

COUNCIL CABINET **12 February 2020**

Minute Extract

Budget and Policy Framework

147/19 Medium Term Financial Plan 2020/21 – 2022-23 (Revenue Budget, Capital Budget, Housing Revenue Account, Dedicated Schools Grant, Reserves)

The Council Cabinet considered a report which outlined the Council's budget proposals for the period 2020/21 to 2022/23 to recommend to Council:

Revenue budget:

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

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

Capital budget:

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

- £12.2m for the Environmental Agency flood defence project Our City Our River.
- £36.2m for the People's directorate programme, including the conclusion of the current secondary school expansion programme and repairs, maintenance and improvements to the fabric of school buildings. This was indicative, subject to confirmation of Government allocations.
- £124m Housing programme including refurbishment to Council-owned houses in the Housing Revenue Account (HRA) and an extensive new build programme. This was indicative subject to the approval of the HRA business plan. Housing General Fund schemes to deliver decent homes and assistance to vulnerable householders, disabled facilities grants, other repairs and assistance in the private sector and support for affordable housing.
- £43.1m for Highways and Transport - to improve the highway network and deliver major schemes such as the A52/Wyvern Transport Improvements.

- £51.2m for Property improvements and new construction to Council buildings and infrastructure, including the new scheme to build a new swimming pool at Moorways.
- £77.1m for regeneration of the city centre and key regeneration areas, including Infinity Park Derby and the Innovation Centre.
- £30m provision for future capital investment.

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

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

Housing Revenue Account:

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

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

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

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

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 would increase by £2 billion for 2020/21, £4.8 billion for 2021/22 and £7.1 billion for 2022/23.

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

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

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

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

Reserves

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

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

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

The Executive Scrutiny Board noted the report.

Decision

1. To note:
 - (a) The outcomes of the Budget Consultation detailed in Appendix 9 and 10 and 11 and Scrutiny detailed in Appendix 12 of the report.
 - (b) The Section 25 Report of the Director of Financial Services on the robustness of estimates and on the adequacy of the reserves 2020/21 to 2022/23 detailed in Appendix 6 of the report.
2. Subject to the above to recommend to Council:

Revenue Budget

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

Reserves

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

Capital

- a) The capital programme for 2020/21 and note the indicative capital programme for 2021/22 and 2022/23 as set out in section 5. A summary and detail was detailed in Appendix 13 of the report.
- b) The award of £0.183m St Giles-Aspect funding added to the 2020/21 – 2022/23 capital programme to Spencer Academies Trust as a grant, subject to completion of the Council's standard Grant Agreement.
- c) To recommend that Council approve the additional borrowing outlined in section 5.9.3.1 and detailed in Appendix 14 of the report.
- d) The MRP policy detailed in Appendix 15 of the report.
- e) The prudential indicators detailed in Appendix 16 of the report.
- f) The Capital Strategy attached at Appendix 17 of the report.
- g) To consider capital funding commitment within the MTFP to address climate change.

Housing Revenue Account

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

Dedicated Schools Grant

- a) The allocations of the Dedicated Schools Grant as detailed in section 7 of the report.
- b) The implementation of a minimum funding level per pupil of £3,750 for primary and £5,000 for secondary aged pupils.
- c) The base rate element of the Early Years Funding for 2 year olds of £5.28 and 3/4 year olds £4.38 per hour.
- d) The application of the following formula criteria for 2020/21
 - i. To implement a cap on growth above 10% per pupil and scale any growth over 10% by 30%
 - ii. To set a Minimum Funding Guarantee of 0.5%.
- e) The transfer of £0.926m from the Schools Block to the High Needs Block and to delegate the approval of the associated investment plans to the Strategic Director of People Services following consultation with the Director of Financial Services.
- f) The use of the Dedicated Schools Grant Reserve to the value of £0.200m to support the 2020/21 Dedicated Schools Grant Budget.

3. To delegate:

- Approval to the Director of Financial Services to make necessary adjustments in order to retain a balanced budget for 2020/21.

- Approval to the Director of Financial Services following consultation with the Cabinet Member for Finance and Procurement to permit movement of schemes (detailed within the 3 year capital approved programme) within and between financial years to facilitate delivery and agility in Capital Programme delivery. These to be subsequently reported in the quarterly financial monitoring reports.

MINUTES END