.

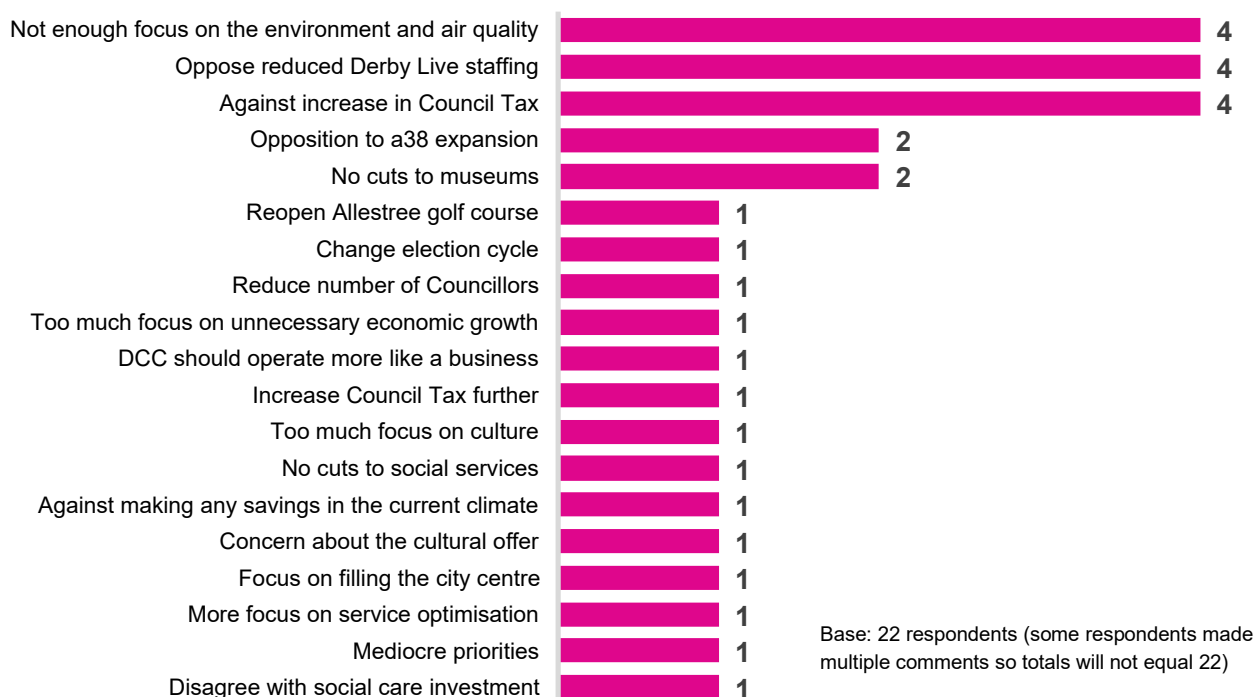
You discuss 35% of the workforce being furloughed but look to increase revenue from council tax.

Funding for decarbonisation and air quality is too low. Too much funding given to developments and refurbishments. Too much on Highways Infrastructure which contributes to CO2 and impacts on the health and wellbeing of Derby residents. Over 9 million on the Assembly Rooms design? Is that essential during a health crisis and climate emergency?

Feedback on Leisure, Culture and Tourism and proposed removal of 6 FTE in the back-office functions. I feel this is short sighted, when, following end of lockdown, the Council will be trying to regenerate the City's economy, and need the staff in this department to help fulfil that.

Comments made on all the proposals have been coded into themes for the purpose of the analysis.

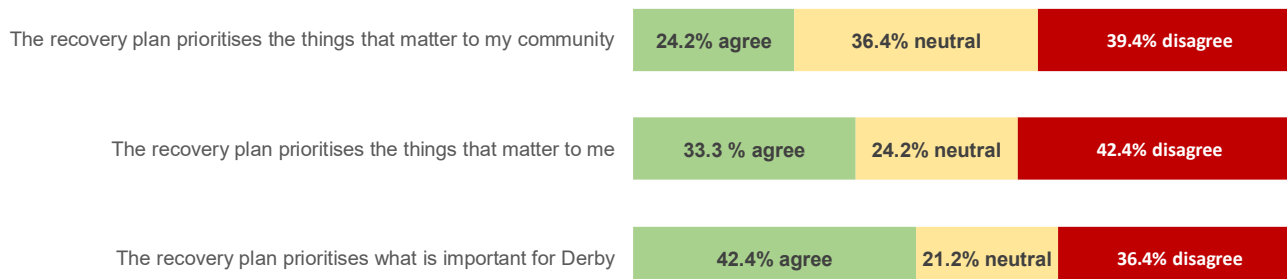
Chart 1: Common themes emerging from budget feedback



Feedback on our Recovery Plan

Overall, 42.4% agree that the priorities in the Recovery Plan matter to Derby. A third of respondents felt that it mattered to them personally and just under a quarter (24.2%) said that it mattered to their community (Chart 2).

Chart 2: Feedback on the Recovery Plan priorities



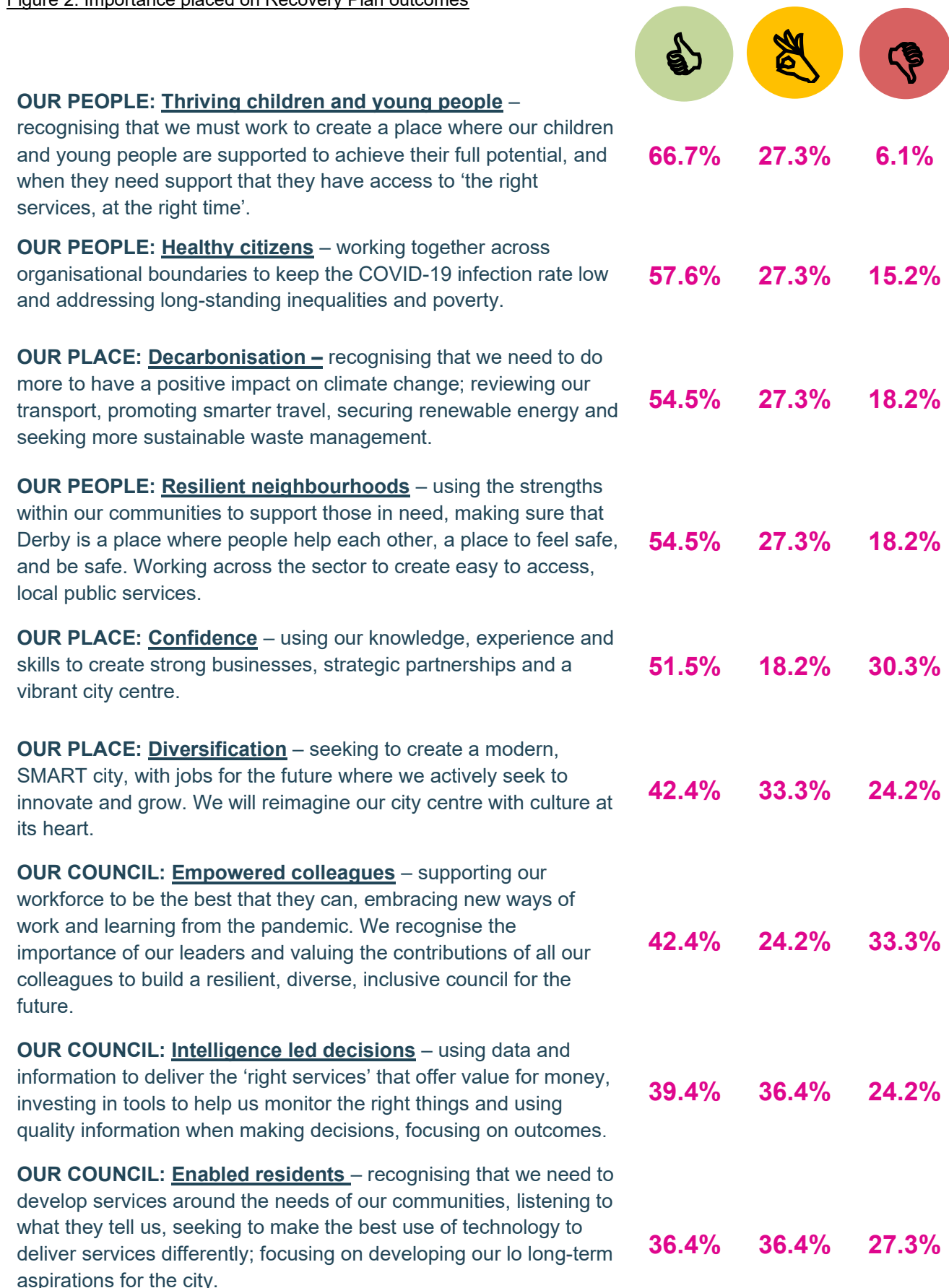
Base: 33 respondents

Nine key outcomes are set out in the recovery plan split into the three themes of 'our place', 'our people' and 'our council'.

Overall, the outcomes that respondents prioritised were those relating to our people; with thriving children and young people, healthy citizens, and resilient neighbourhoods being considered highly important by the majority. Decarbonisation was also highlighted as being of high importance to the majority (54.5%).

In contrast, a third of those responding felt that having empowered colleagues within the Council was unimportant. Just under a third (30.3%) felt that confidence and using our knowledge, experience and skills to create strong businesses, strategic partnerships and a vibrant city centre was of little or no importance (Figure 2 over the page).

Figure 2: Importance placed on Recovery Plan outcomes





Base: 33 respondents

General comments and suggestions

Consultees were also given the opportunity to give feedback or suggestions on the budget and recovery plan as a whole – 18 responded, some commenting on multiple parts of the consultation. Comments and suggestions touched on a number of themes. The most common related to the plans not being ambitious enough with regard to decarbonisation, the environment and reduction of traffic across the city.

Figure 3: General comments and suggestions (themes)

	Theme	No. of responses
Comments 	Not enough emphasis on reducing traffic	3
	Not enough ambition for decarbonisation/ climate change	3
	Criticism of DCC	2
	Oppose staff reductions in Leisure, Culture and Tourism	2
	Criticism of consultation	2
	Opposition to redundancies	1
Suggestions 	Refocus city centre work	2
	Suggestion on who to consult with further	1
	Be more creative and try new partnerships	1
	Reopen Allestree golf course	1
	Prep for the possible closure of Rolls Royce	1
	Improve the cultural offer	1

Base: 18 respondents

Appendix A: Data Tables

Table 1: Having read the consultation document, to what extent do you agree or disagree with the approach that we have taken?

	No.	%
Strongly agree	3	9.1
Agree	5	15.2
Neither agree nor disagree	7	21.2
Disagree	10	30.3
Strongly disagree	7	21.2
Don't know	1	3.0
Total	33	100.0

Table 2: The recovery plan prioritises what is important for Derby...

	No.	%
Strongly agree	4	12.1
Agree	10	30.3
Neither agree nor disagree	6	18.2
Disagree	7	21.2
Strongly disagree	5	15.2
Don't know	1	3.0
Total	33	100.0

Table 3: The recovery plan prioritises the things that matter to me...

	No.	%
Strongly agree	2	6.1
Agree	9	27.3
Neither agree nor disagree	7	21.2
Disagree	7	21.2
Strongly disagree	7	21.2
Don't know	1	3.0
Total	33	100.0

Table 4: The recovery plan prioritises the things that matter to my community...

	No.	%
Strongly agree	2	6.1
Agree	6	18.2
Neither agree nor disagree	10	30.3
Disagree	9	27.3
Strongly disagree	4	12.1
Don't know	2	6.1
Total	33	100.0

Table 5: How important is outcome 1 'Confidence' to you?

	No.	%
High importance	17	51.5
Medium importance	6	18.2
Low or no importance	10	30.3
Total	33	100.0

Table 6: How important is outcome 2 'Diversification' to you?

	No.	%
High importance	14	42.4
Medium importance	11	33.3
Low or no importance	8	24.2
Total	33	100.0

Table 7: How important is outcome 3 'Decarbonisation' to you?

	No.	%
High importance	18	54.5
Medium importance	9	27.3
Low or no importance	6	18.2
Total	33	100.0

Table 8: How important is outcome 4 'Healthy citizens' to you?

	No.	%
High importance	19	57.6
Medium importance	9	27.3
Low or no importance	5	15.2
Total	33	100.0

Table 9: How important is outcome 5 'Resilient neighbourhoods' to you?

	No.	%
High importance	18	54.5
Medium importance	9	27.3
Low or no importance	6	18.2
Total	33	100.0

Table 10: How important is outcome 6 'Thriving Children and Young People' to you?

	No.	%
High importance	22	66.7
Medium importance	9	27.3
Low or no importance	2	6.1
Total	33	100.0

Table 11: How important is outcome 7 'Enabled residents' to you?

	No.	%
High importance	12	36.4
Medium importance	12	36.4
Low or no importance	9	27.3
Total	33	100.0

Table 12: How important is outcome 8 'Intelligence led decisions' to you?

	No.	%
High importance	13	39.4
Medium importance	12	36.4
Low or no importance	8	24.2
Total	33	100.0

Table 13: How important is outcome 9 'Empowered colleagues' to you?

	No.	%
High importance	14	42.4
Medium importance	8	24.2
Low or no importance	11	33.3
Total	33	100.0

Table 14: Gender

	No.	%
woman/ girl	12	36.4
man/boy	15	45.5
non-binary	1	3.0
Prefer to say	5	15.2
Total	33	100.0

Table 15: Age

	No.	%
30 and under	2	7.1
31-45	14	50.0
46-65	10	35.7
over 65	2	7.1
Total	28	100.0

Table 16: Do you identify as a gender other than what you were assigned at birth?

	No.	%
Yes	2	6.3
No	24	75.0
Prefer not to say	6	18.8
Total	32	100.0

Table 17: To which group do you consider you belong?

	No.	%
Asian or Asian British - Indian	1	3.4
Asian or Asian British - Pakistani	2	6.9
Dual Heritage - White and Black Caribbean	1	3.4
White - English / Welsh / Scottish / Northern Irish / British	25	86.2
Total	29	100.0

Table 18: Do you consider yourself to be a disabled person?

	No.	%
Yes	5	16.7
No	25	83.3
Total	30	100.0

Table 19: I consider myself to be...

	No.	%
heterosexual/straight	15	48.4
bisexual	5	16.1
a gay man	2	6.5
a gay woman/lesbian	1	3.2
Other	1	3.2
Prefer not to say	7	22.6
Total	31	100.0

Table 20: Do you have any religious beliefs?

	No.	%
Yes	10	32.3
No	16	51.6
Prefer not to say	5	16.1
Total	31	100.0

Table 21: If yes, to which religion do you belong?

	No.	%
Christian	7	70.0
Muslim	1	10.0
Other	1	10.0
Prefer not to say	1	10.0
Total	10	100.0

DERBY CITY COUNCIL

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

HELD 22 JANUARY 2021

Present: Representing Derby City Council

Councillor Poulter – Leader of the Council
Councillor Roulstone – Cabinet Member for Finance and Procurement
Simon Riley – Strategic Director of Corporate Resources

Representing Non-Domestic Ratepayers and the Business Community and Partners

The meeting was hosted by Marketing Derby and 47 representatives of the business community, partners and bondholders attended.

1 Introduction

Councillor Poulter (Leader of the Council), Councillor Roulstone (Cabinet Member for Finance and Procurement and Simon Riley (Strategic Director of Corporate Resources) outlined the budget position.

They explained that Council Cabinet would be meeting on 10 February 2021, to make recommendations to the City Council about setting the budget for the four financial years, 2021/22 – 2023/24. This meeting was part of the programme of consultation, which would help to inform the decisions made by the Council Cabinet and its recommendations to Council.

2 Budget Process

The Leader of the Council set out how the Council was working with the city to recover and build back stronger. The Council's proposed budget was a good balanced budget and the Council was in a much better position financially than many comparator authorities. It was proposed that Council Tax be increased by the maximum 4.99% allowed. The Council planned to unlock the city to create stronger communities and a stronger economy.

Derby City in the future would be different but it would be vibrant. Details were given of projects being undertaken in relation to the redevelopment of Becketwell and the Museum of Making. Other projects coming on board included Smartparc in Spondon, the Manufacturing and Research Centre at Infinity Park and Moorways Sports Village.

In respect of mental health 'Brilliant Derby' had been launched.

In a recent announcement the Council had been successful in obtaining £15m funding from the Future High Street Fund.

Councillor Roulstone explained the additional costs incurred during the Covid pandemic and the financial challenges of the Council in balancing the budget.

Simon Riley explained about the economic support for the city particularly in the last year.

John Forkin explained that the impact on the city of Covid had been circa £100m, but the Council had managed to balance the budget and was focussing on regeneration with many schemes in the pipeline.

3 Comments from the Meeting

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

Stephen Salloway asked why the decision was taken to cancel the proposed investment in the One Cathedral Green office scheme, if the city centre needed revitalisation, then it would need quality offices, alongside other things.

Councillor Poulter gave details of the financial risks associated with the project. There was still an opportunity to develop that area and to bid for funding.

Mike Copestake asked what were the Councils plans for ensuring that young people get the skills training which the city needs?

Councillor Poulter explained that the City Council was working with the DWP to drive this type of work alongside the community hub at the shot tower.

Tom Erskin asked if there were any plans for investing in greening the city centre? More than ever, green leisure space was vital for making cities attractive, healthy and safe. What plans were there to deliver that in Derby?

Councillor Poulter agreed that green spaces in the city centre were needed. He reported that there were plans for a public square at Becketwell, improvements to Osnabruck square and the Market Place and an urban park near the Silk Mill.

Scott Knowles asked what were the approximate financial reserves of the Council? How would grant funds for businesses that were unable to be deployed be used?

Simon Riley explained that the Council had approximately £70m reserves but some of these had commitments against them. Uncommitted reserves were around £20m. Simon also clarified that there was now more flexibility around business grants and grants of circa £7-8m had been paid out in the last week.

Patrick Kniveton asked if there was an update on the Riverside area and how the Council was working with the new owners of the Intu Centre in relation to recovery.

Councillor Poulter said there was a known target to provide an inner city park on the north riverside but funding for this has not been forthcoming. The City Council had an excellent relationship with the new owners of the Intu Centre. There was a potential for redevelopment of the eastern gateway which would help attract footfall.

Jackie Carpenter asked about any plans for the St Peters quarter.

Councillor Poulter explained that the Becketwell development would help in this area. He also reported that opening up the city centre community enforcement hub to include the police

working alongside the public protection officers in the city centre, would help with tackling anti-social behaviour.

4. Conclusion

John Forkin – Marketing Derby 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 9 February 2021..

Extract from Community Voices Minutes

Notes of Voices in Action Youth Council Meeting

Derby City Council

Monday 11 January 2021


Who was there?

Voices in Action Members	Connie Spencer Youth Mayor – Chair	Priya Gill Deputy Youth Mayor Chair	Adele Styles – Co-ordinator
Margot - Facilitating	Alix & Thomas - Facilitating	Adele & Ian - Facilitating	Natalie – Facilitating

Guests:

- Andy Smith – Strategic Director People's Services

What we talked about

1.	<p>Budget Consultation – Children's Homes</p> <p>Andy gave a presentation on the plans for Children's Homes as part of the council's budget consultation.</p>  <p>Budget Consultation Jan 21 ViA (003).ppt</p> <p>Young people were asked:</p> <p>1. How do you feel about:</p> <p>(a) open a 2 bedded intense support home on site of A & B?</p> <p>Key themes were:</p> <ul style="list-style-type: none"> • Majority felt having an intense support home is positive for young people but not on the same site as A&B • The main benefit for it to be on site of A&B would be for staff to move between children's homes more easily <p>(b) Young people aged 16/17 moving into a self-contained flat when they are ready?</p> <p>Key themes were:</p> <ul style="list-style-type: none"> • Mixed views there were discussions about the term 'when ready' and what that meant – some might think they are ready but then find they aren't ready.
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	<ul style="list-style-type: none"> • Concerns about loneliness, mental health, impact on other commitments such as exams/training and managing day to day independent living chores • Need to have the right support and skills to live independently. • Time and support needed for transition <p>(c) open 2 new smaller homes (1 with 1 bed, and 1 with 2 beds) for children with complex needs?</p> <p>Key themes were:</p> <ul style="list-style-type: none"> • Majority felt this is positive, with the 2 bed home being a good idea • Concerns related to the one bed home and the impact of no social interaction with other young people • Suggestion of a self-contained unit in another property may be an alternative. <p>Please see appendix 1 for full details.</p>
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Appendix 1

1. How do you feel about:	
(a) open a 2 bedded intense support home on site of A & B?	
Orange Group	
<ul style="list-style-type: none"> Might be a bit too much cause there are too many homes at on place 	<ul style="list-style-type: none"> Depends on the children's needs, it can vary from child to child
<ul style="list-style-type: none"> Might get overcrowded 	<ul style="list-style-type: none"> Could cause competition
<ul style="list-style-type: none"> Might get overwhelming because everyone is in one area 	<ul style="list-style-type: none"> It will be easier for staff to get to different homes faster and more easily
<ul style="list-style-type: none"> Services can be provided easily if the homes are nearer to each other 	<ul style="list-style-type: none"> Could be a useful investment
<ul style="list-style-type: none"> More accommodation is definitely a good thing. Will there be problems with it being on the same site? 	<ul style="list-style-type: none"> Opening an intense support home on site A & B is a good idea, it would be easier for workers to walk to get to other buildings, and having similar buildings together is just overall easier to find places.
Green Group	
<ul style="list-style-type: none"> YP A - How many children on the site and the dynamics between them are important and should be carefully considered. The fresh start for Young people who are LAC and/ or Youth offenders is very positive and additional support for them is also positive, but what effect will it have on current residents who are already settled? I have concerns about the negative influences this may have on all residents. 	<ul style="list-style-type: none"> YP B - I agree with YP A, even if young people are kept in a separate building this may cause issues. YP C – I agree with YP A
<ul style="list-style-type: none"> Question - Is this going to be for short term or long term placements? It would be better if they are long term. 	<ul style="list-style-type: none"> I agree it's hard to know we have the right opinion because the residents could be good for each other. The residents already on site who are settled could be good role models but also it could add fuel to a fire and make things difficult for everybody.
<ul style="list-style-type: none"> It could be problematic to have vulnerable groups together, but there could be role models in homes A and B. It is predictable that problems will arise if issues have previously been seen. <i>Question - Will there be additional support for all the residents on site as a result of this?</i> 	<ul style="list-style-type: none"> I agree that around the 24hour support would be a good thing and peer support for vulnerable children might also be a good thing.
<ul style="list-style-type: none"> The home could possibly be converted back to a normal children's homes if problems arise and reviews will help to see if external placements are needed. 	<ul style="list-style-type: none"> I think it is too much of a burden on the children already in Homes A&B to be good all the time.
Summary as a group - It is very positive to have the intensive support available but how many children are on site and dynamics are important. Although a fresh start for LAC children and Youth offenders is a good idea we don't necessarily agree they should be on the same site this house is A and B.	
Blue and Purple Group	

PROS <ul style="list-style-type: none"> • Look like normal homes • Ready to go (will save time and money) 	CONS <ul style="list-style-type: none"> • Overcrowding of children's homes- almost makes like a children's home unit • Staffing (Expensive?) • Rivalry between homes • Bringing challenging behaviour to the site can affect the other children
<ul style="list-style-type: none"> • Important to ask the staff and children already living on the site how they feel about it. 	

(b) Young people aged 16/17 moving into a self-contained flat when they are ready?	
Orange Group	
<ul style="list-style-type: none"> • It may affect education and jobs 	<ul style="list-style-type: none"> • Good opportunity if they feel ready
<ul style="list-style-type: none"> • Flats need to be nearer to schools and where there is easy access to transport 	<ul style="list-style-type: none"> • Might not be beneficial if you aren't certain because you can't go back
<ul style="list-style-type: none"> • May not be good cause they might now know how to look after themselves 	<ul style="list-style-type: none"> • Not many people are ready to move out on their own even if they feel ready
<ul style="list-style-type: none"> • Good because at 16-17, you would want to be independent and have responsibility 	<ul style="list-style-type: none"> • May help them in the future because they will learn new skills
<ul style="list-style-type: none"> • Could be a hazard to themselves if they are left on their own 	<ul style="list-style-type: none"> • However, 16-17 year olds already have a lot of stress such as A-Levels
<ul style="list-style-type: none"> • It depends if they are mentally prepared for it 	<ul style="list-style-type: none"> • Having to be completely independent and having to do things that the children's home did may be detrimental
<ul style="list-style-type: none"> • It would be their space, and so would perhaps be more conducive to learning 	<ul style="list-style-type: none"> • Living in a home with other young people in close proximity is distracting
<ul style="list-style-type: none"> • It would develop good life skills, and independence, perhaps confidence, which is a key factor in young people feeling capable of taking the best steps in paving their future 	<ul style="list-style-type: none"> • The key term is 'when they are ready' - perhaps it's important that they are not pressured or pushed into this if they don't feel they want to
<ul style="list-style-type: none"> • It would be great for the young people to move into a self-contained flat when they are ready and only if they are ready 	<ul style="list-style-type: none"> • I don't think it's quite as good if young people of 16/17 are supposed to be doing A levels or a similar qualification • having to be completely independent and having to do things that the children's home did may be detrimental on the flipside, it would be their space, and so would perhaps be more conducive to learning, as I'm sure living in a home with other young people in close proximity is distracting. • I think it would develop good life skills, and independence, perhaps confidence, which is a key factor in young people feeling capable of taking the best steps in paving their future. • I suppose the key term is 'when they are ready' - perhaps it's important that they are

	not pressured or pushed into this if they don't feel they want to
Green Group	
<ul style="list-style-type: none"> We don't think this is a good idea as there are many basic life skills which young people might not be ready for, such as cooking, and they might also get very lonely. 	<ul style="list-style-type: none"> I've seen this first-hand in other volunteering schemes and the main aspect of this question is When Are you ready? What help is in place for the children's development?
<ul style="list-style-type: none"> I'm only 16, I wouldn't be ready to move into a self-contained flat. 	<ul style="list-style-type: none"> I think it's would be good to have the option to say no at 16 but choose to do it at 17. The flats should also be close to the original home where the Young Person stayed before, and a gradual move would be best to help them adjust.
<ul style="list-style-type: none"> There's a high demand for houses in Derby. Question - What financial support will the children have? 	<ul style="list-style-type: none"> I disagree with this, there are some positives to the gradual approach, but the young people should have an adult close to them for emotional support, other support needs need to be met as well such as helping with home and financial management.
<ul style="list-style-type: none"> Independence is good if the children are ready 	<ul style="list-style-type: none"> I don't like this idea, it's the small things that matter like having somebody with you and it may create financial problems in terms of how you buy things and managing money
<ul style="list-style-type: none"> This is a question of when the young people are ready. Workshops to help the children gain skills is key, such as for finance, education, home management and other needs 	<ul style="list-style-type: none"> Mental health is a key aspect of this that should be remembered and highlighted as very important.
<ul style="list-style-type: none"> This is a bad idea young people won't necessarily consider what's involved in an independent living. 	<ul style="list-style-type: none"> The transitions are the most important part helping young people to settle in.
<p>Summary as a group – Establishing the right cases on a case by case basis is essential. Being independent too early might cause issues in relation to mental health, loneliness and this could be detrimental. At age 16 the person might not be ready so having the option to reject this and then choose to do it at age 17 might be a good idea. Skills workshops including finance, home management and life skills for any prospective residents would be ideal. We also believe that the transitions are key for the young people to help them settle in as well as possible for example: being able to live between both children's home and independent living initially.</p>	
Blue and Purple Group	
<ul style="list-style-type: none"> Completely depends on the person (needs to be the right time) 	<ul style="list-style-type: none"> A lot of preparation before hand to make sure they're ready (start at age of 15)
<ul style="list-style-type: none"> Option for a trial period (they can go back to the children's home if it isn't right) 	<ul style="list-style-type: none"> Make sure they're place in the children's home isn't taken until they're secure in their new living arrangements
(c) open 2 new smaller homes (1 with 1 bed, and 1 with 2 beds) for children with complex needs?	
Orange Group	
<ul style="list-style-type: none"> They may not like interacting with others and may get into arguments 	<ul style="list-style-type: none"> Could be beneficial but depends on how the child feels about it

<ul style="list-style-type: none"> • Might make them feel isolated 	<ul style="list-style-type: none"> • Good to have one to one support
<ul style="list-style-type: none"> • Specialist care could be provided through this 	<ul style="list-style-type: none"> • 2 bedroom sounds more appealing because it is not as isolating as a 1 bedroom home
<ul style="list-style-type: none"> • Good because they are getting more one to one care and are more focused at 	<ul style="list-style-type: none"> • Could have a negative effect on their social skills
<ul style="list-style-type: none"> • May lead them to feel left out and stand out from the rest 	<p>It depends if they have severe needs then they can be put there</p>
<ul style="list-style-type: none"> • I think this is vital, the fact that this doesn't exist already I think is a big problem 	
Green Group	
<ul style="list-style-type: none"> • This is a good idea 	<ul style="list-style-type: none"> • It's a bad idea I believe, as social interactions are needed for children to develop the home with one bedroom risks shutting children out and not socialising
<ul style="list-style-type: none"> • I think it's a good idea, but the children need to also learn to adapt into society. 	<ul style="list-style-type: none"> • The two bedroom property is a good idea, but the one bed is a bad idea as it does not help children develop in society. Maybe having a self-contained unit within another children's home is better
<ul style="list-style-type: none"> • The one bedroom property will be for someone who really needs it, so this is a good idea. 	<ul style="list-style-type: none"> •
<p>Summary as a group – We largely agree with the 2 bed property being a good idea, but we have concerns relating to the one bed property. No interactions with other young people may be harmful to the development of the children involved. A self-contained unit in another property may be an alternative suggestion that could help with this.</p>	
Blue and Purple Group	
<ul style="list-style-type: none"> • Really good idea! 	<ul style="list-style-type: none"> • Need to ensure the homes are in the right areas for these children with the complex needs
<ul style="list-style-type: none"> • Need to make sure the children in the 2 bed home are well matched 	<ul style="list-style-type: none"> • Keep links with 'outside world'- should still attend school or youth groups etc
<ul style="list-style-type: none"> • Opening 2 smaller homes sounds like a good idea. Why are the bed amounts small for those with complex needs? 	

Time Commenced – 4.30pm

Time Finished – 6.00pm

Executive Scrutiny Board

19 January 2021

Present: Councillor Repton (Chair)
Councillors Care, Evans, Hudson, Hussain, Pattison, P Pegg,
Testro, Willoughby

In attendance: Emily Feenan – Director of Legal, Procurement and
Democratic Services
Amanda Fletcher – Head of Finance for Communities and
Place
Heather Greenan – Director of Policy, Insight and
Communications
Janice Hadfield – Head of Finance for Corporate Services
Suanne Lim – Director for Early Help and Children's Social
Care
Steven Mason – Democratic Services Officer
Toni Nash – Head of Finance for Organisation and
Governance
Rachel North – Strategic Director for Communities and Place
Alison Parkin – Director of Financial Services
Simon Riley – Strategic Director for Corporate Resources and
S151 Officer
Paul Simpson – Chief Executive
Andy Smith – Strategic Director for People Services
Councillor Webb – Cabinet Member for Adults, Health and
Housing

55/20 Apologies for Absence

There were none.

56/20 Late Items

There were none.

57/20 Declarations of Interest

There were none.

58/20 Budget Proposals 2021/22

The Board considered a report of the Strategic Director of Corporate
Resources on Budget Proposals 2021/22.

Members noted that Council Cabinet published budget proposals for 2021/22
on Wednesday 16 December 2020 as part of a report on the Medium Term

Financial Plan 2021/22-2023/24 Update. It was also noted that public consultation ran from 17 December 2020 to 17 January 2021.

It was reported that the Medium-Term Financial Plan (MTFP) assumed delivery of £9.609m of budget savings and additional income in 2021/22, and an increase in Council Tax of 4.49% (this included 2.5% specifically for social care).

It was noted that the MTFP incorporated £22.287m of pressures in 2021/22, to address demand and cost pressures and to invest in Council priorities.

The Strategic Director for Corporate Resources and S151 Officer introduced the item and outlined some of the new needs and opportunities facing the council, as outlined in Appendix 1 of the report.

Members noted the following key MTFP themes:

- a) Digital Council – Digital Customer and Intelligent Council
- b) Property Rationalisation
- c) Transforming Cities and Transport
- d) Demand Management/Commercialisation
- e) Community Working Model – Better Together
- f) Service Optimisation – Effective, Efficient and Economic Services

Members asked about the projected use of reserves in 2021/22 and future years and future Government funding. It was reported that the proposed budget for the 2021/22 municipal year made no recurrent use of reserves to achieve a balanced budget. It was also reported that the council would be lobbying the Government to ensure that it received sustainable funding going forward.

Members enquired about income pressures, as outlined in the report, in relation to parking and Leisure Services. Members noted the effects of the Covid pandemic and the receipt of Government subsidy.

Members also discussed a number of other matters, such as the replenishment of reserves, the possibility of free school meals provision being incorporated in the MTFP, property rationalisation and proposed job losses and Council Tax increases.

The Strategic Director for Communities and Place, the Strategic Director for People Services and the Strategic Director for Corporate Resources outlined the pressures and savings proposals within their respective service areas.

In relation to the Communities and Place service area, Members asked about recycling, including proposed savings in relation to recycling at Raynesway,

In relation to the People Services directorate, Members discussed the retention of foster carers, the support in place to enable people to become foster carers, proposed efficiencies in day care and provision for the high needs block.

Resolved:

- 1. to recommend to Council Cabinet that it fully implements the November 2020 Council motion regarding the failure to provide food vouchers throughout 2021 and beyond and the expansion of Free School Meals provision to every child whose family is in receipt of Universal Credit or equivalent, or with a low income and no recourse to public funds. Failure to do this fails many children and families in the City;**
- 2. to recommend to Council Cabinet that it considers the inclusion of measures to replenish reserves as part of the budget;**
- 3. to recommend to Council Cabinet to ensure that Free school meals provision as passed at Full Council and presented to Council Cabinet on 13 January 2021 is incorporated in the revised MTFP that they present to February's Full Council meeting; and**
- 4. to recommend to Council Cabinet that it applies the philosophy to invest now to save in future to the renewal of Ravensdale Infant School and ask officers to work up a design for a new school that will be zero carbon in operation.**

MINUTES END

Summary Capital Expenditure Programme 2021/22 – 2023/24 General Fund

Programme Area	2021/22 Revised £m	2022/23 Original £m	2023/24 Original £m	Total £m
Expenditure				
Schools	15.192	11.737	1.470	28.399
Housing General Fund	9.826	5.180	4.817	19.823
Property	26.349	4.874	0.037	31.260
Flood Defence	1.010	0.250	0.250	1.510
Highways & Transport	51.034	32.759	32.756	116.549
Vehicles Plant & Equipment	3.128	1.665	0.720	5.513
Regeneration	90.892	22.188	3.640	116.720
ICT	3.547	0.520	2.379	6.446
Corporate	7.500	20.500	10.500	38.500
Total	208.477	99.673	56.568	364.718

Summary Capital Funding 2021/22 - 2023/24

Funding Source	2021/22 Revised £m	2022/23 Original £m	2023/24 Original £m	Total £m
Supported Capital Expenditure Capital (SCE C)	17.771	11.606	7.037	36.414
Devolved SCE C Direct to Schools	0.300	0.200	0.120	0.620
Government Grants	64.915	34.922	29.764	129.601
External contributions	1.382	1.735	3.217	6.334
Section 106	2.869	2.368	-	5.237
Total External Funding	87.237	50.831	40.138	178.206
Funding Requirement	121.240	48.842	16.430	186.512
Funded By				
Capital Receipts	15.568	4.636	4.396	24.600
Revenue Funding	0.718	0.250	0.250	1.218
External Borrowing	-	2.200	-	2.200
Serviced Financed Borrowing	3.843	7.197	0.720	11.760
Potential Borrowing	101.111	34.559	11.064	146.734
Total Internal Resources	121.240	48.842	16.430	186.512
Total Funding	208.477	99.673	56.568	364.718

Housing Revenue Account Capital Programme 2021/22 – 2023/24

Programme Area	2021/22 Revised £m	2022/23 Original £m	2023/24 Original £m	Total £m
Expenditure	44.270	33.917	30.513	108.700
Funding Source:				
Capital Receipts	7.497	4.137	3.636	15.270
MRA	36.773	29.780	26.877	93.430
Total Funding	44.270	33.917	30.513	108.700

Key of Funding Sources

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

Schools 2021/22 -2023/24 Summary Capital Programme

Strategy Area	Title	Revised 2021/22 £m	Revised 2022/23 £m	Revised 2023/24 £m	Total £m
Schools	Adaptions for Foster Carers	0.080	-	-	0.080
Schools	Basic Need/Additional Places	6.491	-	-	6.491
Schools	Brackensdale Infant & Junior - Expansion	0.340	-	-	0.340
Schools	Buildings at Risk urgent condition and suitability schemes	1.062	-	-	1.062
Schools	Ashgate Primary School - Final Phase Refurbishment	0.062	-	-	0.062
Schools	Fellows Lands Way Primary S106	0.950	-	-	0.950
Schools	Chellaston Secondary School - Homeleigh Way Contribution	1.200	2.576	-	3.776
Schools	Capital works delivered by schools	0.250	0.250	0.250	0.750
Schools	Dale Primary School - Heating Replacement	0.003	-	-	0.003
Schools	Redwood Primary School - Electrical rewire, Roof cladding & Suspended Ceilings	0.002	-	-	0.002
Schools	Littleover Community School - Fire alarm Works	0.090	-	-	0.090
Schools	Wren Park additional Classrooms feasibility	0.030	-	-	0.030
Schools	Mickleover Primary School - Fire Risk Mitigation Works	0.020	-	-	0.020
Schools	Ravensdale Infant - Electrical Rewire, Suspended Ceilings & Windows	0.002	-	-	0.002
Schools	Devolved Formula Cap	0.300	0.200	0.120	0.620
Schools	School Condition work	1.300	1.200	1.100	3.600
Schools	Oakwood School Kitchen	0.140	-	-	0.140
Schools	New Castleward School	2.213	-	-	2.213
Schools	Bemrose School Special Educational Needs (SEN) Unit	-	7.511	-	7.511
Schools	Ravensdale School	0.657	-	-	0.657
	Total Schools Programme	15.192	11.737	1.470	28.399

Housing General Fund 2021/22 -2023/24 Summary Capital Programme

Strategy Area	Title	Revised 2021/22 £m	Revised 2022/23 £m	Revised 2023/24 £m	Total £m
Housing General Fund	Disabled Facilities Grant 96 Act	2.634	2.278	1.915	6.827
Housing General Fund	Capitalised Salaries	0.085	0.085	0.085	0.255
Housing General Fund	Healthy Housing Assistance	0.325	0.200	0.200	0.725
Housing General Fund	Empty Property Assistance	0.150	0.150	0.150	0.450
Housing General Fund	City Living	1.717	1.717	1.717	5.151
Housing General Fund	Community Energy Savings Project (CESP)	0.840	0.250	0.250	1.340
Housing General Fund	Works at Shelton Lock	0.150	-	-	0.150
Housing General Fund	Affordable Housing external Registered Provider (RP)	1.460	-	-	1.460
Housing General Fund	Milestone House	0.465	-	-	0.465
Housing General Fund	New housing homelessness Service centre	1.500	-	-	1.500
Housing General Fund	Grants (Right to Buy receipts)	0.500	0.500	0.500	1.500
	Total Housing General Fund Programme	9.826	5.180	4.817	19.823

Property Improvement 2021/22 -2023/24 Summary Capital Programme

Strategy Area	Title	Revised 2021/22 £m	Revised 2022/23 £m	Revised 2023/24 £m	Total £m
Property	Planned Improvements	-	2.271	-	2.271
Property	Queens Leisure Centre Flooring and Roof	0.300	-	-	0.300
Property	Bold lane store	0.145	-	-	0.145
Property	Chapel St Health & Safety works	0.050	-	-	0.050
Property	Multicultural Education Centre - Replacement Windows	0.110	-	-	0.110
Property	Kedleston Road - Heating System	0.130	-	-	0.130
Property	Museum & Art Gallery - Heating System	0.060	-	-	0.060
Property	Nottingham Road Cemetery Works	0.200	-	-	0.200
Property	Council House - High Voltage Enclosure	0.025	-	-	0.025
Property	Various Replacement Windows	0.080	-	-	0.080
Property	Libraries Refurbishment	0.040	-	-	0.040
Property	Markeaton Crematorium - Improvements to Ventilation System	0.035	-	-	0.035
Property	Energy Projects	0.070	-	-	0.070
Property	Disabled Access	0.100	-	-	0.100
Property	Lift Replacement/ Maintenance	0.069	-	-	0.069
Property	City Centre Infrastructure	0.075	-	-	0.075
Property	Property Rationalisation 2	0.010	-	-	0.010
Property	Kedleston Road Training Centre Refurbishment	0.400	-	-	0.400
Property	Council House - Roof Replacement	0.676	-	-	0.676
Property	Royal Oak House - Stair case refurbishment	0.050	-	-	0.050
Property	Springwood Leisure Centre - Floor Replacement	0.150	-	-	0.150
Property	Chapel Street Multi Storey Car Park-phase two roof replacement	0.325	-	-	0.325
Property	Council House - Rainwater Harvesting	0.050	-	-	0.050
Property	Littleover Community School - Bungalow (FRA & Heating System)	0.100	-	-	0.100
Property	11 Cheapside - ceiling and maintenance works	0.082	-	-	0.082
Property	Nottingham Road Cemetery - Roof Replacement	0.175	-	-	0.175
Property	Connect Buildings - Improvement Works	0.040	-	-	0.040
Property	Various sites boundary improvements	-	0.430	-	0.430
Property	Darley park - Boundary Wall Replacement	0.430	-	-	0.430

Strategy Area	Title	Revised 2021/22 £m	Revised 2022/23 £m	Revised 2023/24 £m	Total £m
Property	Markeaton Park - Replacement paddling Pool	0.035	-	-	0.035
Property	Various sites fire precaution	-	0.265	-	0.265
Property	Kedleston Road Training Centre - installation of detectors	0.025	-	-	0.025
Property	Austin Sunnyhill sure start - fire door replacement	0.068	-	-	0.068
Property	Assembly rms Carp Park - Fire Alarm Installation	0.043	-	-	0.043
Property	Race Course – Fire Risk Assessment Works	0.017	-	-	0.017
Property	Boiler Replacements		0.606	-	0.606
Property	Kedleston Road Training Centre - heating upgrade	0.200	-	-	0.200
Property	Perth House - Heating Replacement	0.391	-	-	0.391
Property	Springwood Leisure Centre - heating - ventilation - replacement	0.220	-	-	0.220
Property	Rosehill Children Centre - Heating Upgrade	0.050	-	-	0.050
Property	Electrical Rewiring		0.415	-	0.415
Property	Council House - Vesda Replacement	0.150	-	-	0.150
Property	Pickford House Museum - Electrical Rewire	0.070	-	-	0.070
Property	CCTV - City Upgrade	0.090	-	-	0.090
Property	Various sites - lightning protection	0.160	-	-	0.160
Property	Preliminary Design structural & Buildings at risk	0.200	0.200	-	0.400
Property	Capitalised Valuer	0.037	0.037	0.037	0.111
Property	Guild Hall roof covering and stonework replacements	0.300	-	-	0.300
Property	Homes for older People (HOP)	0.650	0.650	-	1.300
Property	City Centre Infrastructure	0.090	-	-	0.090
Property	The Keep	0.075	-	-	0.075
Property	Swimming Pool/Leisure Centre strategy	16.574	-	-	16.574
Property	Corporate Capital Contingency S151 approval only	1.800	-	-	1.800
Property	Sinfin moor park	0.341	-	-	0.341
Property	Dirt track Osmaston park	0.050	-	-	0.050
Property	Parklife Strategic Football Hub	0.281	-	-	0.281
Property	Alvaston Park Improvements	0.012	-	-	0.012
Property	Oakwood Community Centre	0.203	-	-	0.203
Property	Arboretum Park	0.088	-	-	0.088
Property	Heatherton Community Centre	0.037	-	-	0.037
Property	Chellaston Community Centre	0.039	-	-	0.039
Property	Chellaston Brickwork Improvements	0.009	-	-	0.009
	Total Property Programme	26.349	4.874	0.037	31.260

Highways & Transport 2021/22 – 2023/24 Summary Expenditure

Strategy Area	Title	Revised 2021/22 £m	Revised 2022/23 £m	Revised 2023/24 £m	Total £m
Highways & Transport	Integrated Transport Programme - smaller scheme	1.000	1.000	1.000	3.000
Highways & Transport	Asset Management - Highways Maintenance	4.410	3.915	3.915	12.240
Highways & Transport	Structures Maintenance	1.015	0.610	0.610	2.235
Highways & Transport	Intelligent Transport Systems Maintenance	0.682	0.375	0.375	1.432
Highways & Transport	Land Drainage	0.050	-	-	0.050
Highways & Transport	Strategic Network Management	0.595	-	-	0.595
Highways & Transport	Local traffic Management	0.040	-	-	0.040
Highways & Transport	Casualty Reduction	0.070	-	-	0.070
Highways & Transport	Pedestrian Accessibility	0.095	-	-	0.095
Highways & Transport	Cycle Derby	0.199	-	-	0.199
Highways & Transport	Public Transport	0.711	-	-	0.711
Highways & Transport	Highway Trees	-	0.156	0.156	0.312
Highways & Transport	Air Quality	2.782	-	-	2.782
Highways & Transport	Transforming Cities (TCF)	-	-	26.700	26.700
Highways & Transport	TCF Tranche 2 - Interchange Hubs	4.585	3.693	-	8.278
Highways & Transport	TCF Tranche 2 - Public Realm	3.592	2.824	-	6.416
Highways & Transport	TCF Tranche 2 - Cycle Expressway	1.729	1.347	-	3.076
Highways & Transport	TCF Tranche 2 - Bus Priority	1.102	1.000	-	2.102
Highways & Transport	TCF Tranche 2 - Park & Ride	4.777	3.980	-	8.757
Highways & Transport	TCF Tranche 2 - Bus & Rapid Transit Links	12.113	9.883	-	21.996
Highways & Transport	TCF Tranche 2 - LCWIP	3.982	3.910	-	7.892
Highways & Transport	TCF Tranche 2 - Workplace Travel Grants	0.084	0.066	-	0.150
Highways & Transport	LED replacement St Lighting	0.800	-	-	0.800
Highways & Transport	Highways infrastructure	6.000	-	-	6.000
Highways & Transport	EMAT Tranche 2	0.621	-	-	0.621
	Total Highways & Transport programme	51.034	32.759	32.756	116.549

Flood Defence 2021/22 -2023/24 Summary Expenditure

Strategy Area	Title	Revised 2021/22 £m	Revised 2022/23 £m	Revised 2023/24 £m	Total £m
Flood Defence	Local flood alleviation scheme	0.250	0.250	0.250	0.750
Flood Defence	Merrill Way and Boulton Lane Rain Gardens	0.108	-	-	0.075
Flood Defence	Cuttlebrook Flood Alleviation Scheme	0.600	-	-	0.600
Flood Defence	Sinfin Golf Course	0.052	-	-	0.052
	Total Flood Defence Programme	1.010	0.250	0.250	1.510

Vehicles Plant & Equipment 2021/22 -2023/24 Summary Capital Programme

Strategy Area	Title	Revised 2021/22 £m	Revised 2022/23 £m	Revised 2023/24 £m	Total £m
Vehicles Plant and Equipment	Grounds Plant & Equipment	0.400	0.400	0.400	1.200
Vehicles Plant and Equipment	New Hydrogen Vehicles	0.012	0.012	0.012	0.036
Vehicles Plant and Equipment	Refuse Vehicles & Plant	1.900	0.950	-	2.850
Vehicles Plant and Equipment	Garden waste	0.081	-	-	0.081
Vehicles Plant and Equipment	New bikes for derby arena	0.004	-	-	0.004
Vehicles Plant and Equipment	Replacement of previously leased vehicles	0.330	-	-	0.330
Vehicles Plant and Equipment	Street Cleaning Equipment	0.401	0.303	0.308	1.012
	Total Vehicles Plant & Equipment	3.128	1.665	0.720	5.513

Regeneration 2021/22 -2023/24 Summary Capital Programme

Strategy Area	Title	Revised 2021/22 £m	Revised 2022/23 £m	Revised 2023/24 £m	Total £m
Regeneration	Market Hall Refurbishments Ph 1	6.327	0.624	-	6.952
Regeneration	Market Hall Ph 2	0.357	0.099	-	0.456
Regeneration	City Centre Masterplan	0.200	-	-	0.200
Regeneration	Becketwell Regeneration	1.544	1.415	-	2.959
Regeneration	Becketwell performance Venue fees	0.227	-	-	0.227
Regeneration	Castleward Compulsory Purchase Order	0.825	3.174	3.482	7.481
Regeneration	City Growth Fund	1.250	1.750	-	3.000
Regeneration	Alvaston DC	0.731	-	-	0.731
Regeneration	Smartparc	16.000	-	-	16.000
Regeneration	Decarbonise	0.288	0.107	-	0.395
Regeneration	Becketwell Performance Venue	44.756	-	-	44.756
Regeneration	MRC Midlands (NAMRC)	6.780	8.732	0.158	15.670
Regeneration	IPD Contingency	0.537	0.470	-	1.007
Regeneration	T12 Phase 2	0.070	-	-	0.070
Regeneration	ihub plot preparation	1.002	0.500	-	1.502
Regeneration	Silk Mill	0.914	-	-	0.914
Regeneration	Carbon Reduction Fund	2.000	1.000	-	3.000
Regeneration	Access Osmaston	1.000	-	-	1.000
Regeneration	Brook re-alignment/innovation drive extension	0.037	-	-	0.037
Regeneration	Derby Enterprise Growth Fund – Recycled	0.362	-	-	0.362
Regeneration	D2EGF Growth & Innovation	0.936	-	-	0.936
Regeneration	Our City Our River (OCOR)	0.676	0.313	-	0.989
Regeneration	OCOR Package 1	1.485	0.770	-	2.255
Regeneration	OCOR Package 2	1.054	-	-	1.054
Regeneration	OCOR Munio	1.534	3.234	-	4.768
	Total Regeneration Programme	90.892	22.188	3.640	116.720

ICT 2021/22 - 2023/24 Summary Capital Programme

Strategy Area	Title	Revised 2021/2022 £m	Revised 2022/2023 £m	Revised 2023/24 £m	Total £m
ICT	ICT Stabilisation - Hardware Renewal	1.058	0.520	2.379	3.957
ICT	Major IT Systems Development	2.489	-	-	2.489
	Total ICT	3.547	0.520	2.379	6.446

Corporate 2021/22 -2023/24 Summary Capital Programme

Strategy Area	Title	Revised 2021/2022 £m	Revised 2022/2023 £m	Revised 2023/24 £m	Total £m
Corporate	MTFP provision for future Investment	7.500	20.500	10.500	38.500
	Total Corporate	7.500	20.500	10.500	38.500

HRA 2021/22 -2023/24 Summary Capital Programme

Strategy Area	Title	Revised 2021/2022 £m	Revised 2022/2023 £m	Revised 2023/24 £m	Total £m
HRA	Kitchens and Bathrooms	3.000	3.725	3.925	10.650
HRA	Unallocated Maintenance funding	2.300	2.400	2.819	7.519
HRA	Disability Adaptions	0.700	0.700	0.700	2.100
HRA	The Knoll NB	2.500	1.000	-	3.500
HRA	New Build and Acquisitions	13.845	4.449	10.249	28.543
HRA	Barlow street	0.750	1.000	-	1.750
HRA	Estates Pride - General	0.250	0.250	0.250	0.750
HRA	PVCU Windows & Doors	1.500	1.500	1.500	4.500
HRA	Capital Salaries Mods Liaison	0.700	0.700	0.700	2.100
HRA	One-off Mods/Major Refurbishments	0.700	1.700	1.700	4.100
HRA	Re-Roofing	1.500	1.500	1.300	4.300
HRA	Communal Door Entry Systems	0.050	0.050	0.050	0.150
HRA	New & Replacement Central Heating	2.000	2.000	2.000	6.000
HRA	Rewiring/Electrical Upgrades	0.500	0.500	0.500	1.500
HRA	HRA shops	0.150	0.250	0.250	0.650
HRA	Solid Wall Installation	0.350	-	-	0.350
HRA	Fire Safety Work	0.250	0.250	0.250	0.750
HRA	Emergency call system replacement	0.250	-	-	0.250
HRA	Green homes grant programmes	0.791	0.855	-	1.646
HRA	Rivermead refurbishments	1.292	0.683	0.025	2.000
HRA	The Grange	2.500	2.800	-	5.300
HRA	Chesapeake	0.600	0.550	-	1.150
HRA	Berwick Ave	0.140	-	-	0.140
HRA	Oakland Ave	0.500	-	-	0.500
HRA	Crompton	0.500	-	-	0.500
HRA	Riverview site	2.501	2.500	1.400	6.401
HRA	Aida Bliss	3.652	3.654	2.895	10.201
HRA	Whitaker Street	0.200	0.200	-	0.400
HRA	Cummings Street Car Park	0.300	0.300	-	0.600
HRA	Elmtree	-	0.400	-	0.400
	Total HRA	44.270	33.917	30.513	108.700

Summary of Unsupported Borrowing 2021/22 - 2023/24

Strategy Area	Scheme	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
	Corporate Unsupported Borrowing				
Schools	The Bemrose School – Special Educational Needs (SEN) Unit	-	3.250	-	3.250
Schools	New Castleward School	0.376	-	-	0.376
Housing General Fund	Housing homelessness service centre (Padley house relocation)	1.500	-	-	1.500
Property	Planned maintenance	-	2.271	-	2.271
Property	Kedleston Road Training Centre Refurbishment	0.400	-	-	0.400
Property	Council House - Roof Replacement	0.676	-	-	0.676
Property	Royal Oak House - Stair case refurbishment	0.050	-	-	0.050
Property	Springwood Leisure Centre - Floor Replacement	0.150	-	-	0.150
Property	Chapel Street MSP - phase two roof replacement	0.325	-	-	0.325
Property	Council House - Rainwater Harvesting	0.050	-	-	0.050
Property	Littleover Community School - Bungalow (FRA & Heating System)	0.100	-	-	0.100
Property	11 Cheapside - ceiling and maintenance works	0.082	-	-	0.082
Property	Nottingham Road Cemetery - Roof Replacement	0.175	-	-	0.175
Property	Connect Buildings - Improvement Works	0.040	-	-	0.040
Property	Queens Leisure Centre Flooring and Roof	0.300	-	-	0.300
Property	Bold lane store	0.145	-	-	0.145
Property	Chapel St Health & Safety works	0.050	-	-	0.050
Property	Multicultural Education Centre - Replacement Windows	0.110	-	-	0.110
Property	Kedleston Road - Heating System	0.130	-	-	0.130
Property	Museum & Art Gallery - Heating System	0.060	-	-	0.060
Property	Nottingham Road Cemetery Works	0.200	-	-	0.200
Property	Council House - High Voltage Enclosure	0.025	-	-	0.025
Property	Various Replacement Windows	0.080	-	-	0.080
Property	Libraries Refurbishment	0.040	-	-	0.040
Property	Markeaton Crematorium - Improvements to Ventilation System	0.035	-	-	0.035
Property	Energy Projects	0.070	-	-	0.070
Property	Disabled Access	0.100	-	-	0.100
Property	Lift Replacement/ Maintenance	0.069	-	-	0.069
Property	City Centre Infrastructure	0.075	-	-	0.075
Property	Property Rationalisation 2	0.010	-	-	0.010
Property	Markeaton Park - Replacement paddling Pool	0.035	-	-	0.035
Property	Kedleston Road Training Centre - heating upgrade	0.200	-	-	0.200
Property	Perth House - Heating Replacement	0.391	-	-	0.391

Strategy Area	Scheme	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Property	Springwood Leisure Centre - heating - ventilation - replacement	0.220	-	-	0.220
Property	Rosehill Children Centre - Heating Upgrade	0.050	-	-	0.050
Property	Council House - Vesda Replacement	0.150	-	-	0.150
Property	Pickford House Museum - Electrical Rewire	0.070	-	-	0.070
Property	CCTV - City Upgrade	0.090	-	-	0.090
Property	Various sites - lightning protection	0.160	-	-	0.160
Property	Darley Park Boundary wall replacement	0.430	-	-	0.430
Property	Various sites boundary improvements	-	0.430	-	0.430
Property	Various sites fire precaution	0.318	0.265	-	0.583
Property	Preliminary Design- Structural and Buildings at risk	0.200	0.200	-	0.400
Property	Swimming Pool New Build	16.435	-	-	16.435
Property	Various Replacement Boilers	-	0.606	-	0.606
Property	Various Electrical Rewiring	-	0.415	-	0.415
Property	Guildhall Roof Coverings	0.300	-	-	0.300
Property	Homes for Older People - Reconfiguration, Redevelopment, Relocation, Remodelling	0.650	0.650	-	1.300
Property	Corporate Contingency S151 Approval Only (re swimming pool)	1.800	-	-	1.800
Property	Old Assembly Rooms demolition	TBC	-	-	0.000
Flood Defence	Local flood alleviation scheme	0.250	0.250	0.250	0.750
Flood Defence	Merrill Way and Boulton Lane Rain Gardens	0.108	-	-	0.108
Flood Defence	Sinfin Golf Course	0.052	-	-	0.052
Highways and Transport	Integrated Transport Programme - smaller scheme	1.000	-	-	1.000
Highways and Transport	Highway trees	-	0.156	0.156	0.312
Highways and Transport	Asset Management - Highways Maintenance	4.410	2.750	-	7.160
Highways and Transport	Asset Management - Structures Maintenance	1.015	-	-	1.015
Highways and Transport	Asset Management - ITS Network Management Maintenance	0.682	-	-	0.682
Highways and Transport	Network Management - Local Traffic Management	0.040	-	-	0.040
Highways and Transport	Network Management - Casualty Reduction	0.070	-	-	0.070
Highways and Transport	Active Travel - Pedestrian Accessibility	0.095	-	-	0.095
Highways and Transport	Land Drainage	0.050	-	-	0.050
Highways and Transport	Highways Infrastructure	6.000	-	-	6.000
Regeneration	Becket Well	0.478	0.540	-	1.018
Regeneration	City Centre Accelerated Development	-	0.470	-	0.470
Regeneration	Our City Our River	-	0.313	-	0.313
Regeneration	Alvaston District Centre Improvement	0.731	-	-	0.731

Strategy Area	Scheme	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Regeneration	Access Osmaston	0.428	-	-	0.428
Regeneration	Our City Our River - Package 1	0.231	0.770	-	1.001
Regeneration	Our City Our River - Package 2	1.054	-	-	1.054
Regeneration	Market Hall Refurbishments Ph1	6.327	0.624	-	6.951
Regeneration	Market Hall Refurbishments Ph2	0.357	0.099	-	0.456
Regeneration	MRC Midlands (NAMRC)	-	-	0.158	0.158
Regeneration	Becketwell Performance Venue	38.060	-	-	38.060
	Performance Venue Fees	0.227	-	-	0.227
Regeneration	Smartparc	4.000	-	-	4.000
Corporate	MTFP provision for Future Investment	7.500	20.500	10.500	38.500
	Total Corporate Unsupported Borrowing	100.087	34.559	11.064	145.710
	Temporary Borrowing				
Schools	New Castleward School	1.024	-	-	1.024
	Total Corporate Borrowing	101.111	34.559	11.064	146.734
	Service Financed Borrowing				
Highways and Transport	Street Lighting LED Replacement	0.800	-	-	0.800
Regeneration	MRC Midlands (NAMRC)	-	5.532	-	5.532
Vehicles Plant & Equipment	Grounds Plant & Equipment	0.400	0.400	0.400	1.200
Vehicles Plant & Equipment	Refuse Vehicles & Plant	1.900	0.950	-	2.850
Vehicles Plant & Equipment	Street Cleaning Equipment	0.401	0.303	0.308	1.012
Vehicles Plant & Equipment	New Hydrogen Vehicles	0.012	0.012	0.012	0.036
Vehicles Plant & Equipment	Replacement of Leased Vehicles	0.330	-	-	0.330
	Total Service Financed Borrowing	3.843	7.197	0.720	11.760
	Total Unsupported Borrowing	104.954	41.756	11.784	158.494
	External Borrowing				
Regeneration	MRC Midlands (NAMRC)	-	2.200	-	2.200
		-	2.200	-	2.200
	Total Borrowing	104.954	43.956	11.784	160.694

Minimum Revenue Provision Statement 2021/22

Annual Minimum Revenue Provision Statement 2021/22

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

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

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

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

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

Minimum Revenue Provision Policy

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

- Where loans are accepted as funding for a specific project, the MRP charged will be equal to the loan principal repayments.
- Voluntary MRP may be made at the discretion of the Director of Financial Services.
- No MRP will be charged in respect of assets held within the Housing Revenue Account.

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

Prudential Indictors 2020/21 to 2023/24

	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m
Capital Expenditure				
General Fund	106.6	208.5	99.7	56.6
HRA	21.2	44.3	33.9	30.5
Total Capital Expenditure	127.8	252.8	133.6	87.1
Capital Financing Requirement (CFR)				
General Fund	495.7	591.7	626.2	627.3
HRA	214.8	214.8	214.8	214.8
Total CFR	710.5	806.5	841.0	842.1
External Debt				
Borrowing	337.7	336.9	329.4	325.5
Other long-term liabilities	85.5	80.7	76.4	71.6
Gross Debt	423.2	417.6	405.8	397.1
Operational Boundary for External Debt				
Borrowing	609.6	711.0	739.1	741.2
Other long-term liabilities	102.7	96.8	91.7	85.9
Total	712.3	807.8	830.8	827.1
Authorised Limit for External Debt				
Borrowing	756.5	878.2	911.9	914.4
Other long-term liabilities	123.3	116.2	110.0	103.1
Total	879.8	994.4	1021.9	1017.5
Ratio of Financing Costs to Net Revenue Stream – To follow				
General Fund	3.28	3.62	4.84	5.57
HRA	16.94	17.50	17.51	17.24
Notional Increase Impact of Capital Investment Decisions – To follow				
Notional Impact on Band D Council Tax (Non HRA)	0.00	11.86	30.08	42.14
Increase in Average Weekly Housing Rents (HRA)	0.09	0.03	0.04	0.05

Capital Strategy 2021/22

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.

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. Capital Expenditure and Financing

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

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

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

1.1 Capital Ambition

The Council's Capital Programme is ambitious and 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.

However, the pandemic and the Governments 'levelling up agenda' has highlighted the need for the Council to 'pause' and create a new and ambitious Capital Strategy and Ambition for the City to respond to changing needs, new opportunities and unfortunately the impact of the pandemic leading to market failure.

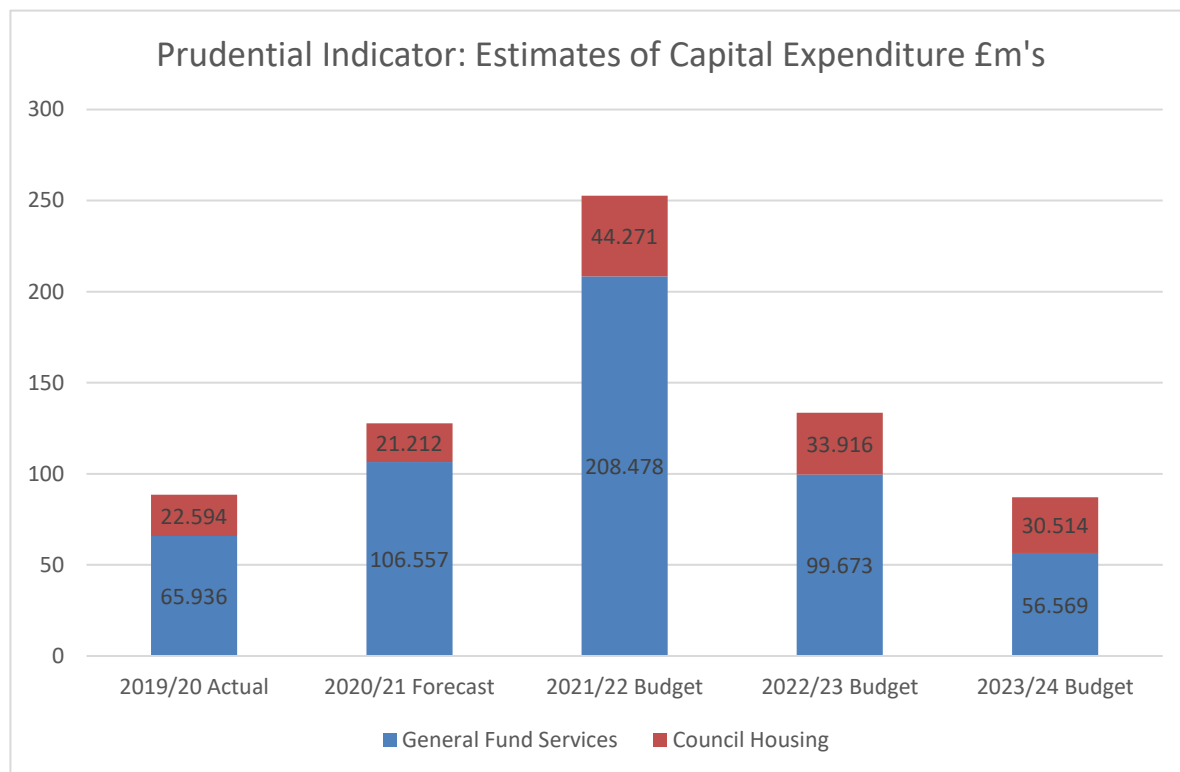
The Cabinet plans to bring a new and ambitious Capital Strategy for the City during 2021/22. As part of this approach the proposed Capital Programme includes a 'future investments pot' of £38.5m which it is hoped will be able to lever in significant external funding. Prudential borrowing for the future Investments pot is incorporated within the MTFP.

A list of potential capital investment needs, and opportunities are detailed in Appendix 17

Alongside this, the Council's Programme Management Office is undertaking a review of the Council's capacity to deliver major Capital Programmes with a view to

rationalising the Capital Programme and improving the effectiveness of the Council's project management capacity and skills.

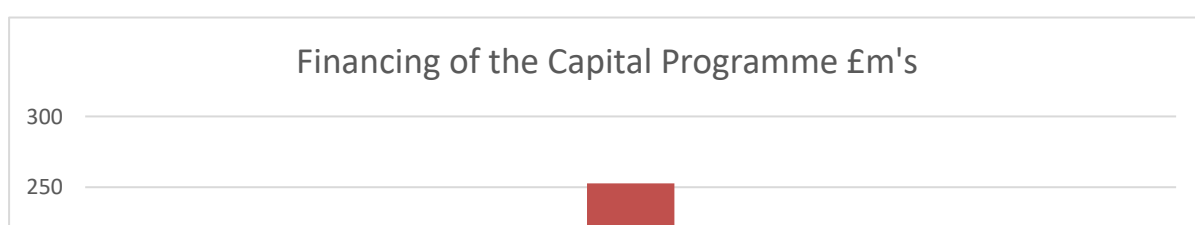
1.2 In 2020/21, the Council has forecast capital expenditure of £127.769m compared to the future years and in particular 2021/22 which has a budget of £252.759m. The capital programme from 2019/20 actual to 2023/24 forecast budget is outlined below



1.3 The main capital programme includes major projects which span a number of years including 2019/20 to 2023/24. The full amounts of schemes including previous spend are shown for completeness:

- £7.52m for the build of a new school in Castleward
- £44.8m for Becketwell Arena
- £16.1m for the Smartparc
- £12.1m for MRC Midlands
- £69m for Transforming Cities
- £7.511m for the development of special needs facilities
- £11.18m for the Market Hall refurbishment
- £42m for a new swimming pool at Moorways

- 1.4 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 Last year the Council determined to increase investment in Council housing following the government's lifting of the debt cap in 2018. Despite the continued pressures of Covid-19, restraints on tenants' income and the level of Right to Buy discounts and sales, the HRA Business Plan further increases this investment in new replacement homes alongside increased investment in existing homes of tenants. The aim is to try and replace as many homes as possible and to help reduce homelessness and rough sleeping by using the combined resources of the Council and Derby.
- 1.6 **Governance**
 Programme Managers put forward their proposed capital programme around September each year to include in the Council's capital programme. New bids for new schemes are also put forward and dependent on value will be subject to the Gateway process. This process includes going through a number of gateways to allow for acceptance of a new idea against service objectives and council need, feasibility, design full business case, financial appraisal and eventually new scheme. The Project Management Office (PMO) is policing this process which involves the project managers reporting to the PMO for each gateway they have reached. The final capital programme is then presented to Cabinet in January following a consultation process and then to Council in February each year.
- 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.
- 1.7 For full details of the Council's capital programme see the main budget (Section 5)
- 1.8 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:



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

Table: Replacement of debt finance

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Budget £m	2022/23 Budget £m	2023/202 4 Budget
Own resources	3.134	3.047	3.995	5.184	5.957

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

- 1.10 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 £59m) during 2020/21 and is forecast to rise to an increase of £2.738 in 2023/24. Based on the above figures for expenditure and financing. The Council's estimated CFR can be found in Appendix 16.
- 1.11 **Asset Management:**
To ensure that capital assets continue to be of long-term use, the council has adopted a corporate approach to the planning and management of the property portfolio to support the delivery of the Council's service needs and achieve corporate objectives, an asset management strategy is in place. The Corporate Asset Management Plan (2018-2023) was adopted by Cabinet in September 2018 and sets the strategic direction for the use, management and development of Derby City Council's property assets.

In addition to the council asset management plan it has also responded to the pandemic in ensuring services and locations are all Covid secure and EIA assessed to support the delivery of council services.

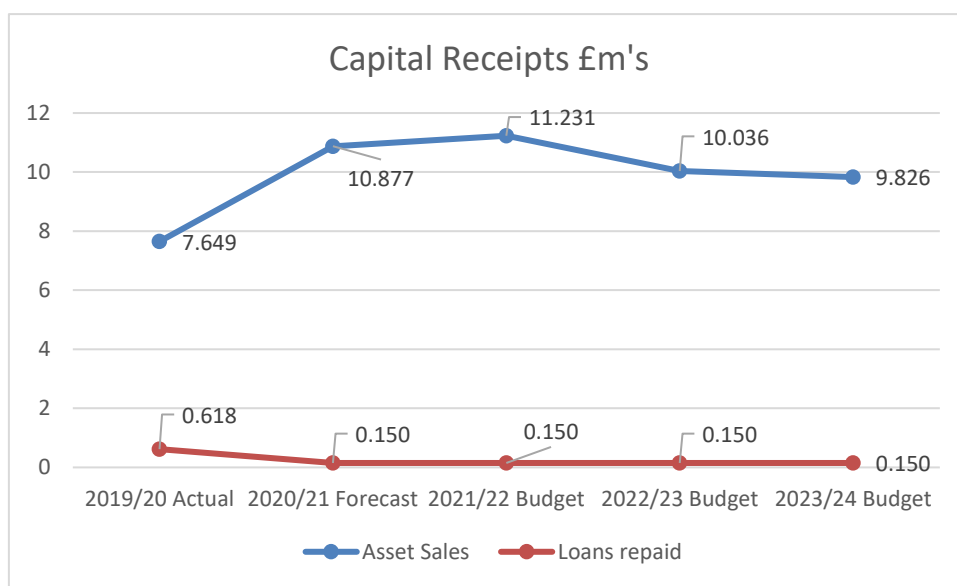
The Council's asset management strategy can be found at

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

1.12

Asset Disposals

When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts. The council plans to receive £42.57m of capital receipts in the coming financial years as follows including RTB receipts:



1.13

Treasury Management

Treasury Management is concerned with keeping sufficient but not excessive cash available to meet the Council's 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 £337.7m borrowing at an average interest rate of 4.42% and £77.7m treasury investments at an average rate of 0.05%.

1.14

Borrowing Strategy:

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 (currently available at around 0.10%) and long-term fixed rate loans where the future cost is known but higher (currently 1.5 to 2.5%).

- 1.15 Projected levels of the Council's total outstanding debt (which comprises borrowing, PFI liabilities, leases) can be found in the Treasury Management Strategy.
- 1.16 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. The gross debt indicator and CFR can be found in the Treasury Management Strategy.
- 1.17 IFRS 16 is being applied to the public sector from 1 April 2021, the main change resulting from the implementation of this standard is the introduction of a single lessee accounting model, whereby the lessee has to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value (thus removing the distinction between operating and finance leases). An introduction of this standard will therefore increase the assets value included on the balance sheet which in turn will have an impact on the Capital Financing Requirement (CFR). The authorised limit for external debt has therefore been increased accordingly.
- 1.18 **Liability Benchmark**
To compare the Councils actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £20m at each year end. This benchmark is currently £302.1m and is forecast to rise to £530.6m over the next three years. The Treasury Management Strategy provides full details.
- 1.19 **Affordable Borrowing Limit:**
The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit. See the Treasury Strategy for these limits.
- 1.20 Further details on borrowing are in the Treasury Management Strategy.
- 1.21 **Investment Strategy**
Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 1.22 The Councils' policy on treasury investments is to prioritise security and liquidity over yield that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including bonds, shares and property to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the council may request its money back at short notice.
- Further details on treasury investments are included in the Treasury Management Strategy.
- 1.23 **Governance**
Decisions on treasury management and borrowing are made daily and are therefore delegated to the Strategic Director of Corporate Resources and staff, who must act

in line with the treasury management strategy approved by Council/Cabinet. Quarterly reports on the treasury management budgets are presented to Cabinet, along with a midyear report on the treasury management activities. The audit committee is responsible for scrutinising treasury management decisions.

1.24 Investments for Service Purposes

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

1.25 Governance

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

1.26 Commercial Activities

With Central Government financial support for local public services declining, 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 will be seeking options to implement a CPIS in future years as part of the capital strategy and MTFP, which will require cabinet and council approval. This will be reviewed periodically by the council's leadership.

1.27 Liabilities

In addition to debt of £337.7m detailed above, the council is committed to making future payments to cover its pension fund deficit valued at £264m; It has also set aside £6.294m to cover risks of Business Rates appeals and Insurance losses. The Council also has potential liabilities for the Derby Homes pension deficit and Business rates losses pending the outcome of a national legal case brought by the NHS, but have not put aside any money due to the level of uncertainty around the liability.

1.28 Governance

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

Further details on liabilities and guarantees are on pages 36 and 122 of the 2019/20 Statement of Accounts.

1.29 **Revenue Budget Implications**

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

1.30 **Sustainability**

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

1.31 **Knowledge and Skills**

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

1.32 Where Council staff does not have the knowledge and skills required, use is made of external advisors and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as Treasury Management Advisors, the District Valuer's Office (DVO) as property consultants and valuers. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

1.33 **Public/Stakeholder Engagement**

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

Capital Ambition

<p>Potential Schemes to be funded from Borrowing</p> <ul style="list-style-type: none"> • Waste Disposal • Assembly Room Meanwhile Use • Relocation of Padley Centre/Housing Pathways • ICT Core Systems • OCOR Council Investment
<p>Potential Schemes to be funded Externally</p> <ul style="list-style-type: none"> • Future High Streets Fund • Make and Trade Zone • Heritage Schemes • OCOR (Environment Agency/Others) • Parklife
<p>Potential Hybrid Schemes (DCC Funding/External Funding)</p> <ul style="list-style-type: none"> • Guildhall/Market Place • City Centre Cultural Offer • Blue Corridor (River) and Green Corridor (Open Spaces) • Ravensdale re-build • SEN reprovision • Smartparc • MRC Midlands
<p>Potential Schemes – Regeneration</p> <ul style="list-style-type: none"> • Regeneration Fund • Strategic Acquisitions • South Derby Growth Zone • Infinity Park
<p>Potential Schemes – Council Buildings</p> <ul style="list-style-type: none"> • Depot Reorganisation/Relocation • Queen Street Leisure Centre/Chapel Street Gateway • Markeaton Crematorium • Sprinklers in all schools

All these schemes and others will be considered as part of a City-Wide Capital Strategy/Ambition and are not firm, costed or funded commitments.

S106 Allocations 2021/22

Strategy Area	Scheme	Developer	Ward	£m	S106 ref no
Property	Moorways swimming Pool	Hallam Lane	Chellaston	0.027	WooD4-01
Property	Moorways swimming Pool	William Davis	Littleover	0.018	AlIA2-08
Property	Moorways swimming Pool	William Davis	Littleover	0.024	AlIA2-09
Property	Moorways swimming Pool	Bellway	Chellaston	0.071	HoIW3-07
Highways & Transport	Active Travel - Cycle Derby	Ivygrove Development	Alvaston	0.005	DunP1-02
Highways & Transport	Active Travel - Cycle Derby	Hallam Land	Chellaston	0.058	InnC1-01a
Highways & Transport	Active Travel - Cycle Derby	Derby College	Mackworth	0.137	MacC1-08a
Parks & Open Spaces	Arboretum Park	London & UK Property	Arboretum	0.030	CatR2-01a
Parks & Open Spaces	Arboretum Park	Mr Bailey	Arboretum	0.013	BraB1-01
Parks & Open Spaces	Arboretum Park	789 Trading	Arboretum	0.016	MouS1-01
Parks & Open Spaces	Arboretum Park	Bramdale Development	Arboretum	0.027	StafS1-01
Parks & Open Spaces	Chellaston Brickwork Improvements	Hallam Land	Chellaston	29.780	WooL2-08b
Parks & Open Spaces	Oakwood Park Improvements	JGP Properties	Oakwood	0.113	ManR2-11
Parks & Open Spaces	Oakwood Community Centre Refurbishment	JGP Properties	Oakwood	0.203	ManR02-01
Parks & Open Spaces	Heatherton Community Centre	Miller & David Wilson	Littleover	0.053	RyKR6-02a
Parks & Open Spaces	Alvaston Park Improvements	Mr Lodhia	Alvaston	0.012	RouP1-02
Parks & Open Spaces	Chellaston Community Centre	Radleigh Homes	Chellaston	0.054	MerC4-09
Schools	Brackensdale Infant and Junior – Expansion Design			0.340	
Schools	Fellows Lands Way Primary s106	Bellway & Clowes	Chellaston	0.481	FelL-07b
Schools	Fellows Lands Way Primary s106	Bellway & Clowes	Chellaston	0.731	FelL-08
Schools	New Castleward School	Highgate land & Development	Arboretum	1.224	DerR5-01

Policy for Flexible use of Capital Receipts

Background

This policy reviews the statutory guidance on the flexible use of Capital Receipts and its application.

Capital receipts can only be used for specific purposes and these are set out in Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 made under Section 11 of the Local Government Act 2003. The main permitted purpose is to fund capital expenditure and the use of capital receipts to support revenue expenditure is not permitted by the regulations.

The Secretary of State is empowered to issue Directions allowing expenditure incurred by local authorities to be treated as capital expenditure. Where such a direction is made, the specified expenditure can then be funded from capital receipts under the Regulations.

The Secretary of State for Communities and Local Government has issued guidance in March 2016, giving local authorities greater freedoms with how capital receipts can be used to finance expenditure. This Direction allows for the following expenditure to be treated as capital, “expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.”

In order to comply with this Direction, the Council must consider the Statutory Guidance issued by the Secretary of State. This Guidance requires authorities to prepare, publish and maintain a Flexible Use of Capital Receipts Strategy.

The Statutory Guidance for the Flexible Use of Capital Receipts Strategy states that the Strategy should include a list of each project which plans to make use of the capital receipts flexibility, together with the expected savings that the project will realise. The Strategy should also include the impact of this flexibility on the affordability of borrowing by including updated Prudential Indicators.

Flexible Use of Capital Receipts Strategy

The Flexible Use of Capital Receipts Strategy is set out below.

Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is:

“Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.”

Strategic Themes

The Recovery Plan considered by Cabinet in December 2020 focuses on three themes 'Our place, Our People and Our Council', set within the framework of our Council Plan 2019-23.

COVID-19 has had a significant impact on the city and its communities. The Council has responded quickly, in different and more innovative ways, working closely with partners, communities and businesses to, mitigate the impact of the pandemic and drive short term response and recovery.

Transformation will play an essential role in maintaining momentum as we look to recover from COVID-19, understand and shape the 'new normal' and facilitate the city's long-term recovery.

A number of transformation themes have been identified linked to recovery:

Priority	Recovery Outcome	Transformation Theme
Our place – 'a city with big ambitions'	<ul style="list-style-type: none">• Confidence• Diversification• Decarbonisation	<ul style="list-style-type: none">• Transforming Cities and Transport• Asset management
Our people – 'a city of health and happiness'	<ul style="list-style-type: none">• Healthy citizens• Resilient neighbourhoods• Thriving children and young people	<ul style="list-style-type: none">• Community Working through Better Together• Demand Management
Our council – 'focused on the things that matter'	<ul style="list-style-type: none">• Enabled residents• Intelligence led decisions• Empowered colleagues	<ul style="list-style-type: none">• Insight & Commissioning• Commercialism• Service optimisation• Leadership and Culture

Funding allocation

The total amount available for this purpose is £2m and will be allocated according to projects aligned to the strategic themes.

The Council's intends to use the following use of capital receipts to fund the following transformation projects over the next two years:

Theme	Project	Investment £m	Return over 3 years £m
Insight and Commissioning	Further development of business intelligence and more effective approaches to commissioning and contract management	0.300	0.5
Workflow and Digital	Business process streamlining and workflow change within People Services	0.108	0.6
	Digital Traffic Enforcement	0.242	0.68
	Enabling technologies	0.315	0.75
Demand Management and Better Together	Development of the Better Together Strategy	0.280	0.840
	D2N2 Single Strategy for the procurement of foster carers	0.120	0.300
Commercialisation	Commercial Management capacity to implement income generation and cost avoidance initiatives in Streetpride Services	0.060	0.250
	Communications & Marketing commercial activity	0.050	0.200
Enabling Capacity	Enhanced capacity to support the deliverability of the projects. This will include a range of internal and external support, utilisation of local networks, partnerships and alliances.	0.525	-
		2.000	4.120

It is hoped that the benefits over a three-year period will exceed the £4.120 million detailed above,

Impact on Prudential Indicators

The guidance requires that the impact on the Council's Prudential Indicators should be considered when preparing a Flexible Use of Capital Receipts Strategy.

The indicators that will be impacted by this strategy are set out below;

- Estimates of Capital Expenditure Indicator has no further impact as the expenditure in the capital programme had amounts included. The Council has switched the funding from receipts to borrowing
- Capital Financing Requirement increased by £1.850m in 2021/22 and £0.218m in 2022/23 as these capital receipts supported schemes within the existing programme that will now be financed by prudential borrowing.

The Prudential Indicators show that this Strategy is affordable and will not impact on the Council's operational and authorised borrowing limits.