

## **COUNCIL CABINET** **16 February 2022**

Minute Extract

### **Budget and Policy Framework**

#### **157/21 Medium Term Financial Plan 2022/23 – 2024/25 (Revenue Budget, Capital Budget, Dedicated Schools Grant, Reserves and Capital Strategy)**

The Council Cabinet considered a report which outlined the Council's budget proposals for the period 2022/23 to 2024/25 to recommend to Council:

The budget included estimates of future demand and economic pressures as the Council plans for the City, post the pandemic, and in shaping the financial framework for future service delivery. The setting of the budget had been particularly challenging due to increased demand in the Council's statutory services and increased costs especially within the areas of social care and macro-economic pressures within the economy. This had led to increased pressures being added into the MTFP. The national and local context of the MTFP was set out in the Medium Term Financial Plan update and consultation report approved by Council Cabinet on the 21 December 2021.

It had been necessary to plan for reductions in the Council's spend. The majority of these were delivered through the Council's transformation programme 'Working Smarter' which aimed, through a series of programme areas, to reshape service delivery over the next three years with the twin goals of delivering improved Value for Money and to develop services which were delivered with residents and communities. Other savings had been aligned to the four partnership themes of Vibrant Derby, Green Derby, Growth Derby and Resilient Derby.

The background to the current MTFP was one of significant uncertainty given the impact of the COVID-19 pandemic, the results of which had impacted on the way the Council operated, the needs of our most vulnerable citizens and the income that we rely on to fund our services. Because of the current level of national economic uncertainty and the widespread pressures on public spending, it was vital the Council understands its financial outlook and continues to plan effectively for the future. It had been necessary in 2021/22 to implement spending review panels to manage in year-demand and to improve financial resilience. It was anticipated that these would continue in 2022/23.

Robust financial planning and financial management alongside our budget preparation, performance management and stakeholder reporting was an integral part of our corporate governance and gave us the ability to look strategically and align our priorities beyond the current budget period. This was crucial to support and ensure our resilience and long-term financial sustainability.

The impact of COVID-19 upon the Council's financial position in both 2020/21 and 2021/22 had been significant and despite national increases in the spending power of Local Government to reflect this, the additional funding was not sufficient to meet all of the Council's demands. Future Covid demands were unknown.

The key objectives of the report were:

- To ensure that effective financial planning contributed to the delivery of the Council Plan
- To ensure that the Council was financially resilient, stable and sustainable for the future
- To maximise the income from Council Tax and Business Rates to support the priorities of the Council
- To plan for future resources available and to estimate expenditure requirements to ensure value for money was achieved and resources were utilised where outcomes were measurable and had real impact.

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

### **Revenue budget:**

The report outlined proposals to recommend to Council Cabinet a net budget requirement of £259,554,475 for 2022/23 and outlined further budget proposals for 2023/24 and 2024/25.

It also set out permanent savings requirements of (£16.979m) over the three-year period to address the impact of demand pressures, rising costs, maintaining priority services and investing in the Derby Council Plan and Vision of being 'Ambitious for Derby'. These savings total (£13.471m) in 2022/23, (£2.493m) in 2023/24 and (£1.015m) in 2024/25.

There were identified budget gaps in 2023/24 and 2024/25 that would require further savings, income and transformation proposals to address. The budget gaps include planned contributions to reserves to improve the financial resilience and sustainability of the Council.

The programme included slippage from the 2021/22 approved Capital Programme. This had been reported in the Quarter 3 Revenue monitoring. 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. A revised Capital Strategy linked to the new Council Plan, priority themes, levelling up agenda and investment opportunities would be produced and adopted in 2022/23.

## **Reserves:**

The report detailed an assessment of the adequacy of reserves which were required as part of the budget process. These demonstrated that the Council was able to set a balanced budget for 2022/23 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 Strategic Director of Corporate Resources (attached at Appendix 7 of the report). This detailed the adequacy of reserves and robustness of the estimates for the period 2022/23 to 2024/25.

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

## **Dedicated Schools Grant:**

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 2022/23 allocation for the DSG was £285.803m and was made up of four blocks of funding:

- Schools Block £213.306m (includes £1.39m NNDR outlined in section 6.1.13 of the report)
- Central School Services Block £2.848m
- High Needs Block £50.981m
- Early Years Block £18.668m

Nationally the announced increase in school funding was 3.2% overall. The national funding formula (NFF) continued to distribute this fairly, based on the needs of schools and their pupil cohorts. The NFF was levelling up school funding: increasing core factors of the formula by 3%, while ensuring that every school was allocated at least 2% more funding per pupil.

Derby had applied NFF rates to all factors. For schools in Derby the formula factors had been increased by 3% and minimum funding levels by 2%, however the impact varies school to school based on the eligibility of pupils triggering the various factors.

For Derby the High Needs Block had been increased by 11%, £5.084m. There continued to be significant challenges for the High Needs Block in Derby, this was a national position.

The Executive Scrutiny Board, in relation to what is being called the Council Tax rebate, expressed its concerns about the logistical nightmare that this council and many councils in the Midlands and the north face in making sure that the £150 gets to the very people that it needs to get to and puts an additional strain on services in this city and elsewhere in the Midlands and the north and therefore calls on Council

Cabinet to write to Government to ask for additional resources to make sure that this is done as swiftly and effectively as possible.

## **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 outcomes of the Executive Scrutiny Board of the 17 January detailed in Appendix 12 of the report 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 2022/23 to 2024/25 detailed in Appendix 7 of the report.
- (d) The Our City Our River (OCOR) offer of £17.7m Grant in Aid (GIA) was included in Compliance with Contract and Financial Procedure Rules report on this Council Cabinet agenda and referred to in section 5.2.6 of the report. The capital programme would be updated accordingly post February Council Cabinet.
- (e) The Parklife bid for football foundation funding of £6m was included in Compliance with Contract and Financial Procedure Rules report on this Council Cabinet agenda and referred to in 5.2.8 of the report. The capital programme will be updated accordingly post February Council Cabinet.
- (f) The Market Hall – a separate report on this agenda was seeking approval to the total project costs and proposed funding to deliver phase 2 transformation. The capital programme would be updated accordingly post February Council Cabinet. This was referred to in Appendix 17 of the report, the Capital Strategy at section 1.3 of the report.
- (g) The use of the S106 contributions detailed in section 5.3.11 and detailed in Appendix 19 of the report.
- (h) Future considerations as detailed in section 9 of the report.
- (i) Financial support provided to Derby residents as outlined section 4.6.5 in Appendix 20 of the report.

### **2. Subject to the above to recommend to Council to approve:**

## **Revenue Budget**

- a) Derby City Council's net budget requirement for 2022/23 of £259,554,475 subject to the finalisation of the Council's Council Tax for 2022/23.
- b) To increase the City Council element of Council Tax by 1.99% as set out in in section 4.6 of the report

- c) To increase Council Tax by an additional 1% Social Care Precept as set out in section 4.6 of the report.
- d) The current list of savings options outlined in Appendix 4 of the report with an associated estimated reduction in posts by 52.25 full time equivalent (FTE) as outlined in section 4.5 of the report.
- e) The current estimated service pressures outlined in Appendix 5 of the report.
- f) The directorates revenue budget plans for 2022/23 to 2024/25 estimates as detailed in Appendix 2 of the report.
- g) The implementation of savings proposals included in Appendix 4 of the report.
- h) The commencement of appropriate procedures to support the specific budget proposals listed in Appendix 4 of the report.

## **Reserves**

- a) The use of budget risk reserve of £4.352m on a non-recurrent basis to smooth the timing differences for the collection fund of £4.158m and to smooth the budget gap in 2022/23 of £0.194m as outlined in section 4.3.8 of the report.
- b) The use of Treasury Management Reserve to smooth the timing differences within the capital programme as outlined in section 4.3.8 of the report.
- c) Use of budget risk reserve to fund voluntary redundancy exit costs as outlined in section 4.5.1 of the report.
- d) Reallocation of earmarked reserves arising from review of reserves as outlined in section 7.1.1 of the report.
- e) The Section 25 reserves adequacy report as detailed in Appendix 7 of the report.

## **Capital**

- a) The capital programme for 2022/23 and note the indicative capital programme for 2023/24 and 2024/25 as set out in section 5 of the report. A summary and detail was outlined in Appendix 13 of the report.
- b) To recommend that Council approve the additional borrowing outlined in sections 5.1, 5.1.16 and 5.3.5 of the report.
- c) The Summary of Unsupported Borrowing as set out 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) The application of the flexible use of capital receipts as outlined in section 5.3.10 of the report.
- h) The Capital Ambition detailed in Appendix 18 of the report.

### **Dedicated Schools Grant**

- a) The allocations of the Dedicated Schools Grant as detailed in section 6 of the report.
- b) The increase of Minimum Funding Level per pupil to £4,265 per primary school pupil and £5,525 per secondary aged pupil.
- c) The base rate element of the Early Years Funding for 2-year-olds of £5.57 per hour and 3/4-year-olds £4.54 per hour. The Stand-Alone Maintained Nursery Supplementary rate of £1.51 (Universal Hours).
- d) The application of the following formula criteria for 2022/23:
  - I. To implement a cap on growth above 4.73% per pupil with no factor being scaled back.
  - II. To set a Minimum Funding Guarantee of 2%.
- e) The transfer of £0.303m from the Schools Block to the High Needs Block.
- f) To approve the value of Growth Fund of £0.244m to be retained centrally.

### **3. To delegate:**

- Approval to the Strategic Director of Corporate Resources to make necessary adjustments in order to retain a balanced budget for 2022/23.
  - Approval to the Strategic Director of Corporate Resources following consultation with the Cabinet Member for Finance, Digital and Assets to permit movement of schemes (detailed within the 3-year capital approved programme) within and between financial years to facilitate delivery and agility in Capital Programme delivery subject to affordability. These would be subsequently reported in the quarterly financial monitoring reports to Council Cabinet.
4. To accept the recommendation from the Executive Scrutiny Board that in relation to what is being called the Council Tax rebate, the Leader of the Council writes to Government to ask for additional resources to make sure this is done swiftly and effectively as possible.