

Agenda Item No.8 (b)

DERBYSHIRE COUNTY COUNCIL

COUNCIL

10 February 2016

Report of the Chief Executive and Director of Finance

REVENUE BUDGET 2016-17

1 Purpose of the Report

To propose a Revenue Budget and Council Tax for 2016-17. This report should be read alongside the following reports to this Council Meeting: the Budget Consultation Results Report for 2016-17, the Capital Budget Report for 2016-17 and the Five Year Financial Plan Report for 2016-17 to 2020-21. Other reports members may find helpful include reports to Cabinet on 26 January 2015 on the reserves position and on the 15 December 2015 concerning the Comprehensive Spending Review.

2 Information and Analysis

The budget has been constructed in the context of currently known information. Details of the Final Local Government Finance Settlement are expected to be published in early February 2016 and a verbal update will be given at the meeting. Details of funding and income streams to the Council are set out in Appendix One. The report commences with details of the financial position in 2015-16, the Comprehensive Spending Review and the Provisional Local Government Finance Settlement, including Council Tax levels, before identifying the service pressures facing the Council and consequent budget reductions required. The report concludes with comment on the Council's financial standing and the robustness of the estimates made in preparing the budget.

(a) Budget Monitoring 2015-16

The latest budget monitoring position for 2015-16 was reported to Cabinet on 26 January 2016. The Council's three largest portfolios, Adult Social Care, Children's Services and Highways, Transport and Infrastructure all indicate possible year-end overspends. However, the latter two portfolios will use earmarked reserves to ensure a break-even position. The projected departmental outturn shows a £9.909m overspend. However, this is offset by use of earmarked reserves and underspends on the Debt Charges and Risk

Management budgets totaling £17.000m, which gives an overall forecast underspend of £7.180m.

(b) Comprehensive Spending Review 2015

The Government announced details of the Comprehensive Spending Review 2015 on 25 November 2015, details of which were reported to Cabinet on 15 December 2015.

(c) Provisional Local Government Finance Settlement

Details of the Provisional Local Government Finance Settlement 2016-17 were published on 17 December 2015. It marked the start of a four-week consultation period. The Director of Finance submitted the Council's response to the Provisional Settlement on 15 January 2016 following consultation with the Leader of the Council and the Chief Executive. A copy is attached at Appendix Five.

The headlines from the Settlement are:

- The overall reduction to Settlement Funding Assessment (SFA), compared to 2015-16 is 10.7%
- The overall reduction to Revenue Support Grant (RSG) nationally is 24.5%
- New methodology to allocate RSG based on changes in Core Funding (SFA plus Council Tax requirement) and by service tier
- Confirmation of the 2% Council Tax referendum principle
- Confirmation of an additional 2% adult social care precept and guidance on how this additional funding must be reported to Council Taxpayers and the Government
- A consultation on the New Homes Bonus funding has been published setting out proposals to achieve savings of £800m by 2019-20, as announced in the Comprehensive Spending Review 2015.
- Four year funding offer to local authorities

Settlement Funding Assessment

The Settlement Funding Assessment (SFA) is 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. Details of the allocations for the Council are summarised below:

	2015-16 (Adjusted) £m	2016-17 £m	Percentage Increase/ (Reduction)
Revenue Support Grant	98.050	67.722	-30.9%
Business Rates Top-Up	85.743	86.457	0.8%
Business Rates - Local	16.705	16.844	0.8%
	200.498	171.023	-14.7%

Revenue Support Grant

A number of funding streams previously paid to local authorities as separate grants have been rolled into the Revenue Support Grant. The two which are relevant to the Council are:

- **Care Act Grants** – in 2015-16 local authorities received a total of £285m for grants related to the Care Act. The Government intends to fund deferred payment agreements and carers/Care Act implementation elements through RSG, however funding for early assessments will no longer be paid to authorities. Therefore, the Adult Care base budget has been reduced by £2.293m to reflect the deferral of the implementation of the act and that early assessments funding will no longer be needed in 2016-17.
- **Lead Local Flood Authority** – in previous years, this funding has been paid as part of the Local Services Support Grant. The separate grant will be rolled into RSG from 2016-17 onwards.

Historically, cuts to local authority funding were much greater for those authorities who relied on grants from central government for their funding; usually because they had low council tax bases or high spending needs, than those less dependent on grant. In recent years, the Government has effectively cut every local authority's grant by the same percentage, therefore having a bigger impact on a local authority if it relies more on grant as a percentage of its overall spending.

This year, Revenue Support Grant reductions have not been applied using the principle set out above. The calculation for 2016-17 has been applied at service tier level (i.e. upper tier, lower tier, fire, Greater London Authority, etc) and takes into account an authorities' Council Tax level. The Government has taken this approach *'to address the particular pressure experienced by councils which provide adult social care and children's services'*. However, under these proposals, county councils will see an average reduction of 34.1% in allocations after taking into account funding that has been transferred into RSG. County councils see the greatest loss in funding of those local authorities with responsibility for Social Care, followed by unitaries (-28.7%), outer London

(-27.7%), metropolitan districts (-24.0%) and inner London (-21.5%). Generally, counties in the south of the country have had the largest reductions, e.g. Buckinghamshire (-46.4%) and Surrey (-42.1%).

Business Rates Top-Up

Business Rates Top-Up will increase in line with the Small Business Rates multiplier (based on the Retail Price Index as at September 2015).

Business Rates - Locally Retained

The figure for Local Business Rates shown in the table on page 3 is a Government estimate. The actual figure will be provided by the billing authorities who must provide the information to the County Council by 31 January 2016. The figure has changed since that reported to Cabinet on 26 January as five out of the eight billing authorities have confirmed their final estimates. A verbal update on the final figure will be provided at the meeting. Any changes to the figure shown in Appendix One will be managed through the Risk Management Budget.

New Homes Bonus

The New Homes Bonus (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 for 2016-17 of £0.639m, making a total allocation receivable in 2016-17 of £2.864m.

The Government sets aside an amount each year to fund the New Homes Bonus, with any residual amount being returned to local authorities in proportion to their 2013-14 Start Up Funding Assessment. It is estimated that the Council will receive an allocation of £0.249m which has been included in General Grants (see below).

The Government has published a consultation in respect of NHB, as set out in the Comprehensive Spending Review 2015, which includes proposals to save £800m (the total payments to local authorities in 2016-17 is estimated to be £1.4bn) which will be diverted to fund adult social care. In summary, the consultation proposes:

- Reduction in the number of years for which allocations are paid (currently six years)
- Setting a baseline and only rewarding growth above the baseline
- Reducing payments when planning permission for a development was only given on appeal
- Only making payments when an authority has published a Local Plan.

It is worth noting that county councils have lost out on funding as a result of NHB. The amount top-sliced to fund the NHB would have been allocated on a more advantageous methodology to County Councils as part of the general RSG settlement. Derbyshire would have been £9m better off over the four-year period 2011-12 to 2014-15 had the funding remained as part of Revenue Support Grant.

The consultation closes on 10 March 2016. An appropriate response will be reported to Cabinet in due course.

Local Services Support Grant and General Grant

A summary of the Local Services Support Grant and General Grant allocations for 2016-17 are set in the tables below. Both these grants are un-ring-fenced.

Local Services Support Grant

	2015-16 £m	2016-17 £m
Extended Rights to Free Travel *	0.861	Tbc
Total	0.861	

* Details of Local Services Support Grant allocations are still awaited. The Government has indicated that the allocations will be announced in the second half of January. A verbal update will be provided at the meeting.

General Grant

The Government has applied an efficiency saving to the Education Services Grant general funding for 2016-17, details of which were not announced until the Provisional Settlement was published on 17 December 2015, reducing the rate from £87 per pupil to £77 per pupil from April 2016. The retained duties rate will remain at £15 per pupil.

	2015-16 £m	2016-17 £m
Education Services Grant	9.262	8.247
Local Reform and Community Voices Grant**	0.609	0.489
Business Rates Capping**	1.494	1.000
Prison Services**	0.142	0.142
New Homes Bonus returned top-slice	0.336	0.249
Total	11.843	10.127

** Details of specific grant allocation are still awaited – these are based on estimates. Any differences between the actual and estimated amounts will be managed through the Risk Management Budget.

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 2016-17 is £10.504m.

Other Funding Streams

There are a number of funding streams which have yet to be announced. These are:

- **Safety Net Holdback**

The Business Rates Retention Scheme includes a safety net which protects local authorities from a reduction in their business rates income of more than 7.5% of their baseline funding level. To ensure that safety net payments are fully funded, the Government proposes to top-slice a total of £50m. This funding would only be used if needed and any funding not used will be returned to authorities during 2016-17 in proportion to their 2013-14 Start-Up Funding Assessment. It will not be known until later in the financial year what the quantum of the unused top-slice will be. Any returned allocation will be added to the Risk Management Budget in the first instance. It is difficult to estimate the level of funding that is expected to be returned to the Council, therefore a prudent approach has been taken and no estimated amount included in the budget.

- **Early Intervention Grant Top-Slice**

In 2013-14, the Government announced that £150m, which had been top-sliced from, what was then, the Early Intervention Grant (EIG), would be returned to local authorities as Adoption Reform Grant. In 2014-15, there was a further extension to this principle, as well as a new Special Education Needs (SEN) Reform Grant; and in 2015-16 the Government announced that it would provide £31.7m, nationally, to help meet the costs of SEN Reform. The Government has yet to announce details of any allocations from the top-slice, although there is no certainty that the funding will be paid to local authorities, as it could be used for other Government priorities.

- **Independent Living Fund (ILF)**

The ILF was originally set up in 1988, as an executive non-departmental public body sponsored by the Department for Work and Pensions. In December 2013,

the Government made the decision to close the ILF on 31 March 2015 and transfer funding to local authorities to support users from April 2015. However, following a Court of Appeal judgement, the Government decided the ILF would be closed in June 2015.

Consequently, local authorities received £140m in funding for the period July 2015 to March 2016 to support users. Allocations for 2016-17 have not been published alongside the Provisional Settlement. The current cost to the Council of providing ILF support is £2.625m per annum. The Government has confirmed that there will continue to be a separate grant in 2016-17 to support service users previously in receipt of the Independent Living Fund in order to support local authorities in meeting their duties under the Care Act 2014. However, the Government cannot currently confirm the allocations but will do so as soon as possible.

Ring Fenced Grants

- **Dedicated Schools Grant (DSG)**

Grant is paid to local authorities to provide school budgets. Local authorities are responsible for determining the split of grant between central expenditure and Individual Schools Budget (ISB) in conjunction with their Local Schools Forum. Local authorities are responsible for allocating ISB to individual schools in accordance with the local schools' funding formula.

- **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. Grant allocations have not yet been published but were expected in mid-January. The Government is proposing to publish allocations for both 2016-17 and 2017-18. A verbal update will be provided at the meeting.

A letter from Public Health England on 27 November 2015 indicated the overall grant for 2016-17 would be reduced by 2.2% from a 2015-16 baseline. This assumed 0-5 funding was available for the whole year (rather than the six months that has actually been the case) and took account of the £200m 2015-16 in-year reduction.

It was also indicated that there may be a reallocation of the Public Health ring-fenced grant amongst local authorities. The outcome of any reallocation could mean that the Council receives a smaller grant allocation than has been assumed.

- **Better Care Fund**

Current Resources

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 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 in 2016-17 is still to be announced, but the allocation is expected to be similar to the 2015-16 allocation and will operate in a similar way to 2015-16.

Additional Resources

The recent Spending Review announced that additional resources would be added to the ringfenced Better Care Fund progressively from 2017-18, reaching £1.5bn extra by 2019-20. The £1.5bn consists of £700m new money and £800m from changes to the New Homes Bonus programme as described earlier in the report. There will be no additional funding for the Better Care Fund in 2016-17 above 2015-16 levels.

(d) Council Tax

District and borough councils are required to provide details of their Council Tax taxbases, together with any surplus or deficit figures on their collection funds, to the Council.

Taxbase

The Council Tax is calculated by dividing the Council's Council Tax requirement by the total taxbase figures. Each of the borough/district councils uses a Collection Fund to manage the collection of Council Tax and to make an adjustment to reflect the actual collection rate of Council Tax in the previous year. Following the introduction of the Business Rates Retention Scheme in April 2013, the district/borough councils are now required to take account of both Council Tax and business rates collected in determining their surplus/deficits, whereas previously it had just been Council Tax collections.

The billing authorities have until 31 January, the statutory deadline, to confirm in writing their taxbase positions. The total taxbase figure for 2016-17 is 237,482.27, a 1.47% increase on the previous year. This figure is lower than that reported to Cabinet on the 26 January 2016 as High Peak Borough Council has

since provided a lower taxbase figure. Individual authority information is shown at Appendix Two.

The additional Council Tax due as a result of the increase in taxbase is £3.865m. This is calculated by multiplying the increase in the number of properties by the Council's Equivalent Band D Council Tax rate in 2015-16. Previous years have seen increases in the taxbase of 0.56%, 1.22% and 1.33%. The Provisional Five Year Financial Plan assumed an increase of 0.70% on the basis of low housing growth seen in recent years. There is a general consensus that there has been a higher than anticipated rise in housing growth and fewer properties with discounts; this could be an indicator that the local economy is improving.

Collection Fund

The collection fund surplus for 2016-17 is £3.223m. This surplus has changed since that reported to Cabinet on 26 January 2016 as Amber Valley Borough Council is now reporting a £0.791m surplus (previously £0.682m) and High Peak Borough Council is now reporting a £0.333m surplus (previously £0.327m). Similar to the taxbase, billing authorities have until 31 January to confirm in writing their collection fund positions.

The collection fund surpluses/deficits for the individual authorities are shown at Appendix Two.

Social Care Precept

All authorities with adult social care responsibilities will be able to set a referendum principle 2% higher than the principle that would otherwise apply. Therefore, the Council will trigger a referendum if Council Tax is raised by 4% or more (see below).

The Council's Chief Financial Officer (Director of Finance) had to indicate whether the Council was minded to take up the 2% flexibility by 15 January 2016. The Director of Finance has indicated to Government that it is likely the Council is going to take advantage of the flexibility. This is not a binding commitment and it is for Council to make the final decision.

If the Council accepts the terms of the flexibility offer, the Director of Finance will be required, within 7 days of the Council setting its budget and Council Tax, to provide information demonstrating that an amount equivalent to the additional Council Tax has been allocated to adult social care. This will take the form of a notice from the Director of Finance to Government. The information will also have to be reported on various returns to Government.

Billing authorities will be required to include information on the face of the Council Tax bill with a narrative statement on the front of the bill highlighting any Council

Tax increases attributable to the funding of adult social care as well as providing further information to the taxpayer. Further information is also required to be included with the Council Tax bill. All authorities accepting the offer are expected to meet any additional costs associated with the billing process. The additional costs are not yet known, although the cost is not expected to be significant.

If the Council were to accept the offer, it would raise additional income of £5.322m. The figure is different to that previously reported to Cabinet on 26 January 2016 due to the revised council taxbase figure.

Council Tax Referendum Principles

The Government has published the Council Tax Referendum principles for 2016-17, which state that an increase in Council Tax of 4% (including the adult social care precept) or higher in Council Tax would trigger a referendum. Any such referendum is anticipated to cost around a £1m to hold.

If the Council were to increase Council Tax by 3.99%, the additional income raised would be £10.617m and would continue to be received in future years.

The effect of a 3.99% increase is shown in the table at Appendix Two. For a Band D property, the increase is £44.71, of which £22.41 relates to the increase of 2% for the Social Care Precept. The resulting precept is derived by multiplying the districts'/boroughs' taxbase by the 2016-17 Band D rate, and adjusting for the surplus or deficit. The total amount of the precept for 2016-17 is £279.930m.

(e) Business Rates

The introduction of the Business Rates Retention Scheme from April 2013 means that authorities, including the Derbyshire Fire and Rescue Authority, can keep 50% of the business rates income collected locally. Similar to the Council Tax requirements, the district/borough councils have until 31 January to notify the Council of their share of the business rates income. Any changes to the figure shown in Appendix One will be managed through the Risk Management budget.

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 Service 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 continue in 2016-17 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.

The funding will be allocated to an Earmarked Reserve pending a decision on its use. The estimated income for the Council will be similar to the 2015-16 allocation, which was approximately £1.3m.

(f) Price Increases

There will be few increases to departmental budgets for specific items of expenditure as inflation is expected to remain low over the medium term, coupled with the low price of oil which affects the price of a number of commodities. Neither will there be budget allocations for utility costs as the Council procures its gas and electricity through the integrated Pan Government Energy Programme and the Government Procurement Service which has resulted in prices being frozen. The water companies have also indicated that prices will be frozen in 2016-17.

The amount of price increases is £3m less than estimated in the Provisional Five Year Financial Plan and reflects, in part, achievement of procurement savings across the Council. For example, the cost of lower oil prices has resulted in lower prices for utilities and consumables.

National Insurance Contributions

From April 2016, the current basic state pension and state second pension will be abolished and replaced by a single-tier state pension, which will result in the end of contracting-out. Contracting-out has meant that both employees and employers have paid lower National Insurance Contributions (NIC). As a result the Council's NIC's will increase by 3.4% at a cost of approximately £4.123m. This figure has changed since that reported to Cabinet on 26 January 2016 (previously £4.000m) to reflect revised calculations.

The total impact of price increases is estimated at £6.067m. This includes the allocation for increases in respect of:

	£m
Business Rates	0.044
Residential Care Home Fees	1.800
Insurance	0.100
National Insurance Contributions	4.123
	<hr/>
	6.067

(g) Corporate Budgets

Contingency Budget

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

- **Independent Fostering and Residential Agency Placements - £0.840m**

The current framework agreement has held fees charged by providers constant without any uplift for inflation. Work currently being undertaken by the Council has indicated that providers will need to increase prices to reflect cost pressures and the introduction of the National Living Wage from 1 April 2016, when the new framework is implemented.

- **Waste - Gate Fees £0.867m**

Increases relating to the contractual gate fees at transfer stations and the Arkwright in-vessel composting facility.

- **Living Wage - £9.500m**

The new National Living Wage for workers over the age of 25 will start at £7.20 from April 2016 and rise to £9 an hour by 2020, the Government announced in its Summer Budget 2015. The Local Government Association estimates that an additional £330m would be needed by local authorities in 2016 to initially cover increased contract costs to home care and residential care providers. The sum set aside represents current estimated costs to the Council.

- **Pay Award - £3.304m**

The budget reflects details of the local government pay offer announced in December 2015. The offer is for a 1% increase in both 2016-17 and 2017-18 in addition to increasing the bottom pay points to take account of the new National Living Wage. The estimated cost to the Council is £3.304m in 2016-17 and a similar amount in 2017-18, which will be allocated to the Council's contingency budget pending final agreement.

The Council made a commitment to introduce the Living Wage for employees and agreed to the payment of the Living Wage for 2014-15 in January 2014. The costs of implementing the Living Wage in 2016-17 will be met from within existing budgets.

A sum of £14.000m has been set aside to accommodate the above costs, which will be allocated when the final costs are determined, subject to agreement by the Chief Executive and Director of Finance.

External Debt Charges

This represents the interest payable on the Council's outstanding debt. The Council is reviewing its Minimum Revenue Provision (MRP) and anticipates that, as a result of reviewing alternative methods of establishing prudent provision, will release budget reductions of approximately £5.000m. Further details of this proposal were reported to the Cabinet Member for Strategic Policy, Economic Development and Budget on 15 December 2015. A further report with details of the revised MRP Policy will be reported to the Cabinet Member, Strategic Policy, Economic Development and Budget prior to the start of the new financial year.

Risk Management Budget

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 manage some of the longer term risks and pressures, alongside the resources available in the General Reserve. Any unused balance on the Risk Management Budget is contributed to the General Reserve at the year end.

Interest Receipts

With inflation expected to remain low over the short-term due to the effects of low oil prices, it is unlikely that there will be a base rate interest increase during the next financial year. Current thinking by economic commentators is an increase in rates is not expected until early 2017. The Council's Provisional Five Year Financial Plan assumed that there would be an increase in the Interest Receipts budget of £1.000m in 2016-17 on the basis that there would be an increase in the base rate. As any increase is unlikely, the Interest Receipts budget will remain at its current level.

Further volatility in the perceived security of major financial institutions has led to a reduction in the time period that the Council can lend surplus cash resources and as such significantly affected interest rates achievable. If this instability cannot be overcome it is likely that the interest receipt budget will need to be adjusted further at the expense of the Risk Management Budget.

(h) Budget Cuts Targets

The Council's Provisional Five Year Financial Plan published in February 2015 identified that £41m of potential budget cuts would be required in 2016-17 in order to achieve a balanced budget.

Significant consultation and planning timeframes are required to achieve many of these cuts. Delays in agreeing proposals could result in overspends by departments, which would then deplete the level of General Reserve held by the Council, decreasing its ability to meet short term, unforeseeable expenditure.

In many cases the proposals will be subject to consultation and equality analysis processes. In including potential cost savings in this report no assumptions have been made as to the outcome of those consultations or the outcome of final decisions which have yet to be made. With regard to the cuts proposals which have not yet been considered by Cabinet and, where appropriate, by individual Cabinet Members, the necessary consultation exercises will be undertaken and any equality implications will be assessed before final decisions are made. Throughout the process it will be essential to ensure that the Council continues to meet its statutory and contractual obligations.

The Public Health budget is expected to underspend by approximately £2m in 2015-16. The underspend will support public health services provided by Economy, Transport and Environment and Health and Communities.

Revenue Support for Bus Services

Members agreed on 30 September 2014 to undertake public consultation on public transport to inform future service provision. In view of the potential for funding for public transport from alternative funding streams as a result of the Combined Authority, £3.5m, over 2 years, will be allocated from the General Reserve to support the continued provision of local bus services.

(i) Service Pressures

A number of service pressures have been identified by departments as part of the development of the Five Year Financial Plan. Details of pressures identified for 2016-17 are shown at Appendix Three. A net total of £13.650m will be allocated to base budgets. One-off support of £9.757m will be funded from General Reserve.

(j) Statutory Requirements of the Local Government Act 2003

There is a duty placed on the Director of Finance, as the Council's statutory Chief Financial Officer, to report to the Council when it is making its statutory calculations required to determine its precept. The Council is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included in the budget and the adequacy of reserves for which the budget provides (guidance on local authority accounting suggests this should include both the General Reserve and Earmarked Reserves). The former Office of the Deputy Prime Minister (ODPM) advised that the professional advice of the Chief Finance Officer is required on these two questions, and that they are connected with matters of risk and uncertainty. This report has been drafted with all of these requirements in mind.

On the matter of robustness of estimates, there has been no change to the fundamental methods used in the preparation of the budget which ensure that many professional officers are involved in a process which takes into account and evaluates all known facts. There continues to be great emphasis on assessing and evaluating all known changes, including pay and price levels, statutory changes and demands for service. None of these matters are omitted from advice to Members. The process is underpinned by the Council's integrated Risk Management Strategy, Service Improvement and Improvement and Scrutiny deliberations. In particular, emphasis is placed on the ability to maintain and develop services through a five year forward financial planning process.

The Council's Audit Committee receives reports at each meeting detailing the strategic risks facing the Council along with mitigation in place to ensure they are manageable. This is a significant overview of the Council's potential liabilities and is supported by a rigorous set of processes across the organisation. It receives regular reports regarding the procedures and practices in place to ensure that the Council's budget is closely monitored. Following a recommendation made in the external auditor's report regarding the 2013-14 accounts, Members are provided with more detail of the current budget position, in particular departments progress against their individual targets, together with details regarding the level of Earmarked Reserves.

An important link to the adequacy of reserves is the cash limit policy adopted some years ago. The approved Budget is expressed as cash limits. These should not be exceeded and where services have what are called "demand-led" issues, these are to be resolved within cash limits. Budgets will continue to be subject to regular monitoring and reporting to both budget holders and Members. In the past, departments were expected to manage any in year overspend through the use of their earmarked reserves. Some years ago this became impossible for Adult Care and any departmental overspend has been met from the General Reserve. Over recent years Adult Care has received support in excess of £30m from the General Reserve and a further £6m to £7m is likely in 2015-16. One consequence of the forecast additional resources available to Adult Care over the period to 2019-20 is that the recent trend of in-year overspending can no longer be supported corporately beyond the 2016-17 budget. In particular, the focus for support from Council resources is likely to shift towards Safeguarding Services for Children as the Better Care Fund and additional precept help to alleviate pressures in Adult Care.

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. This covers both the General Reserve and Earmarked Reserves. Details of the latest review were considered at Cabinet on 26 January 2016.

The level of General Reserve available over the next few years is largely dependent on the achievement of the annual budget cuts target. There are pressures on demand-led services such as an ageing population and waste disposal costs which will also have an impact on the balance if departments overspend. The level of the General Reserve will be between £14m - £23m over the medium term. In the Audit Commission's 'Striking a Balance' report published in 2012, the majority of chief finance officers at the national level regarded an amount of between 3 and 5 per cent of the council's net spending as a prudent level for risk based reserves.

I recognise that this balance is significantly lower than in previous years and is very much at the lower level of what I consider acceptable. A priority over the coming year will be to ensure measures are put in place to put the balance at an acceptable level by the end of the five year plan period.

The Council's Five Year Financial Plan has identified the need for significant savings in the medium term. The achievement of these savings is critical in ensuring that the Council balances its budget.

In order to achieve a balanced budget over the medium term the Council is reliant on achievement of a programme of budget cuts. Progress against the budget cuts targets will be closely monitored, however, lead-in times for consultation activity and increased demand on services such as Adult Care demographics mean that there is a continued risk of not achieving a balanced budget. Whilst the latest budget monitoring report for 2015-16 shows an overall Council underspend, this has been anticipated in forward financial plans.

There is still a risk of delay in implementation or indeed an inability to progress a particular cut for a variety of reasons. Delay can be relatively straightforward to quantify and in global terms can be expressed by noting that an average one month's delay across all the cuts identified would require the use of around £3m of General Reserve; as a one-off cost this is manageable within the context of the resources available. The non-achievement of an indicated cut is less manageable and as a consequence Strategic Directors have been made aware of the need to bring forward alternative savings, to at least an equal value, should this scenario occur. The Council has also established a Budget Management Earmarked Reserve which will be used to manage, where appropriate, any delayed cuts to services.

Whilst the Council maintains an adequate, risk-assessed level of General Reserve, failure to achieve the required level of budget cuts, in order to balance the budget, will see the balance of General Reserve significantly depleted and lead to issues around financial sustainability that would require urgent, radical cuts rather than the planned process that minimises impacts of reductions as far as possible.

It should be noted that the reductions required to balance the budget have yet to be fully identified. Further cut proposals will be brought to Cabinet to bridge the gap and one-off resources used, if necessary, to close any gap in 2016-17 with an expectation that a compensating base cut will be made in 2017-18.

Earmarked Reserves are not generally 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 smoothing out the costs associated with meeting 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 at least annually. Any reserves no longer required will be returned to General Reserves.

The external auditor makes a judgement on the financial stability of the Council each year when the accounts are audited. The judgement continues to be positive subject to the continuing achievement of budget cuts and the maintenance of a robust, risk assessed level of reserves.

(k) Five Year Financial Plan (FYFP)

The Council's Five Year Financial Plan (FYFP) is reviewed and updated each year as part of the annual budget process. There is a separate report on the updated FYFP for consideration at this meeting. It sets out details of budget cuts required over the medium term and illustrates proposed budget cuts up to 2020-21.

The Provisional Local Government Finance Settlement announced by the Government in December, provides an offer to any local authority that wishes to take it up, of a four-year funding settlement to 2019-20. 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.

In making the offer, the Government has provided indicative allocations for the period 2016-17 to 2019-20. The final determination of the Local Government Finance Settlement for each year cannot be made until such calculations as the business rates multiplier, transfer of functions to local government and transfers of responsibility are determined, but in making the offer, the Government expects the amounts to be presented to Parliament each year. Further details of the provisional allocations and funding gap are shown in the Five Year Financial Plan report. The FYFP has been updated to reflect the Government's four year funding offer. However, there are uncertainties around the level of funding beyond 2019-20 as the Government will be consulting with local authorities regarding revisions to the Business Rates Retention Scheme. Whilst the Government have provided provisional allocations of the additional funding for

the Better Care Fund, further details are awaited of the conditions of use of the funding, which may restrict use of the funding, the implication being that the Council will have to fund adult social care demographic growth which will lead to further budget reductions in future years in order to maintain a balanced budget.

The Plan shows that savings of £108m are required over the medium term, however due to the uncertainty of funding this figure may rise to £134m.

There are a number of future pressures which Members need to have regard to when making decisions on the budget, it is prudent that Members understand these pressures and at the same time recognise how the Council's financial position needs to retain a degree of flexibility in order to meet these challenges and any others that might arise in year. These include:

- Business Rates appeals
- Public Health funding
- Business Rates Retention Scheme changes
- Conversion of local authority schools to academies

(I) Consultation

The Council has, for a number of years, undertaken a variety of consultation exercises, using a range of methods, in the preparation of its annual revenue budget. However, recently as part of the significant budget cuts required, the Council has enhanced the value of the consultation exercises by using alternative approaches.

A separate report highlighting consultation activity recently undertaken is also on the agenda for consideration at this meeting. The results of the consultation contain a number of suggestions that can be seen in the budget proposals included within this report. These include: -

- Increase Council Tax by an average of 2.4%, with 46% selecting an increase of 4% or higher.
- Cut all service area budgets.
- Achieve the majority of the cuts by cutting the Adult Social Care and Children's Services budgets.
- Reduce expenditure on democratic representation and "back-office" functions.
- Make no general adjustment to departmental budgets for inflation.
- Award a possible pay increase to Council staff paid more than the Living Wage.

3 Legal & Human Rights Considerations

The Council's Constitution contains Budget and Policy Framework Procedure Rules which must be followed when the Council sets its budget. Cabinet must propose a budget by early February to allow the Council, should it so wish, to raise objections and refer the budget proposals back to Cabinet for further consideration, allowing time to finalise the precepts before 1 March.

When setting the budget, the Council must be mindful of the potential impact on service users -the consultation exercises which have been undertaken in the preparation of the 2016-17 budget are relevant in this respect.

Section 149 of the Equality Act 2010 imposes an obligation on Members to have due regard to protecting and promoting the welfare and interests of persons who share a relevant protected characteristic (age; disability; gender re-assignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation). The draft Community Impact Assessment undertaken is referred to in the Equality of Opportunity Considerations paragraph below.

However, case law has clarified that there is no obligation on a local authority to carry out an equality impact analysis of the high level strategic budget setting process. Once the budget has been set and as spending decisions are made, service by service, and as policies are developed within the constraints of the budgetary framework, proposals will be further considered by Members and will be subject to an appropriate and proportionate assessment of any equality implications as well as consultation, where appropriate.

4 HR Considerations

The actual scale and detailed composition of the job losses involved will not become clear until the necessary consultations are concluded and final decisions are made on individual cuts proposals. It is, however, evident that given the level of budget cuts identified the scale of workforce re-alignment will be significant. The Council will seek to mitigate the impact of the proposed budget reductions on the Council's workforce through the use of measures such as vacancy control, redeployment, voluntary release, etc. and the further development of an internal jobs market including, if required, associated systems.

The Council has a statutory responsibility to consult with the relevant trade unions when potential redundancy situations arise. At future meetings Cabinet will be asked to approve such consultation, where necessary, as well as reviewing the application of the appropriate HR measures to mitigate the effect of the budget reductions.

5 Equality of Opportunity Considerations

A draft Community Impact Assessment has been undertaken by the Council that makes an initial assessment of the potential impact of budget cuts to 2015-16. The assessment draws on Equality Impact Assessments, consultations and the wider contextual information available, including business cases for each budget proposal. The Assessment provides an overview of people and places where budget cuts proposals may have a negative impact, including those where the cumulative effect might be greatest. The Assessment provides the foundations for the necessary programme of detailed Equality Impact Assessments, to ensure that decisions are informed by the fullest understanding of their effect on people and communities, as well as highlighting those groups which may need to be consulted on proposals as they emerge. Work will be carried out over the coming months to update this work to include the budget cut proposals for 2016-17 and will be further expanded to include geographical mapping of both proposed and implemented budget cuts.

6 Other Considerations

In preparing this report the relevance of the following factors has been considered:- health, environmental, transport, property and crime and disorder considerations.

7 Background Papers

Comprehensive Spending Review 2015 – HM Treasury
Provisional Local Government Finance Settlement 2016-17 – Department for Communities and Local Government
Community Impact Assessment – papers held in Policy and Research Division, Chief Executive's Office
Papers held in Technical Section, Room 137, County Hall

8 Officers' Recommendations

That Council:

- (i) Notes the details of the Comprehensive Spending Review and Provisional Local Government Finance Settlement as outlined in sections (b) and (c).
- (ii) Notes the Government's expectations about Council Tax levels for 2016-17 in section (d).
- (iii) Notes the details of the Council's consultation activity as outlined in section (l).
- (iv) Notes the Director of Finance's comments about the robustness of the estimates and adequacy of the reserves as outlined in section (j).

- (v) Approves the precepts as outlined in section (d) and Appendix Two.
- (vi) Approves that billing authorities are informed of Council Tax levels arising from the budget proposals as outlined in section (d) and Appendix Two.
- (vii) Approves the contingency to cover non-standard inflation as outlined in section (g). The contingency to be allocated by the Director of Finance and the Chief Executive once non-standard inflation has been agreed.
- (viii) Approves the level and allocation of budget cuts as outlined in section (h) and Appendix Four.
- (ix) Approves the service pressure items identified in section (i) and Appendix Three.
- (x) Approves the Council Tax requirement of £279.930m which is calculated as follows:

	£
Budget Before Pressures and Budget Reductions	508,106,086
Plus Service Pressures - on-going	13,650,000
Plus Adult Social Care Precept	5,321,788
Plus Service Pressures - one-off	9,757,000
Less Budget Reductions	-40,500,000
Contribution to Contingency Budget	957,373
Reduction to Debt Charges	-5,000,000
Reduction to Risk Management Budget	-7,636,247
Net Budget Requirement	484,656,000
Less Top-Up	-86,457,249
Less Business Rates	-17,294,656
Less Revenue Support Grant	-67,722,178
Less New Homes Bonus	-2,863,627
Less Local Services Support Grant	0
Less General Grant	-10,127,368
Less PFI Grant	-10,503,833
Less Use of General Reserve	-9,757,000
Balance to be met from Council Tax	279,930,089

- (xi) Authorises the Director of Finance to allocate cash limits amongst Cabinet portfolios; Strategic Directors will then report to Cabinet on the revised service plans for 2016-17.

IAN STEPHENSON
Chief Executive

PETER HANDFORD
Director of Finance

Public
APPENDIX ONE

SERVICE	Adjusted Base £	Funding Changes £	Adjusted Base after Funding Changes £	Pay and Price Inflation £	Base Plus Inflation £	Ongoing Pressures £	Adult Social Care Precept	Budget Cuts £	Base Budget Ongoing £	One off Pressures £	Budget 2016-17 £
Adult Care	194,234,806	-2,293,023	191,941,783	3,075,915	195,017,698	11,000,000	5,321,788	-18,245,000	193,094,486	2,000,000	195,094,486
Children's Services	95,805,059	0	95,805,059	1,292,025	97,097,084	1,574,000	0	-9,846,000	88,825,084	950,000	89,775,084
Economy, Transport and Environment	78,526,416	0	78,526,416	478,997	79,005,413	924,000	0	-7,371,000	72,558,413	3,750,000	76,308,413
Health and Communities	12,116,808	0	12,116,808	161,403	12,278,211	0	0	-1,247,000	11,031,211	0	11,031,211
Chief Executives	5,847,040	0	5,847,040	65,013	5,912,053	0	0	-425,000	5,487,053	0	5,487,053
Corporate Resources	32,420,171	0	32,420,171	835,103	33,255,274	152,000	0	-2,366,000	31,041,274	1,057,000	32,098,274
Corporate	11,620,251	0	11,620,251	158,706	11,778,957	0	0	-1,000,000	10,778,957	0	10,778,957
Service Totals	430,570,551	-2,293,023	428,277,528	6,067,162	434,344,690	13,650,000	5,321,788	-40,500,000	412,816,478	7,757,000	420,573,478
Plus Contingency	238,117	0	238,117	12,804,510	13,042,627	957,373	0	0	14,000,000	0	14,000,000
Plus External Debt Charges	53,763,388	0	53,763,388	0	53,763,388	-5,000,000	0	0	48,763,388	0	48,763,388
Plus Risk Management Budget	10,955,381	0	10,955,381	0	10,955,381	-5,636,247	0	0	5,319,134	0	5,319,134
Less Interest Receipts	-4,000,000	0	-4,000,000	0	-4,000,000	0	0	0	-4,000,000	0	-4,000,000
Net Budget Requirement	491,527,437	-2,293,023	489,234,414	18,871,672	508,106,086	3,971,126	5,321,788	-40,500,000	476,899,000	7,757,000	484,656,000
FUNDED BY:											
Council Tax	265,092,571	14,837,518	279,930,089	0	279,930,089	0	0	0	279,930,089	0	279,930,089
Top Up	85,742,726	714,523	86,457,249	0	86,457,249	0	0	0	86,457,249	0	86,457,249
Business Rates	17,576,282	-281,626	17,294,656	0	17,294,656	0	0	0	17,294,656	0	17,294,656
Revenue Support Grant	93,240,944	-25,518,766	67,722,178	0	67,722,178	0	0	0	67,722,178	0	67,722,178
New Homes Bonus	2,224,288	639,339	2,863,627	0	2,863,627	0	0	0	2,863,627	0	2,863,627
Local Services Support Grant	998,936	-998,936	0	0	0	0	0	0	0	0	0
General Grant	16,147,857	-6,020,489	10,127,368	0	10,127,368	0	0	0	10,127,368	0	10,127,368
PFI Grant	10,503,833	0	10,503,833	0	10,503,833	0	0	0	10,503,833	0	10,503,833
Use of General Reserve		0	0	0	0	2,000,000	0	0	2,000,000	7,757,000	9,757,000
	491,527,437	-16,628,437	474,899,000	0	474,899,000	2,000,000	0	0	476,899,000	7,757,000	484,656,000

Council Tax

Taxbase

	Equivalent Band D Properties 2015-16	Equivalent Band D Properties 2016-17	Change %
Amber Valley	37,183.61	37,554.07	1.00%
Bolsover	20,166.16	20,617.59	2.24%
Chesterfield	27,781.57	28,271.58	1.76%
Derbyshire Dales	28,064.51	28,270.29	0.73%
Erewash	31,659.30	32,226.80	1.79%
High Peak	29,177.00	29,654.00	1.63%
North East Derbyshire	29,392.91	29,897.94	1.72%
South Derbyshire	30,608.00	30,990.00	1.25%
	234,033.06	237,482.27	1.47%

Collection Fund

	2015-16 £	2016-17 £
Amber Valley	656,503	790,661
Bolsover	205,018	376,828
Chesterfield	488,685	484,616
Derbyshire Dales	17,208	174,858
Erewash	312,708	503,838
High Peak	152,730	333,255
North East Derbyshire	670,121	430,616
South Derbyshire	364,000	128,000
	2,866,973	3,222,672

Council Tax Amounts

Band	2015-16 £	2016-17 £	Increase £	Number of Properties
A	746.98	776.78	29.80	131,085
B	871.47	906.24	34.77	77,996
C	995.97	1,035.71	39.74	57,646
D	1,120.46	1,165.17	44.71	37,933
E	1,369.46	1,424.10	54.64	22,657
F	1,618.45	1,683.02	64.57	11,400
G	1,867.44	1,941.95	74.51	6,741
H	2,240.93	2,330.34	89.41	507
				345,965

Precept Amounts

	Amount Collected £	Collect Fund Surplus £	Amount Actually Due £
Amber Valley	43,756,908	790,661	44,547,569
Bolsover	24,023,015	376,828	24,399,843
Chesterfield	32,941,221	484,616	33,425,837
Derbyshire Dales	32,939,718	174,858	33,114,576
Erewash	37,549,728	503,838	38,053,566
High Peak	34,551,976	333,255	34,885,231
North East Derbyshire	34,836,209	430,616	35,266,825
South Derbyshire	36,108,642	128,000	36,236,642
	276,707,417	3,222,672	279,930,089

Growth Items

	On-going £m	One-off £m
Adult Care		
Demographics Increases in demographic growth, number of disabled adults and cases of early onset of dementia.	11.000	0.000
Support for Budget Cuts Budget support pending planned cuts to services.	0.000	2.000
Children's Services		
Safeguarding Increased number of asylum seeking children and children coming into care with greater complexity of need.	1.574	0.000
Home to School Transport – Special Educational Needs Budget support pending reviews of the service.	0.000	0.800
Secondary School Budget To provide finance and HR support to schools with a deficit budget in order to reduce the financial risk to the Council.	0.000	0.150

Public
APPENDIX THREE

Corporate Resources

Transformation Services

0.000 1.057

Information Communication Technology
Replacement programme of the Council's
personal and laptop computers.

Coroners

0.152 0.000

Additional resource to address the increase
in the number of deaths reported to the
Coroner each year.

Economy, Transport and Environment

Landfill Tax

0.924 0.000

Increase in Landfill Tax of £1.80 per tonne
from April 2016.

Public Transport

0.000 3.750

Revenue Support for Bus Services
To support the provision of local bus
services as agreed in the Revenue Budget
Report 2015-16.

Corporate Budget

Risk Management

0.000 2.000

One-off support for unforeseen events.

	13.650	9.757
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Budget Cut Proposals 2016-17

Adult Care

- **Supported Living Schemes - £0.272m**

We are continuing with assessments across all our supported living schemes for people with learning disabilities, resulting in savings as some people's care packages are reduced to match the level of support they need. All assessments have been carried out with the goal of ensuring people are still able to live safely and independently. (No additional consultation or Cabinet approval anticipated.)

- **Direct Care Establishments (including residential care homes) - £1.372m**

In November 2015 Cabinet approved the closure of four homes for older people, a small unit for people with learning disabilities and respite beds at a centre for older people. These closures will take place during this financial year.

- **Reduction of Grants to the Voluntary Sector - £1.134m**

We are reviewing the grants we give to ensure they are being used towards meeting the priorities set out by Adult Care. It is anticipated that this review will result in savings. The reviews are subject to consultation and Cabinet approval.

- **Housing-Related Support – up to £5.092m**

Reducing the funding of housing-related support services over two years. These services help vulnerable people to set up and maintain a home where they can live safely and well. Support services include helping people manage their finances, pay bills, better manage their health including drug and alcohol addictions, keep safe and develop links with the community. This cut was agreed in 2014-15.

- **Block Care Contracts - £0.400m**

Reviews are continuing with providers of services to ensure that the Council is only paying for services that are being delivered and ensuring all services are delivered as efficiently as possible. This is resulting in reduced payments for some services. This cut was agreed in 2014-15. (No additional consultation or Cabinet approval anticipated.)

- **Increased Client Contributions (co-funding) - £0.387m**

Raising the amount people pay for Council care and support to live at home was agreed by Cabinet in July 2014. This change included all clients with

more than £50,000 in savings being required to pay for 100% of the cost of their care.

- **Staffing - £0.778m**

A number of restructures and reductions in the number of people which reflect the reductions in frontline services are being proposed with some already at the implementation stage, in line with corporate policies and consultation.

- **Fair Access to Care Services - £0.305m**

In June 2014 Cabinet agreed to raise the level at which adults qualify for Council care from 'higher moderate' to 'substantial' level. We are continuing reviews of people's funding arrangements to ensure fairness and equity.

- **Prevention - £0.850m**

An increase in the use of assistive technology, equipment and staff training to increase people's independence will reduce the costs of care.

Total - £10.590m

Children's Services

- **Support Service Costs – £0.449m**

Reducing general business support and specialised back office functions in line with reductions in front line services.

- **Early Help – £6.332m**

Following a review of Children's Centres the Council will consider closing 32 of them. Schools will be asked to jointly invest and help deliver early help services which will provide targeted support to families that need it most.

- **Looked After Children - £0.500m**

Savings will be made by working with families to reduce the numbers of teenagers coming in to care and helping those who can to return home. Cutting the use of external placements will reduce costs.

- **Other safeguarding - £0.225m**

Savings in foster carers' ICT and the legal costs associated with care proceedings.

- **Home to school transport - £0.625m**

Phased removal of the Council's transport subsidy for early years pupils and those in post-16 education with special educational needs.

APPENDIX FOUR

- **Disabled Children's Services - £0.730m**

Review the support offered to disabled children through the Derbyshire Aiming High Offer with the introduction of assessments to ensure those with the highest need receive the help they need. A separate paper will go to Cabinet looking at the Aiming High budget in more detail.

- **Support for children with special educational needs - £0.435m**

The services provided by education psychologists and the Derbyshire Information, Advice and Support Service will be reduced. Following the introduction of Education Health and Care plans, SEND services will be reviewed to deliver greater efficiencies and effectiveness.

- **Outdoor Education - £0.319m**

Increasing income from the Council's outdoor education activities and facilities and reducing costs.

- **Childcare - £0.110m**

Reviewing support available to young families to reduce the amount spent on developing and maintaining early years provision.

- **Support for Inclusion - £0.100m**

Reducing some support services to schools.

Total - £9.825m

Economy, Transport and Environment

- **Community Transport - £0.860m**

This budget is being cut but we are using some funding from our reserves to pay for new community transport schemes called Active Travel and Active Travel Plus. People who need the service are able to book a place on a weekly service. Funding from reserves will pay for Wheels to Work, a scheme where unemployed people in rural areas are given help with transport to help them get to work. A report will be considered by Cabinet on 26 January.

- **Local bus services - £1.500m**

This budget will reduce by £1.5m. A report to be considered by Cabinet on 26 January will ask for approval to consult on proposals for demand responsive local transport services up to 2019. We are using funds from our reserves to continue with most of the existing bus services we pay for until 2017.

APPENDIX FOUR

- **Countryside Service - £0.307m**

In 2016-17 the countryside service budget will be cut by £307,000. The Countryside Service will be restructured and we will concentrate our resources on those centres that are most used; Elvaston, Shipley, Middleton Top and High Peak Junction. We will look at making sure they are open when visitor numbers are at their highest. We will also look to find alternative ways of managing two further visitors centres (Hayfield Visitors Centre and Tapton Lock Visitors Centre). A report with further information will be considered by Cabinet on 26 January.

- **Staff budget reductions - £1.333m**

Over the coming year we will reduce staff numbers in the Department by up to 60 posts. We hope to mainly achieve this by not replacing people when they leave, staff reorganisations and maximising income to pay for staff costs.

- **Street Lighting - £0.390m**

We will save this money by converting street lights with LED fittings which will save energy and maintenance costs.

- **Highway Maintenance - £1.500m**

We will be spending less on routine highways maintenance but to try and keep our roads in good condition, we have already decided to invest £23m over three years on re-surfacing many hundreds of miles of the county's roads. This aims to stop potholes developing in the first place. We are also looking at working in more efficient ways.

- **World Heritage Site - £0.060m**

We are currently reviewing the way in which World Heritage site services are organised in order to save this amount of money.

- **Road safety - £0.060m**

We are reviewing the way we pay for some road safety schemes and using money from our reserves to continue to pay for some schemes.

- **Vehicles - £0.100m**

Selling some Council vehicles used to deliver services such as maintaining street lights and roads.

Total - £6.110m

Health and Communities

- **Departmental reduction in management and non-staffing budgets - £0.600m**

The proposal is to reduce management and back-office staffing budgets which would impact on the support provided to frontline services. The Health and Communities Department will be disbanded and merged into two other departments resulting in a reduction of senior management and support services staff.

-

- **Libraries materials fund - £0.185m**

The proposal is to reduce the budget spent on books and other library loan materials. This will result in a significant reduction in the range of materials available from libraries and also a reduction in the availability of internet resources available such as e-books and electronic reference titles.

- **Libraries and Heritage restructure and reduced arts grants - £0.290m**

The proposal is to restructure sections of the Libraries and Heritage Service and reduce grants to arts groups. This will result in reduced staffing levels which will impact directly on the support available to library users and fewer community arts programmes.

- **Community safety project fund - £0.085m**

The proposal is to reduce the Community Safety Project Fund budget which will impact on work with communities to tackle anti-social and criminal behaviour.

- **Trading standards restructure - £0.035m**

The proposal is to restructure how the Trusted Trader scheme is administered and possibly increase the membership fee.

- **Community safety staffing reorganisation – £0.030m**

The cuts proposal is not to fill a vacant post.

- **Emergency planning staffing review – £0.025m**

The cuts proposal is not to fill a vacant post.

Total - £1.250m

Corporate Resources and Corporate

- **Administration and employee savings - £1.007m**

We will save this money by employing fewer people in HR, Finance, Property and Legal Services. This will mainly be achieved by not replacing people who

leave but we may need to reorganise some services. We will also save money by better use of IT in courts, cutting our training budget and we will reduce our postage costs by using a bulk mailing service.

- **Additional income - £0.396m**
Income will be gained by charging more for our registration services and from increasing charges in some areas of legal work.
-
- **IT budget - £0.870m**
We will reduce the amount we spend on new IT projects and systems and will spend less on maintaining our current IT systems.
- **Procurement savings £0.445m**
As contracts for telecommunications and our IT network come up for renewal we will make savings by buying these services for less money.
- **Insurance reductions £0.325m**
This money will be saved by accepting a higher level of insurance risk which will lower our insurance premiums.

Total - £3.043m

Chief Executives

- **Staffing - £0.143m**
We will employ less people in Communications, Call Derbyshire, Policy and Research and secretarial teams. This will be achieved by not replacing people when they leave.
- **Publications and publicity - £0.105m**
We will spend less on printed publications and publicity including Your Derbyshire.
- **Running expenses and voluntary organisation - £0.177m**
Grants to voluntary organisations will be reduced and general running costs will be reduced.

Total - £0.425m

Response to Provisional Local Government Finance Settlement

Shafi Khan
Department for Communities and Local Government
2 Marsham Street
LONDON
SW1P 4DF

Dear Sir

Re. Provisional Local Government Finance Settlement 2016-17

The Council welcomes the opportunity to respond to the Provisional Local Government Finance Settlement 2016-17, details of which were published on the 17 December 2015.

Firstly, it is disappointing that the Settlement was only published shortly before Christmas. This now seems to be a regular pattern despite local government's persistent call for an early Settlement. There was an indication that the Settlement would be published on 14 December, so it was frustrating that local authorities were made to wait until the date of the parliamentary recess. The decision to delay the announcement of specific grant allocations such as Local Reform and Community Voices Grant, Extended Rights to Free Travel, and in particular, the more prominent grants, Public Health and the Better Care Fund, does very little to help local authorities in setting their budgets.

The Government top-sliced the now defunct Early Intervention Grant by £150m in 2013. The Government stated that it would allocate this funding based on its priorities and local authorities have benefited from allocations received, particular in respect of Special Educational Needs and Adoption reform. The Council would like the Government to set out how this funding will be allocated as soon as possible to aid budget setting.

Four-Year Funding Offer

Whilst the Council welcomes the Government's four-year funding offer by Government, which provides some certainty regarding funding allocations over the medium term, we still await clarity on what the terms of the offer are and would urge Government to issue this information as soon as possible.

Council Tax

We are pleased that the Council Tax referendum limits have been announced alongside the Provisional Settlement.

The Council welcomes the Government's decision to allow local authorities with adult social care responsibility to raise an additional 2% to support service pressures. The Council has two concerns about this requirement:

1. The Council is concerned about the level of detail that is required to be submitted to Government to illustrate that the funding is being allocated to adult social care budgets. Rather than the additional burden of completing RO and RA forms, the Council proposes that either the S.151 officer, or at worst the external auditor, provides an assurance to confirm that the additional income from the precept is spent on adult social care as part of the annual audit of the accounts;
2. There is a lack of consistency in the amount of additional resource this measure can raise in two-tier areas compared to unitary councils; further there is a disparity even amongst county councils dependant on whether they have retained responsibility for fire and rescue services.

Question 1: Do you agree with the methodology for allocating central funding in 2016-17, as set out in paragraphs 2.6 to 2.8?

The Council does not agree with the proposed methodology. In recent years, the reductions to local authorities' Revenue Support Grant allocations has been calculated on the basis of applying a flat rate reduction to all local authorities and many local authorities would have been estimating their funding reductions on this well-practiced methodology in developing their medium term financial plans.

Historically, there is a period of consultation with local authorities during the summer/autumn when any methodology changes are proposed, which allows councils to examine the proposals rigorously and respond accordingly. The decision to change the methodology at this late stage in the planning process and to provide local authorities with only 4 weeks to examine and suggest any revised methodology is unrealistic.

The revised methodology has resulted in large fluctuations in Revenue Support Grant reductions for county councils. For example, the Council's reduction in 2016-17 is 31% compared to Buckinghamshire (46%) and Surrey (42%). The proposed methodology is intended to take account of a local authorities' ability to raise income from Council Tax, but do not reflect the needs of an authority.

Also of note, is the fact that the revised methodology favours inner and outer London authorities, who have average reductions of 21.5% and 27.7% respectively, whilst the county councils average reduction is 34.1% making it the highest reduction of all groups of authorities. County councils have responsibility for providing services for adult social care, therefore there appears to be a discord in county councils taking a higher reduction than other groups of authorities when the Government has made a clear commitment to support funding of adult social care through the new adult social care precept and the additional Better Care funding.

Question 2: Do you agree with the proposed methodology for calculation of the council tax requirement for 2016-17, as set out in paragraphs 2.10 and 2.11?

The Council does not believe that the Council Tax Requirement should be used in determining the scaling factor for the reasons set out in Question 1 above. Any revised methodology must reflect the needs of an authority and whether an authority provides adult social care services.

Question 3: Do you agree with the proposed methodology in paragraph 2.12 for splitting the council tax requirement between sets of services?

The Council disagrees with the methodology for the reasons set out in Question 1 and 2 above.

Question 4: Do you wish to propose any transitional measures to be used?

The Council is a member authority of the Society of County Treasurer's who have submitted a separate letter on behalf of all its members. We support the measures proposed which are:

- The changes should be delayed by a year, to enable proper consideration to be given to the proposals and other options to be explored.
- Alternatively, treat the changes as a 'one-off' in 2016-17 and consult with local authorities in 2016 on a revised methodology which reflects need and resources.

Question 5: Do you agree with the Government's proposal to fund the New Homes Bonus in 2016-17 with £1.275 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.15?

The Council has no comment on the proposal, but we are pleased that the Settlement provided an indicative allocation of the returned New Homes Bonus funding which supports the Council in estimating the level of funding available to it in 2016-17.

Question 6: Do you agree with the Government's proposal to hold back £50 million to fund the business rates safety net in 2016-17, on the basis of the methodology described in paragraph 2.19?

The Council does not agree with the proposal and reiterates the point made in previous consultations to Provisional Settlements and the introduction of the Business Rates Retention Scheme, in that that the Government's estimates to meet the demands of the safety net were inaccurate and the Council does not agree that the Revenue Support Grant is reduced to fund this error. It is understood that the increase in safety net holdbacks is due to concerns over the impact of successful rates appeals in some authorities. The Council

reiterates the point that it fails to see why local government should fund an issue that is created by a protracted process for appeals by a Government agency.

Question 7: Do you agree with the Government's proposed approach in paragraph 2.24 to paying £20 million additional funding to the most rural areas in 2016-17, distributed to the upper quartile of local authorities based on the super-sparsity indicator?

The Council welcomes the Government decision to provide additional funding in recognition of the additional costs of delivering services in rural services.

Question 8: Do you agree with the Government's proposal that local welfare provision funding of £129.6 million and other funding elements should be identified within core spending power in 2016-17, as described in paragraph 2.28?

The Council is disappointed that the Government has taken this approach and fails to see the value of the information provided. Whilst the additional funding of £74m allocated to local authorities as part of the 2015-16 Final Local Government Finance Settlement was welcome, it does not address the fact that local authorities have not received sufficient funding to cover the costs of providing Local Welfare Provision. The Council would have expected new funding to be provided to support the funding of local welfare provision. The Council has expressed its disappointment in earlier consultations in the Government's lack of transparency in explaining its intentions in terms of Local Welfare Provision.

Question 9: Do you agree with the Government's proposal to include all of the grant funding for the Care Act 2014 (apart from that funded through the Better Care Fund) in the settlement, using the methodology set out in paragraph 3.2?

The Council does not agree with this proposal. The Care Act funding was paid as a separate grant in 2015-16 and the Council would expect the funding to be paid as a ring-fenced grant in future years to ensure that the funding allocations are protected in providing adult social care services. By rolling the funding into the Revenue Support Grant, the funding will be reduced year-on-year with a number of local authorities having a nil Revenue Support Grant allocation by the end of the current Parliament.

The Government allocated funding of £146m in 2015-16 to local authorities to support the implementation of Early Assessments. Following the Government's announcement to postpone the implementation until 2020, the Government did not clawback the funding, to help support adult social care pressures. The Council urges the Government to allocate the £146m to local authorities to help relieve the cost pressures associated with adult social care services.

Question 10: Do you agree with the Government's proposal to include all 2015-16 Council Tax Freeze Grant in the 2016-17 settlement, using the methodology set out in paragraph 3.3?

The Council agrees with this approach.

Question 11: Do you agree with the Government's proposal to include all 2015-16 Efficiency Support Grant funding in the settlement and with the methodology set out in paragraph 3.5?

The Council supports this approach.

Question 12: Do you agree with the Government's proposal to include funding for lead local flood authorities in the 2016-17 settlement, as described in paragraphs 3.6 and 3.7?

The Council supports this approach.

Question 13: Do you agree with the Government's proposal to pay a separate section 31 grant to lead local flood authorities to ensure funding for these activities increases in real terms in each year of the Parliament?

The Council supports this approach.

Question 14: Do you have any views on whether the grant for lead local flood authorities described in paragraph 3.8 should be ring-fenced for the Spending Review period?

The Council does not believe that this funding should be ring-fenced. The Government has made a commitment in recent years to reduce ring-fencing of grants to local authorities as it considers that local authorities are best placed to determine local priorities.

Question 15: Do you agree with the Government's proposal to adjust councils' tariffs/top ups where required to ensure that councils delivering the same set of services receive the same percentage change in settlement core funding for those sets of services?

The Council does not agree with the proposal. The Business Rates Retention Scheme provided certainty regarding the index linking that was built into the scheme, particularly for the Council which is a top-up authority. The Council is concerned that the proposal to adjust council's tariffs/top ups removes the certainty of the four-year offer.

Question 16: Do you have an alternative suggestion for how to secure the required overall level of spending reductions to settlement core funding over the Parliament?

The Council has no alternative suggestions, but supports the proposals set out in the Society of County Treasurer's response.

Question 17: Do you have any comments on the impact of the 2016-17 settlement on persons who share a protected characteristic, and on the draft equality statement published alongside this consultation?

The Government's revised methodology that determines the level of reduction to local authorities' Revenue Support Grant has resulted in the Council having its allocation reduced by £30m. Coupled with the significant level of funding cuts to local government over the course of this Parliament, this has left local authorities with little choice but to reduce or cut the level of services it provides. Additional services pressures, price and pay increases and the decision to cap Council Tax increases at 2% means that the Council will have to cut its budget by over £45m in 2016-17. Inevitably, the cuts will impact many users of the Council's services.

Yours faithfully

Director of Finance