

Agenda Item No 7(e)

DERBYSHIRE COUNTY COUNCIL

CABINET

20 September 2018

Report of the Director of Finance & ICT

FIVE YEAR FINANCIAL PLAN
(STRATEGIC LEADERSHIP, CULTURE AND TOURISM)

1 Purpose of the Report

To recommend that Cabinet recommends to Council that it approves the updated Five Year Financial Plan (FYFP) for the period 2018-19 to 2022-23, notes the uncertainty and risks set out in the report and notes the budget reductions forecast to be required to help balance the budget over the medium term.

2 Information and Analysis

The Five Year Financial Plan (the Plan) is a medium term financial plan which sets out the overall shape of the Council's budget by establishing what resources are available for allocation to reflect Council and community priorities. The Council Plan sets out service and organisational priorities. This is reflected in the development of the Plan.

The Plan has been updated to reflect the outcomes from the Local Government Finance Settlement 2018-19, recent Budgets and Autumn Statements. The Plan has also been updated to reflect forecast income as a result of the Council's participation in one of ten successful 100% business rates retention pilots for 2018-19. The additional one-off funding will be utilised to support economic growth and regeneration in the county, whilst also providing financial support to vital services.

The Plan shows that a total of £70m of budget savings are required over the period 2018-19 to 2022-23. It also reflects the fact that the Council is part of the Government's multi-year funding offer, which provides some funding certainty until 2019-20. A balanced budget is projected for 2022-23 with no savings required in that year. However, this is prevalent on additional Better Care Funding being available beyond 2019-20.

The Plan is attached at Appendix One to this Report. It will next be updated and incorporated in the Revenue Budget 2019-20 Cabinet Report in January 2019.

3 Financial Considerations

As set out above.

4 Legal Considerations

The Council's Financial Regulations provide that the Five Year Financial Plan must be proposed by Cabinet and approved by the Full Council.

5 Other Considerations

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, equality and diversity, human resources, environmental, health, property, transport and social value considerations.

6 Background Papers

Papers held in Technical Section, Room 137, County Hall.

7 Key Decision

No.

8 Is it necessary to waive the call-in period?

No.

9 Officer's Recommendations

That Cabinet recommends to Council that it:

- (i) approves the Five Year Financial Plan;
- (ii) notes the uncertainty and risks set out in the report; and
- (iii) notes the budget reduction proposals set out in the report.

PETER HANDFORD
Director of Finance & ICT

Five Year Financial Plan 2018-19 – 2022-23

**Peter Handford B.A. (Hons), FCPFA,
Director of Finance & ICT**

September 2018

Approval and Authentication

| Name | Job Title | Signature | Date |
|----------------|------------------------------|------------------|----------------------|
| Peter Handford | Director of Finance & ICT | | 20 September 2018 |
| Cabinet | | | |

Contents

| | |
|--|----|
| Approval and Authentication | 1 |
| EXECUTIVE SUMMARY | 3 |
| INTRODUCTION | 6 |
| NATIONAL AND LOCAL CONTEXT | 8 |
| Autumn Budget 2017 | 8 |
| Budget 2017 | 8 |
| Business Rates Retention | 9 |
| Business Rates Pooling | 9 |
| Local Government Finance Settlement 2018-19 | 11 |
| Settlement Funding Assessment | 11 |
| New Homes Bonus (NHB) | 12 |
| General Grant | 12 |
| DERBYSHIRE ECONOMY | 17 |
| FIVE YEAR FINANCIAL PLAN | 19 |
| CAPITAL PROGRAMME | 26 |
| RISKS | 27 |
| RESERVES | 30 |
| CONCLUSION | 32 |
| REFERENCE DOCUMENTS | 33 |

EXECUTIVE SUMMARY

The Five Year Financial Plan (the Plan) is a medium term financial plan which sets out the overall shape of the Council's budget by establishing what resources are available for allocation to reflect Council and community priorities. The Council Plan sets out the service and organisational priorities. This is reflected in the development of the Plan.

The Plan has been updated to reflect the outcomes from the Local Government Finance Settlement 2018-19, recent Budgets and Autumn Statements. It shows that a total of £70m of budget cuts are required over the period 2018-19 to 2022-23. It also reflects the fact that the Council is part of the Government's multi-year funding offer, which provides some funding certainty until 2019-20. A balanced budget is projected for 2022-23 with the likelihood that no savings will be required in that year. However, this is prevalent on a number of assumptions not least of which is that additional Better Care Funding being available beyond 2019-20.

The Council was pleased to be announced as one of ten successful 100% business rates retention pilots for 2018-19. The additional one-off funding will be utilised to support economic growth and regeneration in the county, whilst also providing financial support to vital services.

The additional improved Better Care Funding announced in the Government's Spring Budget 2017 helps to address key priorities for integrated health and social care activities. The Council will continue to work with health sector colleagues in developing the Sustainability and Transformation Plan. However, it is important that the Government confirms that local authorities will continue to receive the additional improved Better Care Fund allocations beyond 2019-20. Local authorities continue to face increased cost pressures as the demand for adult and children's social care is projected to rise over the medium term.

A Council Tax increase of 4.99% in 2018-19 will help to support vital services. No decisions have been made in respect of later years. However, for indicative modelling purposes, an increase of 4.99% has been included for 2019-20, with a freeze assumed for two years from 2020-21 and a 2% increase for 2022-23. The ability to deliver this ambition around Council Tax will be dependent upon the successful delivery of budget reductions over the medium term.

Business rates growth is expected year-on-year in line with inflation. It should be noted that funding projections from 2019-20 are based on a 50% business rates scheme.

Expenditure is supported by the use of one-off contributions from both the Budget Management Earmarked Reserve and General Reserve.

The Government's intention to increase the Living Wage to £9.20 per hour by 2020 gives rise to cost pressures associated with the continued promotion of the National Living Wage.

A pay award of 2% per annum has been confirmed for 2018-19 and is assumed for 2019-20 and beyond, following the Government's decision to lift the 1% public sector pay cap. At the time of publication, local government employers were in negotiation with the unions regarding an offer for 2019-20. Any amount over and above 2% will have to be met from within existing budgets.

As the Council has paid off a number of loans without taking on additional borrowing, this has resulted in an opportunity to reduce the external debt charges budget by £8.500m. This is coupled with a reduction in the Minimum Revenue Provision (MRP) budget following the Council's decision to amend the MRP Policy which has effectively resulted in an overpayment for a number of years. The 'overpayment' reduces the charge each year over the medium term and helps to smooth the level of budget savings over the period 2018-19 to 2021-22.

Additional income from interest receipts is projected over the next few years as interest rates are expected to increase and the Council uses a range of risk assessed investment vehicles.

The Council continues to face significant cost pressures, particularly with regard to adult and children's social care. The additional Council Tax income from the Adult Social Care precept and the additional 1% flexibility announced in December 2017, helps to raise income for vital services. However, the Council will continue to make representations to Government to ensure that demand-led services are fully funded. The Council will undertake appropriate analysis of the Government's proposals for the distribution of funding to local authorities by responding to consultations to ensure that Derbyshire receives a fair funding deal.

Any additional income from Council Tax taxbase and collection fund surpluses over and above that identified in the Plan will help to manage the Risk Management Budget over the medium term. The Council has maintained a Risk Management Budget for a number of years, the purpose of which is to provide a base budget from which the Council can help to manage some of the longer term risks and pressures. The Council will draw down on the budget in 2018-19, to assist with managing demographic growth in Adult Care. In doing so, the Council will deplete the current balance. It is, however, forecast that the Risk Management Budget will regain a balance in 2022-23. In addition, the Council has established a Budget Management Earmarked Reserve, which will be used over the medium term to meet one-off budget pressures in the Plan. It is therefore expected that any unforeseen risks or pressures can prudently be managed.

The Council faces a number of risks over the medium term, not least is the uncertainty of the level of Government funding beyond 2019-20. There are significant demand-led cost pressures associated with delivering vital council services such as adult and children's social care and waste disposal. The Plan assumes that there will be no further cuts to the levels of mainstream funding to local authorities. Any further funding reductions is likely to result in further budget savings over and above those already identified in the Plan to achieve a balanced budget.

INTRODUCTION

The Plan sets out the Council's continued commitment to provide local services which represent the best possible value for money for Derbyshire residents. It builds on the achievements of the past and charts a clear course for the future in line with service priorities agreed as part of the Council planning process as well as the Council's financial and other resource strategies.

Its purpose is to support corporate planning which will shape the Council's Financial Strategy and annual budgets. The plan is a medium term financial plan which sets out the overall shape of the Council's budget by establishing what resources are available for allocation to reflect Council and community priorities. The Council Plan sets out the service and organisation priorities. This is reflected in the development of the Plan.

The Council's key priorities, in no particular order, are:

- Work efficiently and effectively
- Unlock economic growth and access to economic opportunities
- Invest in employment and skills
- Repair and improve the condition of Derbyshire roads
- Improve accessibility in vulnerable and rural communities
- Improve social care
- Transform services for people with learning disabilities
- Keep children and adults safe
- Be a good corporate parent for children in our care
- Help children and young people get the best start
- Encourage healthy lifestyles
- Champion local communities
- Support local library services
- Protect local people and communities
- Promote Derbyshire as a global cultural and tourist destination
- Protect and enhance the natural environment

In addition to the above priorities, there are vital cross cutting projects which the Council will be progressing over the medium term.

- Explore the use of new delivery and commissioning models across the council to achieve service priorities;
- Restart our £30 million Care Programme to provide new modern care homes for the county's older people
- Work with communities to secure better outcomes for less by developing the thriving communities approach
- Work with partners to deliver the One Public Estate Programme making more efficient use of the Council's properties and assets

The Plan demonstrates savings in the region of £70m are required over the five year period. The Council has put in place plans to identify savings required in order to achieve a balanced budget over the medium term. The Revenue Budget 2018-19 exemplifies that total savings of £39.005m have been identified by departments over the five years. Departments will continue to find better ways of working and review the delivery of services that will realise further savings in order that a balanced budget can be set each year. Where appropriate, this will include examination of thresholds to access services and expected outcomes to ensure resources are effectively allocated to support those in need.

The Council faces significant cost pressures including adult and children's social care, waste disposal and the impact of the implementing the National Living Wage. In addition, there continues to be reductions in the level of mainstream funding from Government. The Council adopts a proactive approach in response to these demands through the identification of future pressures and associated risks, and development and implementation of plans to meet those pressures.

Most important of all, is the Council's commitment to continuous improvement and value for money. The Council challenges value for money through its positive approach to Best Value and performance management; internally set targets are designed to be ambitious and stretching. The Council is working in partnership with Derbyshire district and borough councils and Derby City Council, as well as other county councils regionally, to identify areas where efficiencies and service improvements can be achieved from collaboration. Service re-design has become an accepted and valuable tool in developing services to provide a clear customer focus.

In summary, this Plan reflects a determination on the part of the Council to build on past successes, to focus on areas for improvement, to secure continued excellent value for money and to take the lead on developing new and better ways of delivering quality public services.

NATIONAL AND LOCAL CONTEXT

The Plan has been updated to reflect the outcomes from the Government's spring and autumn budgets 2017.

Autumn Budget 2017

On 22 November 2017, the Government announced details of the Autumn Budget 2017. The key announcements relevant to local government were:

- The business rates multiplier will be increased in line with the Consumer Price Index rather than the Retail Price Index from April 2018;
- Business rates revaluations will take place every three years rather than every five years from the next valuation scheduled for 2022;
- The Government will set out plans to transform mental health services for children and young people;
- The Disabled Facilities Grant is to be increased by £42m to £473m in 2017-18;
- An additional £45m in 2017-18 to tackle potholes across England;
- Business rate relief for public houses with a rateable value of less than £100,000 has been extended for a further year to March 2019. Local authorities will be fully compensated for the loss of income as a result of this measure;
- The Government's planned Green Paper on the future financing of Social Care has been postponed until Summer 2018;
- The Government will reward schools and colleges who support their students to study maths by giving them £600 for every extra pupil who decides to take Maths or Further Maths A-Levels or Core Maths. Over £80m will be available initially with no cap on numbers;
- A new £40m teacher training fund for underperforming schools in England. This is worth £1,000 per teacher;
- A total of 8,000 new computer science teachers are to be recruited at a cost of £84m.

Budget 2017

On 8 March 2017, the Government announced details of its spring budget. The key announcements were:

- An additional £2bn grant funding for social care made available to local authorities over the next three years with £1bn in 2017-18, £674m in 2018-19 and £337m in 2019-20;
- Targeted support for small business rate relief recipients;
- Business rate discounts for public houses with a rateable value less than £100,000;
- An allocation of £216m of funding for school maintenance;

- Freeze on fuel duty.

Business Rates Retention

On 5 October 2015, the Government announced that it would allow local authorities to retain 100% of business rates income "by the end of the Parliament". This was planned to commence in the 2019-20 financial year. However, following the fall of the Local Government Finance Bill 2016-17, progress was halted.

The Government had published consultation papers in 2016 with regard to a move to 100% business rates retention setting out proposals as to how the scheme would operate. Further consultation documents were issued in 2017 which suggested that funding could be made available to combined authorities under devolution deals, could be delivered via the business rates system. This included funds for adult education, transport capital grants and the Local Growth Fund.

The Government has now confirmed that it has revised its aims and is pursuing a 75% business rates retention scheme by 2020-21 and eventually to 100%. Alongside this announcement, the Government published a further consultation as part of its Fair Funding Review. The implementation date for the Review is 2020-21 and the work will be divided into three closely related strands which are relative needs, relative resources and transitional arrangements. This consultation focuses on the measurement of relative needs with future technical papers to be focused on relative resources and transitional arrangements.

Business Rates Pooling

Under the Business Rates Retention Scheme, local authorities are able to come together, on a voluntary basis, to pool their business rates, giving them scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area.

The Council along with the eight district/borough councils, the city council and the Fire and Rescue Authority submitted a proposal to Government for a 'Derbyshire' pool. Details were reported to Cabinet on 21 October 2014. Local authorities can withdraw from a designated pool, if after seeing the Provisional Local Government Finance Report, they no longer believe that pooling provides the opportunities they had previously thought. All members of the pool have agreed that the pool should proceed on the basis that the additional funding will provide an important enabler to drive forward economic growth and create a positive framework for investment across the county by improving business rates incentives and minimising the prospect of wasteful competition between authorities.

In September 2017, the Government invited local authorities to submit proposals to become 100% business rates retention pilots in 2018-19. The pilots are deemed as an opportunity for the Government to test more technical aspects of the 100%

business rates retention system. It will provide the opportunity to evaluate how collaboration between local authorities works in practice. The Government is interested in exploring how rates retention can operate across more than one authority to promote financial sustainability and to support coherent decision-making across functional economic areas.

The Council, together with the eight district/borough councils in the county, Derby City Council and Derbyshire Fire and Rescue Authority, submitted a bid to become a pilot. The Finance Settlement announced the Derbyshire pilot as one of the ten successful bids. The pilot is generating additional one-off income in 2018-19 to the county of Derbyshire, over and above the business rates income the Council receives through the local government finance settlement. The County Council's share of the gain is currently forecast to be approximately £17.800m, however this will not be confirmed until the end of the financial year and is dependent upon the level of business rates income collected locally, which can be volatile. Business rates assessed can also be subject to appeals, which could mean that some rates income receivable could become repayable in the future.

Of the forecast income of £17.800m, 70% will support Council services including children's social care, waste and recycling, promoting tourism and supporting community safety, and 'safe and well' checks. The forecast income will initially be allocated as follows:

- £6m, which was anticipated in the Five Year Financial Plan contained within the Revenue Budget Report 2018-19 and is the Minimum Funding Level that can be expected, will be held in the Budget Management Earmarked Reserve for the purposes identified above;
- £0.630m will be transferred to a Business Rates Appeals Earmarked Reserve, to hold in the event of any later successful business rates appeals; and
- the balance of £6.855m will be allocated to the Business Rates Pool Earmarked Reserve.

In accordance with the Pooling Agreement, the remaining 30% will be used to support economic regeneration across the county and in Derby City. A Business Rates Strategic Investment Fund Earmarked Reserve will be created and a forecast £4.299m will be allocated to it. The Derby and Derbyshire Authorities Joint Committee for Economic Prosperity will be the decision making board for allocation of funding to individual projects.

It should be noted that the pilot is for 2018-19 only. Thereafter, the funding allocations will revert back to those previously announced in the multi-year settlement for 2019-20, pending further consultation on the move to 75% business rates retention. It is possible the Government may extend the pilot into 2019-20 to bridge the gap for affected councils until the 75% regime comes into force in 2020-21.

Local Government Finance Settlement 2018-19

Details of the Provisional Local Government Finance Settlement 2018-19 were published on 19 December 2017. It marked the start of a four-week consultation period. The Director of Finance & ICT submitted the Council's response to the Provisional Settlement ahead of the deadline for responses, which was 16 January 2018, following consultation with the Leader of the Council and Corporate Management Team. A copy is attached at Appendix Two.

On 17 December 2015, the Government announced details of the Provisional Local Government Finance Settlement 2016-17. Alongside the Settlement, was the offer of a four-year funding deal to local authorities, for the period 2016-17 to 2019-20, to allow them to plan ahead for full local retention of business rates, should they wish to take it up. The intention is that these multi-year settlements provide funding certainty and stability to enable more proactive planning of service delivery and support strategic collaboration with local partners.

Those local authorities which expressed an interest in accepting the offer were required to provide an Efficiency Plan. The Council submitted its Efficiency Plan to Government in 2016, details of which were reported to Cabinet on 11 October 2016. Subsequently, the Government has confirmed that the Council is now formally part of the multi-year settlement deal.

The headlines from the Settlement are:

- Increased Council Tax referendum principle for general expenditure from 2% to 3% for 2018-19 and 2019-20, in line with inflation;
- Confirmation of the continuation of the Adult Social Care Precept;
- Announcement of the Government's aim to localise 75% of business rates from 2020-21 and implementation of the new needs assessment methodology;
- The methodology for the distribution of the New Homes Bonus to continue in its current format;
- Announcement of ten new 100% business rates retention pilots for 2018-19 over and above those previously announced.

Settlement Funding Assessment

In previous years the Settlement Funding Assessment (SFA) has been made up of Revenue Support Grant, Business Rates Top-Up (both of which are received directly from Government) and localised business rates which are received directly from the district/borough councils. As the Council will be part of the 100% Business Rates Retention pilot it will forego Revenue Support Grant. Details of the allocations are summarised below:

| | | 2018-19 allocations before 100% Business Rates Pilot | 2018-19 allocations after Business Rates Pilot |
|------------------------|-----------------------|---|---|
| | 2017-18 £m | £m | £m |
| Revenue Support Grant | 44.056 | 28.633 | 0.000 |
| Business Rates Top-Up | 88.604 | 91.454 | 43.036 |
| Business Rates - Local | 18.041 | 17.122 | 94.173 |
| | 150.701 | 137.209 | 137.209 |

- **Business Rates Top-Up**

Business Rates Top-Up increases in line with the Small Business Rates multiplier (based on the Retail Price Index as at September of the preceding financial year); however it has been adjusted to take account of the Council's move to a 100% Business Rates Retention Pilot.

- **Business Rates – Locally Retained**

The figure for Local Business Rates shown in the table above is the Government's estimate of growth. A final estimate was provided to the County Council by the billing authorities in January 2018, which was broadly in line with this figure. The amount represents 49% of business rates collected locally.

New Homes Bonus (NHB)

The NHB grant was introduced in April 2011. The scheme is aimed at encouraging local authorities to grant planning permission for the building of new houses and then share in the additional revenue generated.

The Government has confirmed that the Council will receive an additional allocation of NHB in 2018-19 of £0.437m, making a total allocation receivable in 2018-19 of £2.058m.

General Grant

Details of further grant allocations are set out in the table below.

| | 2017-18 £m | 2018-19 £m |
|---|---------------|---------------|
| Education Services Grant | 2.308 | 0.000 |
| Local Reform and Community Voices Grant* | 0.503 | 0.511 |
| Prison Services* | 0.100 | 0.105 |
| New Homes Bonus returned top-slice | 0.252 | 0.000 |
| Transition Grant | 1.124 | 0.000 |
| Lead Local Flood Authority | 0.052 | 0.055 |
| Business Rates Capping* | 2.723 | 12.807 |
| High Needs Strategic Planning | 0.305 | 0.000 |
| Special Educational Needs and Disability Implementation | 0.513 | 0.000 |
| Adult Social Care Support Grant* | 3.644 | 2.267 |
| Independent Living Fund* | 2.699 | 2.614 |
| Improved Better Care Fund | 18.464 | 24.906 |
| Total | 32.687 | 43.265 |

* 2018-19 figures updated from Revenue Budget 2018-19 Report following release of allocations.

- **Local Reform and Community Voices Grant** – this grant is comprised of funding for Deprivation of Liberty Safeguards, local Healthwatch and Independent Complaints Advisory Services.
- **Prison Services** – funding for social care in prisons.
- **Lead Local Flood Authority** – to carry out duties under the Flood and Water Management Act 2010 and for the role as statutory consultee on surface water for major development.
- **Business Rates Capping** – compensates authorities for their individual reductions in non-domestic rating income following recent decisions by Government to change the rate relief for some organisations. Compensation is provided by means of a Section 31 grant. The increase in 2018-19 is as a result of Derbyshire's participation in the 100% Business Rates Retention Pilot. The allocation of this income is referred to above.
- **Adult Social Care Support Grant** – the Government has announced that it will provide a grant to local authorities who have adult social care responsibilities. The funding is payable as a one-off.
- **Independent Living Fund (ILF)** – the ILF was administered by Government until its closure in July 2015, when funding was devolved to local authorities. Funding to local authorities has been announced up to 2019-20.
- **Improved Better Care Fund** – the Comprehensive Spending Review 2015 announced that £1.5bn would be added to the ring-fenced Better Care Fund progressively from 2017-18, reaching £1.5bn in 2019-20 nationally.

Private Finance Initiative Grant (PFI)

The PFI grant is received to support expenditure which is incurred in meeting payments to contractors for the capital element of school building projects previously undertaken through PFI and similar funding arrangements. These funding arrangements require payments to be made over a 25 year period. The capital payments due on these schemes will end in three phases between 2029 and 2035. The Council's allocation for 2018-19 is £10.504m.

Ring Fenced Grants

- **Dedicated Schools Grant (DSG)**

Grant is paid to local authorities to provide school budgets. Details of schools block DSG funding were considered by Cabinet on 1 February 2018 and the DSG was split into four separate ring-fenced blocks. The Council must contain expenditure within these four separate blocks with transfers between blocks subject to approval by the local Schools Forum and the Department for Education (DFE). All four blocks are now allocated on a formulaic basis. The main schools block is to be allocated by a local formula for 2019-20 and the DFE has indicated that a full National Funding Formula for schools will be in place from 2020-21. The Council retains responsibility for allocation of the High Needs Block, the Central Block and the Early Years Block, within the regulations published by DFE.

- **Public Health**

Public Health expenditure is funded from a ring-fenced grant. The budget is largely spent on drug and alcohol treatment services, sexual health services, health protection and promoting activities to tackle smoking and obesity and to improve children's health. The Council's allocation for 2018-19 is £40.548m. This represents a reduction of 2.57% compared to the 2017-18 allocation. The Government has confirmed that the ring-fence and grant conditions will remain in place until 31 March 2020, at which point it is expected that the grant will be replaced by retained business rates.

- **Better Care Fund**

The Better Care Fund (BCF) was announced in June 2013 as part of the 2013 Spending Round. It provides an opportunity to transform local services so that people are provided with better integrated health and social care. The BCF will support the aim of providing people with the right care at the right place at the right time. This will build on the work which the Clinical Commissioning Groups (CCGs) and the Council are already doing, for example as part of integrated care initiatives, joint working and on understanding of patient/service user experiences.

The allocation for Derbyshire as a whole in 2018-19 is £95.558m and is being split as follows:

| | 2017-18 £m | 2018-19 £m |
|------------------------------------|---------------|---------------|
| Tameside | 2.252 | 2.295 |
| Erewash | 6.465 | 6.587 |
| Hardwick | 7.387 | 7.528 |
| North Derbyshire | 19.547 | 19.919 |
| Southern Derbyshire | 17.774 | 18.112 |
| CCG minimum contribution | 53.425 | 54.441 |
| CCG additional contribution | | |
| Wheelchairs | 2.899 | 0.503 |
| ICES equipment | 2.269 | 1.833 |
| CMHT | - | 2.372 |
| Community Nursing | - | 3.552 |
| | 5.168 | 8.260 |
| DCC additional contribution | | |
| ICES equipment | 1.857 | 1.500 |
| DFG | 5.481 | 6.451 |
| Improved Better Care Fund | 1.945 | 24.906 |
| | 67.876 | 95.558 |

The funding can be used to improve health outcomes for clients and their carers. Derbyshire will look to invest in services jointly commissioned with health services, which include reablement, seven day services, better information sharing, joint assessments and reducing the impact on the acute sector. The resources for reducing the impact on the acute sector are performance related and will not be paid to the acute service if the targets are not achieved.

The BCF has national metrics underpinning its performance, which will be used to measure success, including reduced admissions to residential care homes, effectiveness of reablement out of hospitals, delayed transfer of care, avoidable emergency admissions and patient/service user experience.

This funding system presents opportunities and risks to the Council, these are the subject of detailed negotiation with the CCGs. The additional funding will help to bridge the funding gap which will be left by the annual reduction in Revenue Support Grant.

Fees and Charges

The Council receives income for a range of fees, charges and contributions for different services including residential care, adult education courses and library fines. The income generated in 2016-17 equated to approximately £169m.

The Council has adopted a Corporate Charging Policy to help standardise the approach to charging for services. This policy is being updated and will be reported to Cabinet later this year.

DERBYSHIRE ECONOMY

The Derbyshire Local Economic Assessment 2018 (LEA) shows that the county's economy continues to grow and is now worth £14.9 billion. Productivity levels are also improving across Derbyshire, helping to narrow the gap between the county and England.

The county is home to more than 29,500 businesses that employ around 300,000 people. The area has significant strengths in the advanced manufacturing sector, with a number of world class companies such as Toyota, Rolls Royce and Bombardier choosing to locate and invest in the county and its surrounding area. Although Derbyshire has fewer new businesses starting up than England, the survival rate of local businesses continues to be higher.

Derbyshire has a large pool of available labour with above average employment levels. Derbyshire's employment rate has continued to increase since the last LEA in 2014 and now stands at 78.9%, nearly 4% points higher than the England rate. Employment rates nationally and locally are now amongst the highest they have been since 2004, reflecting the improving economic picture.

Unemployment rates are relatively low in the county and remain below the England average, with the claimant count unemployment rate of 1.6% in July 2018 being 0.5% points below that nationally. However there are a few areas where unemployment levels are more than double the national average. Around a third of unemployment claimants in Derbyshire have been out of work for more than a year, although this remains below the national average. The youth unemployment rate in Derbyshire is 2.3%, the same as that nationally.

Derbyshire is an attractive and predominantly affordable place to live. In June 2018, the average price of a house in the county was £173,080, more than £70,000 lower than across England. Housing availability is one of the key challenges facing the UK due to there being insufficient supply to meet current and future population demands in some areas. Locally there is sufficient planned housing to meet the expected levels of demand overall. However, affordability is an issue in certain parts of the county, particularly in rural areas.

Over recent years, tourism has been the UK's fastest growing employment sector. It supports over 2.5 million jobs and is worth £106 billion to the national economy, equating to 9% of economic output and its value is projected to double by 2025. Tourism is a vital and growing part of the local economy with an impact beyond the direct spending of visitors to an area.

The visitor economy in Derbyshire is an important contributor to overall economic performance locally. It supports 22,500 full-time equivalent jobs and contributes more than £1.6 billion to the local economy, with the direct impact accounting for nearly 75% of all money generated locally by the sector. It includes spending by visitors on accommodation and food and drink but also things such as transport and shopping. However, the indirect impact, which includes spending by businesses in the supply chain, generates a quarter of the economic value from the sector, or over £400 million.

In 2016 nearly 32 million visitors came to Derbyshire. Most of these, 29.1 million, visited during the day whilst 2.9 million stayed overnight. Since 2009, there has been significant growth in visitor numbers, with a rise of nearly three million people coming to the county. The recent growth has been driven by the number of day-trippers rising by over 10%, although encouragingly, the length of time overnight visitors are staying in serviced accommodation has shown significant growth.

FIVE YEAR FINANCIAL PLAN

The following key assumptions have been made when developing the Plan.

Income:

Business Rates

This is the Council's share of Business Rates income under the Business Rates Retention Scheme. For 2018-19, the figure is based on the Council being a pilot for 100% business rates retention scheme. It is assumed that from 2019-20, the Council will revert to the previous 50% scheme. Despite the Government's commitment to introduce a 75% scheme by 2020-21, it is difficult to estimate the funding under a revised scheme, as the details of the scheme will be subject to consultation over the coming months. It assumes 2% growth year-on-year.

Top-Up

This is a grant received from Government under the Business Rates Retention Scheme. It assumes that the amount will increase with the Government's target CPI inflation year-on-year.

Revenue Support Grant

The Council will receive a nil allocation in 2018-19 as it foregoes the amount under the 100% business rates retention scheme. Under the Government's austerity measures, Revenue Support Grant will cease in 2020-21.

Better Care Fund (BCF) and improved Better Care Fund

Announced as part of the 2013 Spending Review, aimed at transforming local services so that people are provided with better integrated health and social care. The BCF supports the aim of providing people with the right care at the right place at the right time. The Spending Review 2015 announced additional funding for the period 2017-18 to 2019-20, with the Spring Budget 2017 announcing further support over the same period.

New Homes Bonus

Introduced in April 2011. The scheme is aimed at encouraging local authorities to grant planning permission for the building of new houses and then share in the additional revenue generated.

General Grant

In 2018-19, the amount of general grant is based on the following allocations at the time of the Revenue Budget Report 2018-19:

| | 2018-19 |
|---|----------------|
| | £m |
| Education Services Grant | 0.000 |
| Local Reform and Community Voices Grant* | 0.503 |
| Prison Services* | 0.100 |
| New Homes Bonus returned top-slice | 0.000 |
| Transition Grant | 0.000 |
| Lead Local Flood Authority | 0.055 |
| Business Rates Capping* | 2.262 |
| High Needs Strategic Planning | 0.000 |
| Special Educational Needs and Disability Implementation | 0.000 |
| Adult Social Care Support Grant* | 0.000 |
| Total | 2.921 |

* 2018-19 later determinations are documented on page 12. This additional one off income and expenditure does not materially change the 2018-19 Five Year Financial Plan position at the end of the year.

PFI Grant

This grant is to support expenditure which is incurred in meeting payments to contractors for the capital element of projects undertaken through the Private Finance Initiative.

Council Tax

An increase of 4.99% has been agreed for 2018-19. No decisions have been made in respect of later years. However, for indicative modelling purposes, an increase of 4.99% has been included for 2019-20, with a freeze assumed in the following two years, followed by a 2% increase in the last year of the Plan.

Taxbase increases of 1.5% per annum are assumed, with a collection fund surplus projected of £2m per year.

Use of Balances

There is a planned use of Budget Management Earmarked Reserve and General Reserve to support one-off pressures over the medium term.

Expenditure:**Price Inflation**

The Consumer Price Index is forecast to remain low over the medium term. It is anticipated that allocations will be made to reflect increases in care home fees and business rates, with any other inflationary pressures being met from within existing budgets and the Council looks to achieve one of its key Council Plan priorities of attaining value for money for the services it delivers.

Pay Award

The Plan assumes a general 2% pay award for each year of the Plan. The award for 2018-19 has been agreed. At the time of publication, local government employers were in negotiation with the unions regarding an offer for 2019-20. Any amount over and above 2% will have to be met from within existing budgets.

Contingency for Price Increases

The Council maintains a Contingency Budget which has been used to help manage pay and price increases over which there is some uncertainty, details for 2018-19 are set out below.

- **Children's Services Legal Fees - £0.166m**

To meet the estimated demand for new care cases as a result of the year-on-year growth in child protection cases and changes to court proceedings.

- **Fostering Allowances - £0.117m**

Derbyshire's strategy to ensure sufficiency of placements for children in care is reliant on recruiting and retaining enough foster carers, both mainstream and as contract carers. The above amount assumes an estimated increase of 2.5%. The final figures will be confirmed later in the year.

- **Care Leavers - £0.036m**

The Derbyshire Leaving Care Support Service contract includes an option to extend the contract by up to 2 further years. In the event that the contract is extended there is some uncertainty as to whether there would be an inflationary increase.

- **Home to School Transport - £0.625m**

The above sum is the estimated cost of the inflationary increase of services to provide free transport to school for pupils that meet the statutory thresholds.

- **Street Lighting Energy - £0.212m**

This is the estimated increase in street lighting energy costs. Whilst the Council has a programme to introduce LED street lights which will bring energy savings over the medium term, the Council is still in the process of implementing these LED street lights across the Council.

External Debt Charges and Minimum Revenue Provision

This represents the interest payable on the Council's outstanding debt. The Council reviewed its Minimum Revenue Provision (MRP) Policy, details of which were reported to Cabinet on 22 November 2016. The amended policy effectively results in the Council having 'overpaid' its provision for a number of years. As a result, the Council will reduce its annual charge over the medium term to reflect this overpayment, therefore the charge for 2018-19 will be reduced by £10.000m. Such a reduction will continue until 2021-22. The reductions are one-off in nature. These help the Council to smooth the level of reductions required each year. However, it should be noted that the base budget is expected to be at its 2017-18 level, on the basis of no additional funding being required at the end of the current five year planning period.

The Council has paid off a number of loans which were used to support the Council's capital programme. As the Council has not undertaken further borrowing in recent years, it provides an opportunity to reduce the budget by £8.500m to reflect the reduction in interest charges.

The Capital Programme has two invest to save schemes – Spire Lodge and Alfreton Park replacement phase 2. It has been agreed that the debt charges will be met from corporate budgets thereby supporting the Children's Services budget by approximately £0.500m.

Interest Receipts - £5.000m

The Bank of England increased the base rate of interest from 0.25% to 0.50% at its meeting on 2 November 2017 and from 0.50% to 0.75% at its meeting on 2 August 2018. The budget assumes that the Council will earn additional income of £1.000m by utilising a range of risk assessed investment vehicles in order to increase its income from external investments.

On-going Service Pressures

There are planned allocations for social care over the medium term to address increased demand for services. In addition, there are allocations for Council priorities such as highways maintenance and public transport.

One-Off Pressures

There is a planned use of the Budget Management Earmarked Reserve over the medium term to support one-off expenditure including children's social care and highways maintenance and the costs associated with the county council elections in 2021-22.

FIVE YEAR FINANCIAL PLAN for 2018-19 to 2022-23

| | 2018- 19 | 2019- 20 | 2020- 21 | 2021- 22 | 2022- 23 |
|---|----------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m | £m |
| FUNDING: | | | | | |
| Business Rates and Government Grants | | | | | |
| Business Rates | 94.173 | 18.770 | 19.145 | 19.528 | 19.919 |
| Top-Up | 43.031 | 94.707 | 97.548 | 100.475 | 103.489 |
| Revenue Support Grant | 0.000 | 13.517 | 0.000 | 0.000 | 0.000 |
| Better Care Fund | 14.566 | 25.900 | 25.900 | 25.900 | 25.900 |
| additional improved Better Care Fund | 10.340 | 5.126 | 0.000 | 0.000 | 0.000 |
| New Homes Bonus | 2.058 | 2.200 | 2.300 | 2.300 | 2.400 |
| General Grant | 2.921 | 3.000 | 3.000 | 3.000 | 3.000 |
| PFI Grant | 10.504 | 10.504 | 10.504 | 10.504 | 10.504 |
| Sub Total | 177.593 | 173.724 | 158.398 | 161.707 | 165.212 |
| Council Tax | 314.135 | 333.409 | 338.381 | 343.426 | 355.479 |
| Use of Balances | 11.457 | 10.162 | 5.364 | 3.000 | 2.000 |
| TOTAL FUNDING | 503.185 | 517.295 | 502.142 | 508.133 | 522.690 |
| EXPENDITURE: | | | | | |
| Base Budget | 486.276 | 491.728 | 507.133 | 496.778 | 505.133 |
| Price Inflation | 1.844 | 2.000 | 2.000 | 2.000 | 2.000 |
| Living Wage | 4.200 | 4.200 | 1.000 | 1.000 | 0.000 |
| Pay Award (including Living Wage) | 5.900 | 7.800 | 5.200 | 5.300 | 5.400 |
| Contingency for Price Increases | 1.156 | 0.000 | 0.000 | 0.000 | 0.000 |
| Debt Charges | -8.500 | 0.000 | 0.000 | -1.500 | 0.000 |
| Interest Receipts | -1.000 | -1.000 | 0.000 | 0.000 | 0.000 |
| MRP adjustment | -10.000 | 2.000 | 1.000 | 7.000 | 0.000 |
| On-going Service Pressures (see below) | 28.763 | 18.994 | 7.000 | 7.300 | 6.000 |
| Risk Management Budget | -4.484 | 0.000 | 0.000 | 0.000 | 2.157 |
| | 504.155 | 525.722 | 523.333 | 517.878 | 520.690 |
| One-off expenditure: | | | | | |
| Risk Management | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| One-off revenue support | 11.457 | 10.162 | 5.364 | 2.000 | 2.000 |
| Elections | 0.000 | 0.000 | 0.000 | 1.000 | 0.000 |
| | 11.457 | 10.162 | 5.364 | 3.000 | 2.000 |
| Budget cuts required | -12.427 | -18.589 | -26.555 | -12.745 | 0.000 |
| TOTAL EXPENDITURE | 503.185 | 517.295 | 502.142 | 508.133 | 522.690 |
| Ongoing base budget | 491.728 | 507.133 | 496.778 | 505.133 | 520.690 |

| Assumptions | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|--|----------------|----------------|----------------|----------------|----------------|
| Price Inflation | 1.80% | 2.00% | 2.00% | 2.00% | 2.00% |
| Pay Award | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Business Rate Growth | 421.99% | -80.07% | 2.00% | 2.00% | 2.00% |
| Top Up RPI | -51.43% | 120.09% | 3.00% | 3.00% | 3.00% |
| Council Tax Increase | 4.99% | 4.99% | 0.00% | 0.00% | 2.00% |
| Taxbase Increase | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% |
| Taxbase | 244,398 | 248,135 | 251,857 | 255,635 | 259,469 |
| Collection Fund Position (£m) | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 |
| Council Tax (£/Band D) | 1,272.12 | 1,335.60 | 1,335.60 | 1,335.60 | 1,362.31 |
| | | | | | |
| Ongoing Service Pressures | | | | | |
| Adult Care Demographics | 12.614 | 14.194 | 5.000 | 5.000 | 5.000 |
| Highways Maintenance | 1.500 | 0.000 | 0.000 | 0.000 | 0.000 |
| Arts Grants | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Public Transport | 2.600 | 0.500 | -0.300 | 0.000 | 0.000 |
| Pension Fund | 0.000 | 0.000 | 1.000 | 0.000 | 0.000 |
| Children's Services Demographics | 7.000 | 3.000 | 0.000 | 1.000 | 1.000 |
| Children's Social Care Recruitment Remodelling | 1.300 | 1.300 | 1.300 | 1.300 | 0.000 |
| Unaccompanied Asylum Seeking Children | 1.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Valuers | 0.280 | 0.000 | 0.000 | 0.000 | 0.000 |
| Waste | 2.476 | 0.000 | 0.000 | 0.000 | 0.000 |
| Internet/Email | 0.250 | 0.000 | 0.000 | 0.000 | 0.000 |
| Innovation | -0.257 | 0.000 | 0.000 | 0.000 | 0.000 |
| | 28.763 | 18.994 | 7.000 | 7.300 | 6.000 |
| One-Off Pressures | | | | | |
| Highways Maintenance | 1.000 | 1.000 | 0.000 | 0.000 | 0.000 |
| Organisation models for small schools | 0.380 | 0.000 | 0.000 | 0.000 | 0.000 |
| Children's Social Care Recruitment Remodelling | 4.000 | 2.600 | 1.300 | 0.000 | 0.000 |
| Children's Social Care Demographics | 4.000 | 4.000 | 2.000 | 0.000 | 0.000 |
| Care Leavers | 0.402 | 0.402 | 0.000 | 0.000 | 0.000 |
| Child Protection Staff | 0.150 | 0.000 | 0.000 | 0.000 | 0.000 |
| Valuers | 0.066 | 0.000 | 0.000 | 0.000 | 0.000 |
| Older People Support | 0.082 | 0.048 | 0.000 | 0.000 | 0.000 |
| Street Lighting | 0.148 | 0.048 | 0.000 | 0.000 | 0.000 |
| Planning | 0.110 | 0.000 | 0.000 | 0.000 | 0.000 |
| HS2 Co-Ordination Officer | 0.064 | 0.064 | 0.064 | 0.000 | 0.000 |
| Waste | 0.634 | 2.000 | 2.000 | 2.000 | 2.000 |
| CCP Savings Shortfall | 0.421 | 0.000 | 0.000 | 0.000 | 0.000 |
| | 11.457 | 10.162 | 5.364 | 2.000 | 2.000 |

CAPITAL PROGRAMME

The Capital Programme is developed following an assessment of capital bids received from each of the services across the Council.

The capital expenditure recommendations have been determined from a detailed assessment of service department proposals for capital investment, utilising, as in previous years, a “scoring” mechanism to reflect the importance of each proposal in meeting a series of objectives, for example Capital Strategy, Asset Management and the Council Plan. The impact of capital expenditure and associated borrowing is spread over several years, therefore it is important to consider the effect of any proposals in both the forthcoming and future financial years. There are ongoing revenue costs associated with borrowing.

Details of the actual and estimated figures were reported to Council on 7 February 2018.

The Council’s Capital Strategy is integrated into the Corporate Asset Management Plan process for service accommodation needs i.e. the on-going assessment of asset utilisation and building condition, with the key objective being to hold or provide only such assets as are necessary to meet service priorities.

The strategy has regard to the availability of finance which continues at present to be provided mainly by traditional methods which include:

- Borrowing
- Grants & Contributions
- Revenue Funding
- Capital Receipts

The Prudential Code provides flexibility in relation to borrowing for capital purposes by councils subject to tests of affordability and prudence. Government support, in the form of direct capital grants, or through support towards debt charges, is also available for specific capital projects. The level of grant support towards debt charges on post April 2006 supported schemes have reduced significantly, which has a severe impact on the affordability of capital programmes. The concept of “supported borrowing” was formally ended as part of the 2011-12 settlement.

Other considerations, as part of option appraisal, include examination of the ongoing revenue implications of either carrying out – or failing to carry out – a specific scheme. It is regarded as imperative that such implications form a full part of the Council’s expenditure planning processes.

RISKS

The Plan shows that the Council is required to make substantial budget savings over the medium term in order to maintain a balanced budget. If the target savings cannot be achieved a drawdown on the General Reserve will be required to balance the budget. The Plan projects a long-term balance on General Reserve of between £18m to £40m over this period.

The Council has identified a programme of budget savings required over the medium-term. Procedures are in place to ensure that achievement against the targets is regularly monitored and reported to Members.

The Council has robust procedures in place to ensure that mitigation against key financial risks is considered. These include:

- Regular review and update of the financial risk register which is reported to senior managers and Members;
- Review of General and Earmarked Reserves at least annually, including projections for the General Reserve balance over the medium term;
- Budget monitoring reports to Members which includes the latest budget position, progress against budget savings targets and the level of departmental Earmarked Reserves;
- Reports to Audit Committee providing updates of the latest budget monitoring arrangements;
- Consultation with Improvement and Scrutiny Committee on the latest Five Year Financial Plan;
- Corporate Risk Register reported to the Audit Committee.

In developing the Five Year Financial Plan a number of assumptions have been made. There are a number of risks which are highlighted below.

- The introduction of 100% Business Rates Retention is assumed to be fiscally neutral to the Council. The Provisional Local Government Finance Settlement announced that the Government would move towards full 75% business rates retention for local authorities by 2020-21, with 100% retention to follow in later years. The four-year multi-year settlement announced in 2016-17 provided some certainty for those authorities who agreed to sign up to the offer, however there is now growing uncertainty in the sector regarding the funding levels beyond this period. There remains a period of consultation between local government and central government over the coming months to establish a distribution methodology that is fit for purpose, however, local authorities are struggling to set medium term financial plans due to this element of uncertainty;
- The existing allocations of the improved Better Care Fund continue to be paid beyond 2019-20. If the funding ceases beyond 2019-20, local authorities will experience a 'cliff edge' funding effect that will significantly impact on the delivery of adult social care services;

- There continues to be a consistent rise in business rates growth in the county, however a change in the economic life-cycle or a significant loss of business in the region will impact on the level of business rates income;
- Inflationary increases are managed within existing budgets. The Plan assumes that inflation will remain at the Government's target of 2% over the medium term;
- A general 2% pay award is assumed for each year of the Plan. The award for 2018-19 has been agreed. At the time of publication, local government employers were in negotiation with the unions regarding an offer for 2019-20. Any amount over and above 2% will have to be met from within existing budgets;
- Investment income will increase over the next two years on the basis that the base rate of interest will increase. It is assumed that interest rates will rise over the medium term on the basis that the economy will grow following the UK's exit from the EU;

Further significant risks are illustrated below.

Business Rates

The introduction of the Business Rates Retention Scheme in April 2013 have increased the level of financial risk for local authorities as they are now exposed to both the impact of appeals against rate valuations and avoidance of the tax. Whilst some appeals will go in the favour of local authorities, the uncertainty of the outcome and lack of knowledge about the timing of the decision mean that councils are forced to accept a significant, unpredictable financial risk, impacting on the availability of funding for services.

Other general risks have been identified, which need to be managed effectively. These are:

- The impact of Business Rates income from economic growth rates across the county;
- The district/borough councils effectiveness in the collection of Council Tax owed;
- Deficits of the collection fund as a result of reduced collection rates for both Council Tax and business rates;
- Uncertainty around the level of business rates appeals;
- Current economic conditions including inflation levels, interest rates, reduced income from fees and charges.

Children's Social Care

The Council, along with other local authorities in the country, has expressed concern over the cost pressures associated with the provision of children's social care. Many local authorities, including Derbyshire, and the Local Government Association have urged Government to provide additional funding for the service.

The Local Government Association has highlighted that 75% of local authorities overspent on their children's services budgets by at least £0.5m each in 2015-16. Collectively, councils surpassed their children's social care budgets by £605m in order to protect children at immediate risk of harm. In 2017-18 there was an overspend on the Council's Young People portfolio of over £6m. The latest budget monitoring report highlights a projected 2018-19 year-end overspend for Children's Services of £0.5m. The service is facing increased demand including rising numbers of children in care and children in need. The option of a 1% increase will provide some additional support for the service to go towards starting to address the pressures it faces. The additional income raised of £3m will be allocated to Children's Services.

The Troubled Families Grant, which has been supporting expenditure in Children's Services to the current level of £1.8m, is due to end in 2019-20.

The need for additional support will continue to form part of the sector's lobbying strategy.

Waste

The Council has spent a number of years, in partnership with Derby City Council, attempting to deliver a waste treatment facility to divert residual municipal waste from landfill. In 2009 a long-term contract was awarded to Resource Recovery Solutions (Derbyshire) Ltd (RRS), commencing in 2010 for a period of 27 years.

The original programme was for this facility to be operational in July 2012. The Council has been working with Derby City Council and RRS on the development of a revised project plan following the failure to secure planning permission.

Following a successful outcome to the second planning inquiry, planning permission was effectively received in September 2012. This decision was challenged by objectors in the High Court in March 2013 and the Appeal Court in October 2013, with both challenges being dismissed. This legal process has further delayed the project, with financial close occurring on 20 August 2014. The facility expected to open later in 2018.

RESERVES

The Council has in place a Reserves Policy which sets out the framework within which decisions will be made regarding the level of reserves. In line with this framework the balance and level of reserves are regularly monitored to ensure they reflect a level adequate to manage the risks of the Council.

The level of General Reserve is likely to average between 3 and 5% of the Council's net budget requirement over the next few years. The levels of reserves are set on a risk-assessed basis. Provision has been made in the budget and Five Year Financial Plan for the major commitments known to the Council. This still leaves the balance on the General Reserve to deal with further unanticipated or unquantifiable costs and one-off priority spending.

Over the period of the plan, the Council faces a number of commitments which will require funding. These include a number of major capital commitments with on-going revenue costs.

In order to maintain reserves at an acceptable level over the planning period further assumptions have been made about the need to make contributions back to uncommitted reserves on an annual basis. Additions to reserves could be achieved through the on-going Risk Management Budget, budget savings and possible slippage on capital schemes.

The balance of the General Reserve is risk assessed at least annually. The last review was reported to Audit Committee on 7 October 2014.

Earmarked Reserves are not available to the Council for use in its budget and Council Tax setting process. They are required for specific purposes and are a means of building up funds to meet known or predicted liabilities. These reserves have no specific limit set on them but they should be reasonable for the purpose held and it must be agreed that they are used for the item for which they have been set aside. The level of Earmarked Reserves is reviewed periodically to ensure it reflects a level adequate to manage the risks to the Council, should any reserve be found to be no longer required it will be returned into the General Reserve. The Reserves Position is considered in a separate report to this meeting.

The balance of the General Reserve is dependent on the Council achieving a balanced budget over this period. Failure to achieve the budget savings in each of the years will result in overspends which will have to be funded from the General Reserve.

The table below shows the planned use of General Reserves over the period 2018-19 to 2022-23.

General Reserve Projections

| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m | £m |
| Opening Balance | 65.033 | 36.834 | 32.707 | 28.207 | 22.707 |
| Plus Expected Contributions | 26.309 | 6.016 | 2.500 | 2.500 | 2.500 |
| Less Use | (54.508) | (10.143) | (7.000) | (8.000) | (7.354) |
| | 36.834 | 32.707 | 28.207 | 22.707 | 17.853 |

Contributions

| | | | | | |
|--|---------------|--------------|--------------|--------------|--------------|
| Budget Monitoring Report - Projected Underspend | 2.143 | 2.000 | 2.000 | 2.000 | 2.000 |
| Contributions - Business Rates 100% Retention Pilot | 17.784 | 0.000 | 0.000 | 0.000 | 0.000 |
| Contributions released from Earmarked Reserves | 4.329 | 1.500 | 0.500 | 0.500 | 0.500 |
| Contributions from Prior Year Departmental Underspends | 2.053 | 2.516 | 0.000 | 0.000 | 0.000 |
| | 26.309 | 6.016 | 2.500 | 2.500 | 2.500 |

Use

| | | | | | |
|--|---------------|---------------|--------------|--------------|--------------|
| Budget Monitoring Report - Projected Overspend | 4.034 | 0.000 | 0.000 | 0.000 | 0.000 |
| Prior Year Commitments | 12.888 | 2.143 | 2.000 | 2.000 | 2.000 |
| Contributions to Earmarked Reserves | 22.113 | 0.000 | 0.000 | 0.000 | 0.000 |
| Elections | 0.000 | 0.000 | 0.000 | 1.000 | 0.000 |
| Public Transport | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Buxton Crescent | 10.200 | 0.000 | 0.000 | 0.000 | 0.000 |
| DDL | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| VR/VER | 0.000 | 3.000 | 0.000 | 0.000 | 0.000 |
| Other sundry | 0.273 | 0.000 | 0.000 | 0.000 | 0.000 |
| General Revenue Budget Support | 5.000 | 5.000 | 5.000 | 5.000 | 5.354 |
| | 54.508 | 10.143 | 7.000 | 8.000 | 7.354 |

CONCLUSION

The Plan shows that the Council is facing unprecedented budget savings due to cuts in Government Grants, inflation and greater demands on adult social care and services for vulnerable children. By 2022 the Council will have reduced its budget by £311m.

The level of savings required over the medium term remains significant. The Council has undertaken a review to identify a programme of savings over this period. The achievement of a balanced budget is dependent on the Council meeting its budget reduction target annually. Whilst the General Reserve remains at a prudent risk assessed level over the period of the Plan, any overspends arising from demand management issues or slippage on the achievement of savings will require a call on the General Reserve.

Local authorities currently face a period of uncertainty because funding levels beyond 2019-20 are unknown. There is currently a funding review which will examine the way in which funding is distributed to local authorities. This is combined with the proposed roll-out of the 100% business rates retention scheme.

The Council Plan sets out the Council's priorities which include working efficiently and effectively. The Council will be pursuing new delivery and commissioning models to achieve its priorities. It will review the way it works, ensuring its operation is fit for purpose.

To ensure an element of transparency in its decision making, a value for money board has been established which will examine and review Council contracts.

The Council faces a period of funding uncertainty beyond 2019-20 and it will await the outcome of the Government's review of the funding distribution methodology. The Council will work with the Derbyshire Pool and the Government in 2018-19 to learn from the 100% business rates retention pilot in the county.

Whilst the Plan illustrates that the Council can set a balanced budget in 2022-23 without the need for further savings in that year, this is predicated on the Council continuing to receive the additional Better Care Fund allocations beyond 2019-20 and the move to 100% business rates retention being fiscally neutral.

REFERENCE DOCUMENTS

Derbyshire Local Economic Assessment 2018 (LEA)

Quarterly Economic Review of Derbyshire

<https://observatory.derbyshire.gov.uk/IAS/Custom/Pages/Economy/LEA.aspx>

2018-19 Final Local Government Finance Settlement:

<https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2018-to-2019>

HM Treasury – Autumn Statement 2017

<https://www.gov.uk/government/topical-events/autumn-budget-2017>

HM Treasury – Budget 2017

<https://www.gov.uk/government/topical-events/spring-budget-2017>