

**Agenda Item No.8 (a)**

**DERBYSHIRE COUNTY COUNCIL**

**COUNCIL**

**4 February 2015**

**Report of the Chief Executive and the Director of Finance**

**REVENUE BUDGET 2015-16**

**1 Purpose of Report**

To make proposals to the Council regarding the Revenue Budget for 2015-16.

**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 on 4 February. Details of funding and income streams to the Council are set out in Appendix One. The report commences with details of the Provisional Local Government Finance Settlement, including Council Tax levels, before identifying the service pressures facing the Council, concluding with reserves and the Five Year Financial Plan (FYFP) position.

**(a) Budget 2014-15**

The latest budget monitoring position for 2014-15 was reported to Cabinet on 27 January 2015.

**(b) Autumn Statement**

On 3 December 2014, the Government announced details of the Autumn Statement which set out the latest economic and fiscal forecasts for the UK economy. At the same time, the Office for Budget Responsibility (OBR) published its economic and fiscal outlook, with its forecasts for both the economy and for public finances. The headlines were:

- A review of the structure of business rates will be carried out by the Government;
- The annual business rate increase will be capped at 2% for a further year;
- The Small Business Rate Relief will be doubled for a further year to provide 100% relief from business rates for 2015-16;

- The OBR's forecasts of economic growth have been revised upwards in the short-term but downwards in later years, since the Budget in March 2014.

There were no details of local government funding beyond 2015-16. After the General Election in 2015 a Comprehensive Spending Review will be undertaken by the new government which will, hopefully, set out broad commitments to the funding of local authorities up to 2019-20.

**(c) Provisional Local Government Finance Settlement**

Details of the Provisional Local Government Finance Settlement 2015-16 were once again published very late in the year on 18 December 2014. It marked the start of a four-week consultation period. The Director of Finance submitted the Council's response to the Provisional Settlement on 14 January 2015 following consultation with the Leader of the Council and the Chief Executive. A copy is attached at Appendix Five.

The Settlement confirms the details published by Government as part of the Technical Consultation during the Summer, which were: -

- Continuation of Section 31 grant for the loss of income in respect of the Government's decision to cap the business rates multiplier at 2% as announced in the 2013 Autumn Statement;
- Roll the 2014-15 Council Tax Freeze Grant into Revenue Support Grant;
- Adjustment of Revenue Support Grant to recoup the loss in Government tax revenue from local authorities, following the Government's decision to withdraw all state funded schools from Phase 2 of the Carbon Reduction Commitment Energy Efficiency Scheme.

Following the Government's decision to cap the business rates multiplier at 2%, as announced at the 2014 Autumn Statement, the Government will again compensate authorities for any loss of business rates income, as it did for the 2014-15 financial year. This includes compensating top-up authorities for the fact that their top-up payments will be lower than they would have been had the multiplier not been capped. The Council will receive a compensating amount of £1.494m which is the estimated cumulative cost of capping for both 2014-15 and 2015-16.

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 are summarised below: -

### Settlement Funding Assessment (SFA)

	2014-15 £m	2015-16 £m	Percentage Increase/ (Reduction)
Revenue Support Grant	126.225	92.293	-26.9
Business Rates Top-Up	84.135	85.743	1.9
Business Rates - Local	16.391	16.705	1.9
	<b>226.751</b>	<b>194.741</b>	<b>-14.1</b>

The Settlement shows that there is a reduction in the Council's SFA of 14.1%, which compares with an average reduction of 13.9% for all county councils. Of the 34 county councils, Derbyshire has the second highest reduction in SFA.

### Care Act Implementation

As part of the Comprehensive Spending Round 2013 (CSR2013) the Government announced £335m funding for local authorities in 2015-16 to support the implementation of key provisions of the Care Act 2014. The Care Act is intended to improve independence and wellbeing. It makes clear that local authorities must provide or arrange services that help prevent people developing needs for care and support or delay people deteriorating such that they would need on-going care and support. Under the Care Act, local authorities will take on new functions. This is to ensure that people:

- Receive services that prevent their care needs from becoming more serious, or delay the impact of their needs;
- Can get the information and advice they need to make good decisions about care and support;
- Have a range of providers offering a choice of high quality, appropriate services.

Importantly, the Act strengthens the rights and recognition of carers in the social care system, including, for the first time giving carers a clear right to receive services. These are by far the strongest rights for carers yet.

The Act establishes that a local authority in which a prison, approved premises or bail accommodation is based will be responsible for assessing and meeting the care and support needs of the offenders residing there. The Council has two such institutions for which it will now have a duty.

The Council will receive funding to support the additional burdens. This will be paid through the Care Act Implementation Grant (£4.447m) and a further £0.120m received as part of the Local Reform and Community Voices Grants, all of which are included in the General Grants total which is set out in the table below. The allocations will be added to the Adult Care budget and will assist in providing early assessments and reviews, deferred payment and capacity building, including recruitment and training of staff.

### **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 2015-16 of £0.509m, making a total allocation receivable in 2015-16 of £2.224m.

As in previous years, the Government has funded NHB from £250m set aside and a further £1bn which was top-sliced from Revenue Support Grant. The total amount due to be paid to local authorities in 2015-16 is £1.167bn. Therefore, the residual amount of £0.083bn is returned to authorities in proportion to their 2013-14 Start Up Funding Assessment. The Council will receive an allocation of £0.336m which has been included in General Grants.

Whilst any funding is generally welcome, it must be remembered that without the NHB the Council would receive a larger share of funding as the amount top-sliced to fund the NHB would be allocated on a more advantageous methodology. According to a recent analysis undertaken by the Local Government Chronicle, Derbyshire would have been £8.9m better off over the four-year period of 2011-12 to 2014-15, had the funding remained as part of Revenue Support Grant and been allocated on a needs basis.

## General Grant and Local Services Support Grant

A summary of the Local Services Support Grant and General Grant allocations for 2015-16 are set out in the table below. Both these grants are un-ring-fenced.

### General Grant

	2014-15 £m	2015-16 £m
Education Services Grant	11.932	9.262
Local Reform and Community Voices Grant	0.655	0.609
Business Rates Capping	1.067	1.494
New Homes Bonus returned top-slice	0.348	0.336
Care Act Implementation	-	4.447
Local Welfare Provision	1.828	-
Community Rights to Challenge	0.009	-
SEN Reform	0.845	0.418
<b>Total</b>	<b>16.684</b>	<b>16.566</b>

### Local Services Support Grant

	2014-15 £m	2015-16 £m
Extended Rights to Free Travel	0.971	0.861
Lead Local Flood Authority	0.207	0.138
<b>Total</b>	<b>1.178</b>	<b>0.999</b>

### Local Welfare Provision

As part of the Local Government Finance Settlement 2014-15 provisional allocations were announced for 2015-16 which unexpectedly revealed that specific funding for local welfare provision would cease. The funding, formerly Community Care Grants and Crisis Loans, was only transferred to upper-tier local authorities in April 2013.

As a consequence of losing a judicial review of the decision to withdraw funding, the Government was required to make a fresh decision on how local welfare provision should be funded in 2015-16. As a result, the Government published a consultation in October 2014 proposing a number of options. Disappointingly, the Settlement announced that there is no

additional funding for local welfare support. The Government has separately identified £129.6m which will be incorporated into Revenue Support Grant. This is not additional funding; it merely identifies what Government thinks is the cost of Local Welfare Provision to be met from within existing grant funding. This is, therefore, a cut to local authority funding as the general grant paid in 2013-14 and 2014-15 of £1.828m will cease.

### **Private Finance Initiative (PFI)**

This grant is 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 which have resulted in payments 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 2015-16 is £10.504m.

### **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 grant allocation for 2015-16 is £35.562m. In Summer 2014, the Government conducted a data collection exercise to confirm information on locally-agreed transfers between local authorities, Clinical Commissioning Groups (CCGs) and NHS organisations. As a result, errors to the Public Health baseline were identified and some authorities' allocations, including the Council's, have been changed, in order to ensure transfers between local partners will no longer be necessary in the future. Consequently, the figure is approximately £0.090m less than 2014-15, despite an announcement earlier this year that the funding would be equivalent to last year's allocation.

Planning and paying for public health services for 0 to 5 year olds will transfer in full from the NHS to local authorities in October 2015. As part of the transfer, local authorities will be obliged to provide certain universal elements of the Healthy Child Programme. These are:

- antenatal health promotion review
- new baby review, which is the first check after the birth
- 6-8 week assessment
- 1 year assessment

- 2 to 2 and a half year review

This will ensure that a universal health visiting service continues. The Government says that this service is essential to supporting the health and wellbeing of families and children at a crucial stage of development. These arrangements will be reviewed after a year. The Council will receive an allocation of £5.140m.

### 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 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 BCF quantum at the national level will be £3.8bn in 2015-16. The allocation for Derbyshire in 2015-16 is £61.489m:

	£m
<b>Funding from CCGs</b>	
Erewash CCG	6.300
Hardwick CCG	7.263
North Derbyshire CCG	19.439
South Derbyshire CCG	16.963
Tameside and Glossop CCG	2.178
<b>Minimum Contribution</b>	<b>52.143</b>
<b>Grants</b>	
Disabled Facilities Grant	3.200
Social Care Grant	2.020
	<b>57.363</b>
<b>Other funding</b>	
Additional CCG money for equipment	2.269
Additional Local Authority money for equipment	1.857
	<b>61.489</b>

The ring-fenced funds of £61.489m will be transferred as part of a Section 75 agreement between the local authorities and the CCGs within Derbyshire. The majority of this resource is paying for existing services

that are already commissioned jointly or by each partner. Any new money will have to deliver new/additional services that underpin the BCF Agenda. 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 success of the BCF has national metrics underpinning its performance, including reducing admissions to residential care homes, effectiveness of reablement out of hospitals, delayed transfer of care, avoidable emergency admissions and patient service user experience. The new funding presents opportunities and risks to the Council which are the subject of detailed negotiation with the CCGs.

There are other funding streams, details of which are still to be announced. These are set out below.

### **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 hold back a total of £50m. This funding would only be used if needed and any funding not used would be returned to authorities in-year 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 holdback 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 the Early Intervention Grant, would be returned to local authorities as Adoption Reform Grant. In 2014-15, there was a further extension to this, as well as a new Special Education Needs (SEN) Reform Grant. Whilst the Government has announced that it will provide £31.7m



to help meet the costs of SEN Reform, details of the balance are still to be announced.

### **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 judgment, the Government decided the ILF would be closed in June 2015.

Consequently, local authorities will now receive £140m in funding for the period July 2015 to March 2016 to support users. Allocations will be paid as a general grant, but details of the allocations have not been published alongside the Provisional Finance Settlement and are not expected until March 2015. The current cost to the Council of providing ILF support is £2.625m per annum and it is anticipated that the Council will receive funding to cover these costs.

### **(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. Four out of the eight district/borough councils are still to provide final confirmation. The total taxbase figure for 2015-16 is 234,033.06, a 1.33% increase on the previous year. Individual authority information is shown at Appendix Two.

The additional Council Tax due as a result of the increase in taxbase is £3.382m. This is calculated by multiplying the increase in the number of properties by the Council's Equivalent Band D Council Tax rate in 2014-15. Previous years have seen increases in the taxbase of 0.65%, 0.56% and 1.22%. 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 2015-16 is £2.628m. This surplus has changed since that reported to Cabinet on 27 January as Amber Valley is now reporting a £0.657m surplus (previously £0.000m) and Erewash has reduced its previous estimate of £0.313m to £0.278m, a net increase of £0.622m on that previously reported.

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

### **Council Tax Freeze Grant**

The CSR2013 announced details of the Government's intention to make funding available to help councils freeze their Council Tax in 2015-16. The Grant available will be equivalent to a 1% increase in the 2014-15 Council Tax income and will be paid in 2015-16. The Government confirmed in CSR2013 that the previous freeze grants received for 2011-12 and 2013-14 will be paid until the end of the current Spending Review Period in 2015-16.

The indicative additional grant allocation for 2015-16, if the Council opted for a zero per cent increase, would be £2.940m. The Government has calculated the increase based on local authorities' taxbase position prior to the introduction of Council Tax Benefit Localisation (see below), rather than the current taxbase used in calculating the level of Council Tax income. If the Council were to accept the Government's offer, the total amount received from Government for Freeze Grants, including previous offers, would be £12.656m. At the time of CSR 2013, Government stated that it would only pay this funding up until 2015-16. After this time, the Council could, potentially, lose this entire base funding, creating a cliff edge reduction. However, following the publication of the Provisional

Settlement in December 2013, the Government has indicated that the Council Tax Freeze funding may be retained after 2015-16, but this is unlikely to be confirmed until the General Election. In developing the Five Year Financial Plan, the Council has taken a prudent approach and assumed that the funding will cease after 2015-16.

### **Council Tax Referendum Principles**

The Government has published the Council Tax Referendum principles for 2015-16, which state that an increase in Council Tax of 2% or higher in Council Tax would trigger a referendum. Any such referendum is anticipated to cost around £1m to hold.

If the Council were to increase Council Tax by 1.98%, the additional income raised would be £5.091m and would continue to be received in future years.

The effect of a 1.98% increase is shown in the table at Appendix Two. The resulting precept is derived by multiplying the districts'/boroughs' taxbase by the 2015-16 Band D rate, and adjusting for the surplus or deficit. The total amount of the precept for 2015-16 is £264.853m.

### **Council Tax Benefit Localisation**

From April 2013, there was a change in the way in which Council Tax benefits were administered. Up until that point, Council Tax benefits were paid through a national scheme. Billing authorities have now developed local schemes which they administer. If the billing authorities change their scheme they are required to consult with the Council in order that the Council can comment on any changes. The Council has been consulted by some district/borough councils within the county proposing that their schemes remain unchanged; the assumption is that there will be no major changes to any schemes within the county.

As a result of the localisation of Council Tax benefits, less people are now eligible for Council Tax support, some of whom would have paid Council Tax for the first time from April 2013. This will have increased the amount of Council Tax collectable. Recent figures published by Government show that there has been a drop in Council Tax collection rates for 2013-14. They show that as at 31 March 2014, the district/borough councils within Derbyshire have over £20m outstanding in Council Tax arrears.

**(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 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.

As a result of the decision to pool, the Council's share of additional income is estimated to be £0.818m. The funding will be allocated to an Earmarked Reserve pending a decision on its use. In 2016-17, there will be an opportunity to renegotiate the objectives and priorities of the business rates pool to ensure that they are more closely aligned with the strategy for the proposed Combined Authority.

**(f) Pay and Price Increases**

The impact of price increases is estimated at £3.244m. This includes the allocation for increases in respect of:

## Public

	£m
Water Levies	0.006
Business Rates	0.054
Teachers' Pensions	0.061
Waste Management Contracts	0.401
Landfill Gate Fee	0.712
Residential Care Home Fees	1.760
Insurance	0.100
Out of County Placement Fees	0.150
	<b>3.244</b>

### Price Increases

There will be no increase to departmental budgets for utilities 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 price rises being frozen. The water companies have also indicated that prices will be frozen in 2015-16.

The amount of price increases is £4m less than estimated in the Provisional Five Year Financial Plan and reflects, in part, achievement of procurement savings across the Council.

### Pay Award

The budget reflects details of the local government pay offer announced in November 2014. The agreement runs from January 2015 to March 2016, with the majority of employees receiving a 2.2% increase from January 2015 and a one-off lump sum. The cost of the pay award for 2015-16 is £3.636m. The pay award costs are in line with the contingency set aside in the Budget for 2014-15 and the estimate made in the Five Year Financial Plan for 2015-16.

### Living Wage

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. A report is being considered by Cabinet on 20 January 2015 regarding proposals for payment of the Living Wage in 2015-16. The rate of the Living Wage has increased from £7.65 to £7.85 per hour. This would give rise to an additional cost to departments of £0.047m.

## **Non-Standard Inflationary Increases**

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. The Council's Provisional Five Year Financial Plan assumed that there would be an increase in the Interest Receipts budget of £1.000m 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.

### **(g) Contingency**

The Council maintains a Contingency Budget which has been used to help manage pay and price increases over which there is some uncertainty. It is proposed to increase the amount paid to foster carers in line with the Retail Price Index to ensure that the Council's strategy of recruiting and retaining additional carers continues, thereby minimising the costs of more expensive externally provided placements. A sum of £0.080m will be set aside to support this and held in the Contingency Budget. The amount will be allocated once the need has been substantiated.

Contract prices for street lighting energy are due to be revised from September 2015. Given the uncertainty around any price increase beyond that date, a further sum of £0.150m has been set aside to support any price increase. The Director of Finance and the Chief Executive will allocate the budget to departments once the financial position is clearer, later in the year. In the event that the budget is not required by departments it will be managed through the Risk Management Budget.

In addition to the £0.230m detailed above, a further £0.524m has been set aside in the contingency budget for Adoption Reform. Further details of this are provided in the Services Pressures Section below.

**(h) Budget Cuts Targets**

The Council's Provisional Five Year Financial Plan published in July 2014 identified that £48m of potential budget cuts would be required in 2015-16 in order to achieve a balanced budget. In setting a balanced budget for 2015-16 as set out in this report, cuts totalling £45.050m have been identified, the balance being met from higher than anticipated increases in the Council Tax taxbase and collection fund surpluses. Details of the departmental cuts identified are set out in Appendix Four.

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, although helpfully many of the reductions were included in the Budget Report for 2014-15. 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.

**Revenue Support for Bus Services**

Members agreed on 30 September 2014 to undertake public consultation on public transport to inform future service provision. The preliminary results have been received, which will be reported to Cabinet in March 2015. A report proposing changes to the b\_line scheme will be considered by Cabinet on 20 January 2015. In response to the public consultation and the proposed amendments to the b\_line scheme and in view of the potential for funding for public transport from alternative funding streams as a result of the Combined Authority, it is proposed that £3.5m over 2 years be allocated from the General Reserve to support the continued provision of local bus services. A further report on the public consultation results and the potential impacts on Community Transport will be presented to Cabinet in March 2015.

## Public Health Resource Fund

In December 2013, Cabinet agreed to develop a fund to support wider preventative work across the Council. The aim is to support areas across the Council where proposals were being considered to reduced or remove services that would have an impact on the health and wellbeing of local people. Funding is being prioritised to support services where cuts have been planned, but still meet the criteria of delivering health benefits and tackling health inequalities.

Support from the fund has been made available in the following areas, with further details set out in Appendix Four:

	2014-15 £m	2015-16 £m
<b>Adult Care</b>		
Housing Related Support	0.512	2.188
Domestic Violence	0.324	-0.033
Community development	0.253	-0.025
Sensory service	0.386	-0.039
Other Adult Care Support	0.416	0.310
	<b>1.891</b>	<b>2.401</b>
<b>Children and Younger Adults</b>		
Early Intervention	1.052	-0.105
Other Children & Younger Adults	0.063	0.342
	<b>1.115</b>	<b>0.237</b>
<b>Economy, Transport and Environment</b>		
Travel Concession	0	0.405
Community Transport	0	0.225
Road Safety	0	0.225
Other Economy, Transport and Environment	0.136	-0.091
	<b>0.136</b>	<b>0.764</b>
<b>Support provided by the fund to other departments</b>		
	<b>3.142</b>	<b>3.402</b>

In addition, a further £0.135m will be used directly within Health and Communities from the fund during 2015-16, resulting in a total of £3.537m additional support in 2015-16.



**(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 2015-16 are shown at Appendix Three. A total of £7.751m will be allocated to base budgets. One-off support of £6.052m will be funded from General Reserve.

In addition to the service pressures shown at Appendix Three, CAYA have identified two further pressures:

- Additional resources required at South Derbyshire Social Work District in response to a recent Ofsted inspection at a cost of £0.348m. This will be funded from the department's Earmarked Reserves.
- The Government has prioritised adoption over the last two years, with the Council receiving funding of £0.990m and £0.604m in each year which has been used to increase the number of children placed for adoption, including additional staff and training for workers. The improvements in adoption performance by the Council could be sustained by on-going funding at a cost of £0.524m. To date, there have been no announcements regarding any grant allocation in 2015-16. There is an indication that there will be no funding in 2015-16, however the Government is still to announce details of how the quantum of the £150m top-slice from Early Intervention Grant will be allocated in 2015-16. In 2013-14 and 2014-15, the Adoption Reform Grant was paid from the top-slice. In the absence of any funding, the Council will support the department's service pressure bid by utilising resources currently set aside in the contingency budget, subject to agreement by the Chief Executive and Director of Finance.

**(j) 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.

There continues to be pressure on Adult Care demographics as the growth in the number of clients and complexity of care required increases. The revised Five Year Financial Plan illustrates how the Risk Management Budget will help support an increase in the amount allocated to meet Adult Care demographic growth over the medium term.

**(k) 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.

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.

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 reported to Cabinet on 27 January 2015.

The level of General Reserves 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 the ageing population and waste which will also have an impact on the balance if departments overspend. The level of the General Reserve will be between £20m - £35m 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 a council’s net spending as a prudent level for risk based reserves. However, the most important consideration has got to be the risk and liabilities that could reasonably fall on the General Reserve. The Council has performed such an analysis which suggests a long term figure between £20m and £25m is appropriate. The use that will be made of the General Reserve to support the budget is expected to result in an actual long term level in line with the risk assessed figure.

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 2014-15

shows an overall Council underspend of £9.283m, there are likely to be commitments against it.

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 £4m 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.

Local authorities have seen a real terms reduction of 37% in funding between 2010-11 and 2015-16. Whichever party wins the General Election, there is certainty that cuts to local government funding will continue until at least the end of the decade. The uncertainty lies with the level of cuts which local government will be required to make over the medium term. The National Audit Office has recently published two reports – '*The impact of funding reductions on local authorities*' and '*Financial sustainability of local authorities*'. Whilst, generally, local authorities have coped well in financial terms with the reductions, the reports raise concerns about the longer-term financial sustainability of some councils. The report reflects concerns over the capacity of some authorities to identify and make further cuts given the level and scale of cuts already made. 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.

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. Details of the last review were presented in a separate report for consideration at the Cabinet meeting on 27 January. Any reserves no longer required will be returned to General Reserves.

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

## **(I) Five Year Financial Plan**

The Council's Five Year Financial Plan 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.

In July 2014, Cabinet approved the Council's Provisional Five Year Financial Plan which covered the period 2014-15 to 2018-19. The Plan has now been updated where possible to reflect the announcements of the Local Government Finance Settlement and the Chancellor's Autumn Statement, rolled forward a year and brings together the views on the level of cuts that may be needed in 2019-20.

Whilst the Government has announced details of the Revenue Support Grant allocations for 2015-16, the austerity measures are expected to continue until at least the end of the decade. Therefore, an assumption of a 10% cut in Revenue Support Grant each year is assumed from 2016-17, pending the announcement of the next Spending Review which is unlikely to take place before Autumn 2015.

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.

The required flexibility can be achieved through a combination of the unallocated base monies in the Risk Management Budgets and one-off funding from the General Reserve.

The major pressures are:

### **i) Achievement of Budget Cuts Targets**

Following CSR2013, when the Government announced details of further cuts to local authority funding, the Council's revised Five Year Financial Plan estimated that budget cuts of £157m were required over the five year

period 2013-14 to 2017-18. In response to this, the Council has identified a range of measures that will be implemented over this period and beyond to address the level of required cuts. This is a challenging position for the Council and will require a continued focus over the foreseeable future.

Details of grant allocations beyond 2015-16 are not known and will not be announced until late in 2015. Whilst local authorities have already borne the brunt of the austerity measures, it is highly unlikely that local government will be protected from further funding cuts. It is likely that the level of funding cuts will continue on the same trajectory as those seen since 2010.

## **ii) Business Rates**

The introduction of the Business Rates Retention Scheme in April 2013 has 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.

## **(m) 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.

To enable Elected Members to establish the relative priorities in relation to a wide variety of service areas, and to gain an understanding of which of the service options are most and least important to residents a wide-ranging 'Your Derbyshire, Your Say' consultation was carried out in the latter part of 2013. This consultation provided a good basis to support decision making on the budget reductions from 2014-15 onwards and informed the formulation of the Provisional Five Year Plan. The focus of the consultation work was a wide ranging programme of face to face consultation events, which were undertaken in a variety of locations across the county. There were 2,814 valid resident responses to the consultation.

During 2014-15 work has taken place around consulting employees and residents on proposed budget reductions and /or service changes. These have been carried out using a variety of methods including online surveys, paper questions, face to face consultation and meetings. Around 30 consultations have been undertaken, attracting over 6100 responses in total. Included in these figures are over 1500 responses each to both the Children's Centres Stage 1 review and the review of mobile libraries. The consultation into the future shape and costs of adult education attracted 877 responses. A further eight consultations drew over 100 responses each. All of these figures include individual participant numbers where face to face discussions or meetings were used.

As part of the Council's ongoing commitment to engagement, a number of consultations are currently being carried out and therefore the numbers of responses or findings are not yet known.

Additionally, in specific preparation for the 2015-16 budget, a number of further consultation activities have taken place, these include:

- Consulting with residents over the 2015-16 budget. A 'Have Your Say' questionnaire was published on the Council's website, between 10 October 2014 and 17 November 2014. The consultation was publicised in the October 2014 edition of the Council's "Your Derbyshire" magazine. Eight respondents provided their views on the Council's budget plans for 2015-16, presented in the Provisional Five Year Financial Plan. The remainder did not comment. Seven respondents provided specific suggestions for cuts, or views on the application of cuts. Specific suggestions for cuts have been noted.
- Obtaining the views of the recognised trades unions. A meeting was held with trade unions representatives on 6 November 2014. No major issues were raised.
- Consulting representatives of business ratepayers. A meeting with representatives of Derbyshire and Nottinghamshire Chamber of Commerce and the Federation of Small Businesses was held on 9 January 2015. The Director of Finance explained the Council's budget position, and no further questions were raised.
- Presenting details of the Provisional Five Year Financial Plan to the Improvement and Scrutiny Committee (Resources) on 18 December 2014. A number of issues were discussed and there was a clearer understanding of the financial context in which the Council would be operating over the next few years.

Over the coming year a number of consultations will be undertaken on forthcoming proposed budget cuts and service changes. A calendar of planned consultations is available on the Council's website and individual activities are publicised as necessary.

### **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. In particular, 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 consultation exercises which have been undertaken in the preparation of the 2015-16 budget are relevant in this respect as is the Community Impact Assessment 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.

### **4 HR Considerations**

The actual scale and detailed composition of 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 proposals to support this are currently being developed.



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 Community Impact Assessment has been undertaken by the Council to make an initial assessment of the potential impact of each of the proposed budget cuts for 2015-16. The assessment is based upon information highlighted in departmental business cases and provides an overview of groups 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 as well as highlighting those groups which may need to be consulted on proposals as they emerge. However, in identifying budget proposals for the year ahead it is important to consider the decisions on budget cuts that have already been taken, along with the completed EIA's and the consultation undertaken as a whole, and whether these in totality have a greater negative impact on a specific group. Work will be carried out over the coming months to provide a cumulative impact assessment to support decision making on proposed cuts, alongside specific EIA's and consultation. This approach will be an iterative process and assessments of the cumulative impact will be made as the proposals develop further.

## **6 Other Considerations**

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

## **7 Background Papers**

Autumn Statement 2014 – HM Treasury

Provisional Local Government Finance Settlement 2015-16 – 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 146, County Hall

## 8 Officers' Recommendations

That Council:

- (i) Notes the details of the Autumn Statement and Provisional Local Government Finance Settlement as outlined in sections (b) and (c).
- (ii) Notes the Government's expectations about Council Tax levels for 2015-16 in section (d).
- (iii) Notes the details of the Council's consultation activity as outlined in section (m).
- (iv) Notes the Director of Finance's comments about the robustness of the estimates and adequacy of the reserves as outlined in section (k).
- (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 £264.853m which is calculated as follows:

	£
Budget Before Pressures and Budget Reductions	527,243,975
Plus Service Pressures - on-going	8,275,223
Plus Service Pressures - one-off	6,052,000
Less Budget Reductions	-45,050,198
<b>Net Budget Requirement</b>	<b>496,521,000</b>
Less Top-Up	-85,742,726

**Public**

Less Business Rates	-16,704,826
Less Revenue Support Grant	-92,293,448
Less New Homes Bonus	-2,224,288
Less Local Services Support Grant	-998,936
Less General Grant	-16,565,857
Less PFI Grant	-10,503,833
Less Use of General Reserve	-6,634,000
<b>Balance to be met from Council Tax</b>	<b>264,853,086</b>

- (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 2015-16.

IAN STEPHENSON

Chief Executive

PETER HANDFORD

Director of Finance

**Public  
APPENDIX ONE**

<u>Service</u>	<u>Budget 2015-16</u>				Pay and			Public Health				
	Base	Funding	Adjusted	Price	Base Plus	Ongoing	Resource	Budget	Base Budget	One off	Budget	
	Budget	Changes	Base	Inflation	Inflation	Pressures	Fund	Cuts	Ongoing	Pressures	2015-16	
	£	£	£	£	£	£	£	£	£	£	£	£
<b>Adult Care</b>	204,589,394	4,566,806	209,156,200	2,951,828	212,108,028	7,000,000	-2,401,376	-21,815,000	194,891,652	3,516,000	198,407,652	
<b>Children &amp; Younger Adults</b>	103,627,595	0	103,627,595	1,291,652	104,919,247	210,000	-236,761	-9,609,000	95,283,486	1,391,000	96,674,486	
<b>Economy, Transport and Environment</b>	81,840,775	0	81,840,775	1,550,472	83,391,247	541,000	-764,000	-4,099,000	79,069,247	1,145,000	80,214,247	
<b>Health and Communities</b>	12,938,958	0	12,938,958	173,994	13,112,952	0	3,402,137	-4,828,298	11,686,791	0	11,686,791	
<b>Chief Executives</b>	5,858,586	0	5,858,586	0	5,858,586	0	0	-495,900	5,362,686	0	5,362,686	
<b>Corporate Resources</b>	34,855,080	0	34,855,080	834,909	35,689,989	0	0	-2,953,000	32,736,989	0	32,736,989	
<b>Corporate</b>	12,655,675	0	12,655,675	124,246	12,779,921	0	0	-1,250,000	11,529,921	0	11,529,921	
<b>Service Totals</b>	<b>456,366,063</b>	<b>4,566,806</b>	<b>460,932,869</b>	<b>6,927,101</b>	<b>467,859,970</b>	<b>7,751,000</b>	<b>0</b>	<b>-45,050,198</b>	<b>430,560,772</b>	<b>6,052,000</b>	<b>436,612,772</b>	
Plus Contingency	1,130,706	0	1,130,706	-900,706	230,000	524,223	0	0	754,223	0	754,223	
Plus External Debt Charges	54,184,083	0	54,184,083	0	54,184,083	0	0	0	54,184,083	0	54,184,083	
Plus Risk Management Budget	4,256,246	4,713,675	8,969,922	0	8,969,922	0	0	0	8,969,922	0	8,969,922	
Less Interest Receipts	-4,005,413	0	-4,005,413	5,413	-4,000,000	0	0	0	-4,000,000	0	-4,000,000	
<b>Net Budget Requirement</b>	<b>511,931,685</b>	<b>9,280,481</b>	<b>521,212,167</b>	<b>6,031,808</b>	<b>527,243,975</b>	<b>8,275,223</b>	<b>0</b>	<b>-45,050,198</b>	<b>490,469,000</b>	<b>6,052,000</b>	<b>496,521,000</b>	
<b>Funded by: -</b>												
Council Tax	255,426,501	9,426,585	264,853,086	0	264,853,086	0	0	0	264,853,086	0	264,853,086	
Top Up	84,135,050	1,607,676	85,742,726	0	85,742,726	0	0	0	85,742,726	0	85,742,726	
Business Rates	16,916,516	-211,690	16,704,826	0	16,704,826	0	0	0	16,704,826	0	16,704,826	
Revenue Support Grant	126,225,169	-33,931,721	92,293,448	0	92,293,448	0	0	0	92,293,448	0	92,293,448	
New Homes Bonus	1,715,624	508,664	2,224,288	0	2,224,288	0	0	0	2,224,288	0	2,224,288	
Local Services Support Grant	1,178,462	-179,526	998,936	0	998,936	0	0	0	998,936	0	998,936	
General Grant	15,830,530	317,327	16,147,857	0	16,147,857	0	0	0	16,147,857	418,000	16,565,857	
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	0	0	0	0	0	6,634,000	6,634,000	
	<b>511,931,685</b>	<b>-22,462,685</b>	<b>489,469,000</b>	<b>0</b>	<b>489,469,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>489,469,000</b>	<b>7,052,000</b>	<b>496,521,000</b>	

**Council Tax**

**Taxbase**

	<b>Equivalent Band D Properties 2014-15</b>	<b>Equivalent Band D Properties 2015-16</b>	<b>Change %</b>
Amber Valley	36,678.90	37,183.61	1.38
Bolsover	19,848.70	20,166.16	1.60
Chesterfield	27,463.85	27,781.57	1.16
Derbyshire Dales	27,864.41	28,064.51	0.72
Erewash	31,368.30	31,659.30	0.93
High Peak	28,988.00	29,177.00	0.65
North East Derbyshire	29,020.15	29,392.91	1.28
South Derbyshire	29,723.00	30,608.00	2.98
	<b>230,955.31</b>	<b>234,033.06</b>	<b>1.33</b>

**Collection Fund**

	<b>2014-15 £</b>	<b>2015-16 £</b>
Amber Valley	711,001	656,503
Bolsover	0	0
Chesterfield	172,233	488,685
Derbyshire Dales	(37,257)	17,208
Erewash	256,785	278,318
High Peak	317,880	152,730
North East Derbyshire	127,037	670,121
South Derbyshire	126,000	364,000
	<b>1,673,679</b>	<b>2,627,565</b>

**Public  
APPENDIX TWO**

**Council Tax Amounts**

<b>Band</b>	<b>2014-15 £</b>	<b>2015-16 £</b>	<b>Increase £</b>	<b>Number of Properties</b>
<b>A</b>	732.47	746.98	14.51	130,663
<b>B</b>	854.55	871.47	16.92	77,458
<b>C</b>	976.63	995.97	19.34	57,329
<b>D</b>	1,098.71	1,120.46	21.75	37,666
<b>E</b>	1,342.87	1,369.46	26.59	22,470
<b>F</b>	1,587.02	1,618.45	31.43	11,316
<b>G</b>	1,831.18	1,867.44	36.26	6,728
<b>H</b>	2,197.42	2,240.93	43.51	505
				<b>344,135</b>

**Precept Amounts**

	<b>Amount Collected £</b>	<b>Collect Fund Surplus (Deficits) £</b>	<b>Amount Actually Due £</b>
Amber Valley	41,662,882	656,503	42,319,385
Bolsover	22,595,448	0	22,595,448
Chesterfield	31,128,237	488,685	31,616,922
Derbyshire Dales	31,445,261	17,208	31,462,469
Erewash	35,473,093	278,318	35,751,411
High Peak	32,691,766	152,730	32,844,496
North East Derbyshire	32,933,685	670,121	33,603,806
South Derbyshire	34,295,149	364,000	34,659,149
	<b>262,225,521</b>	<b>2,627,565</b>	<b>264,853,086</b>

**Growth Items**

	<b>On-going £m</b>	<b>One-off £m</b>
<b>Adult Care</b>		
<b>Demographics</b> Increases in demographic growth, number of disabled adults and cases of early onset of dementia.	7.000	3.516
<b>Children and Younger Adults</b>		
<b>Special Educational Needs (SEN) Home to School Transport</b> Increased costs, provision of transport embedded in existing statements of SEN/Educational Health and Care (EHC) Plans.	0.000	0.600
<b>Care Leavers Provisions</b> Increased numbers of care leavers, changes in Government policy leading to a 15% increases since the current contract was let.	0.210	0.000
<b>Fostering</b> To increase the percentage of in-house foster placements to produce budget savings and improve outcomes.	0.000	0.373
<b>SEN Reform</b> To support the Council in continuing to implement the SEN reforms which includes transferring children and young people with statements of SEN or learning difficulty assessments to education, health and care plans.	0.000	0.418

**Public  
APPENDIX THREE**

**Economy, Transport and Environment**

<b>Waste Management – Landfill Tax</b> Increase in Landfill Tax of £2.60 per tonne from April 2015.	0.541	0.000
<b>Waste Management – Transfer Station Gate Fee</b> Increase in volume of waste being handled at transfer stations following changes to waste disposal points.	0.000	0.616
<b>Waste Management – Increased Waste Volume</b> Forecast that there will be 2% more waste in 2015-16 based on recent local and national data.	0.000	0.529

<b>7.751</b>	<b>6.052</b>
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## **Budget Cut Proposals 2015-16**

### **Adult Care**

- **Supported Living Schemes - £1.728m**

New assessments across all our supported living schemes for people with learning disabilities are 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).

- **Transport Policy - £1.000m**

A new Council transport policy to stop providing transport for Adult Care clients who have reasonable alternatives and to charge those who need transport to day care services was agreed by Cabinet in June 2014. The charging policy is due to come into effect in April 2015.

- **Fair Access to Care Services – £2.250m**

Cabinet agreed to raise the level at which adults qualify for Council care (eligibility threshold) from 'higher moderate' to 'substantial' in June 2014. Only those assessed as having a 'substantial' level of need now qualify to receive Council care. More than 50% of clients have already been re-assessed, with many continuing to receive a service. So far 200 people have had their service stopped and have been supported to find other ways to meet their needs. This cut was agreed in 2014-15.

- **Housing-related Support - up to £4.003m**

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 finances, pay bills, better manage their health including any drug and alcohol addictions, keep safe and develop links with the community. This cut was agreed in 2014-15 and consultations are still open into some proposed cuts.

- **Block Care Contracts - £0.975m**

Reviews are continuing with providers of services to ensure 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).

- **Equipment for People with Disabilities – £0.290m**  
Agreeing new contracts for providing technical aids and minor adaptations in people's homes. (No additional consultation or Cabinet approval anticipated).
- **Increased Client Contributions (co-funding) - £3.216m**  
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. This change in service was agreed in 2014-15.
- **Staffing - £0.253m**  
A proposal to change the management structure of Adult Care's direct care services to reduce the number of managers in parts of the service is due to be considered by Cabinet in March 2015 and then will be subject to consultation.
- **Funding for personal budgets (Resource Allocation System) - £8.000m**  
Reducing the overall spend on personal budgets, which people use to buy their care and support, is being achieved by ensuring assessments are consistent and only people's eligible needs are met through their personal budgets. This was agreed in 2014-15. (No additional consultation or Cabinet approval anticipated).
- **Direct Care – £0.100m**  
Increasing the income generated from services that can be bought, for example day care places purchased by people who are not eligible for Council care, or want to buy extra care on top of what they already receive. This change was agreed in 2014-15 and will generate £100,000 in 2015-16 which can prevent a cut to another service.
- **Total - £21.815m**

## **Children and Younger Adults**

- **Back Office Costs – £1.802m**  
The cuts proposal is to combine staffing and support for early help and safeguarding services and business support. This was agreed by Cabinet in 2014.
- **Looked After Children – £0.300m**  
The cuts proposal is to reduce the number of looked after children coming into the Council's care.
- **Education Improvements Consultants - £0.250m**  
The proposal is to increase income by trading this service to schools and removing remaining subsidies that we have been applying when providing these services.
- **Careers Service – £0.037m**  
The cuts proposal is to be made by removing the residual subsidy offered to schools and increasing income through trading this service to them.
- **Adult Education - £0.080m**  
A consultation was approved last year to consider proposals to restructure and reduce management, introduce a new fee structure and review property use.
- **Transport Costs - £0.534m**  
The proposal is to continue work already approved by Cabinet in 2014 to increase income from charges, removing subsidy and ending travel for non-entitled pupils attending faith schools.
- **Review of Our Children's Homes - £0.520m**  
The cuts proposal is to continue work on a consultation previously agreed by Cabinet to reduce the number of children's homes with more children in care being placed in a family/foster care setting instead.
- **Staff Training - £0.173m**  
The cuts proposal is to review training costs and offer a traded service to staff from outside organisations.

- **Children's Centres – £0.944m**  
A consultation is ongoing to review children's centres and possibly reduce hours, some services, or close some entirely to make cuts.
- **Outdoor Education - £0.200m**  
The cuts proposal is to look at reducing costs and increasing income from the Council's outdoor education service activities and facilities.
- **Education Psychology – £0.039m**  
The Council will use the Dedicated Schools Grant to contribute towards providing some services as part of the cuts proposal.
- **Early Intervention Support – £3.000m**  
The Council has applied to the Secretary of State for Education to be allowed to use Dedicated Schools Grant funding to help support children and families and promote their learning as the Council's own reduced budget will increasingly be needed for high-risk safeguarding priorities. If further income or funding is not available it may be necessary to consider closing some Multi-Agency Teams and further reducing some Children's Centre provision.
- **Senior Management Team - £0.055m**  
A reduction from four to three Assistant Directors is proposed to make this cut.
- **Troubled Families Work - £1.100m**  
The Council has successfully secured grant funding to be used to support delivery of these services for Derbyshire families.
- **Disability/Special Educational Needs – £0.575m**  
Changes to services and the way they are organised and delivered for children and families with disabilities/SEN to make cuts while still providing services.
- **Total - £9.609m**

## **Economy, Transport and Environment**

- **Gold Card - £0.200m**

The Council will save £0.200m by aligning payments to bus operators with Department for Transport guidance; this will not affect the service offered to Gold Card holders.

- **Community Transport - £0.300m**

Over two years it is proposed to cut all support currently given to the eight community transport schemes across Derbyshire. The Council is using some of its own resources to reduce the impact of the cuts in the first year, but there is still a shortfall of £0.300m. The Council is working with the community transport schemes to look at how they can meet the shortfall by using their own funds and by working in different ways. This decision is still subject to public consultation, and a further report to Cabinet.

- **b\_line - £0.315m**

In July 2014 it appeared to be necessary to stop the b\_line scheme to save the amount of money required. However Cabinet will be asked to approve a consultation in January 2015 to extend the b\_line scheme to 16 to 18 year olds, but to stop the Council paying for discounted travel for 14 to 16 year olds because most operators offer their own discounts that are as good or better than those offered by the b\_line scheme.

- **School Crossing Patrols - £0.096m**

Subject to Cabinet agreeing a report in January 2015 it is planned to consult on proposals to end the service on light controlled crossings, zebra crossings and for the seven schools that have a lunch time service, and at sites that are vacant that do not meet criteria drawn from national standards.

- **Countryside Service - £0.225m**

In 2015-16 the Countryside Service budget will be cut by £0.225m, this is mainly to be found by a review of the management of the service and reducing back office costs. Cabinet will be asked for approval in January 2015 to start a staff and Trade Union consultation on the restructure.

- **Staff Budget Reductions - £1.333m**  
Over the coming year staff numbers in the department will be reduced by up to 18 posts. It is hoped to mainly achieve this by not replacing people when they leave, staff reorganisations, and maximising income to pay for staff costs.
- **Winter Maintenance - £0.200m**  
Gritting routes will be reviewed to see if savings can be made by organising them in a different way and by using new, more efficient gritting lorries to save money on salt.
- **Street Lighting - £0.270m**  
The Council will save this money by converting street lights with LED fittings which will save energy and maintenance costs. Converting street lighting to LEDs was agreed by Cabinet in 2014.
- **Highway Maintenance - £1.000m**  
The Council will be spending less on routine highways maintenance but has already decided to invest £23m over the next three years on re-surfacing many hundreds of miles of the county's roads to stop potholes developing in the first place. This work will start in April 2015.
- **World Heritage Site - £0.060m**  
The Council is currently reviewing the way in which World Heritage site services are provided in order to save this amount of money.
- **Increased Income Highways Services - £0.100m**  
Approved by Cabinet on 20 January 2015.
- **Total - £4.090m**

#### **Health and Communities**

- **Emergency Planning Staffing Review – £0.025m**  
The cuts proposal is not to fill a vacant post.
- **Community Safety Staffing Reorganisation – £0.030m**  
The cuts proposal is not to fill a vacant post.

- **Community Safety Project Fund – £0.090m**

The proposal is to reduce the community safety project fund budget. This could impact on the amount and quality of the work done with communities to tackle issues such as anti-social behaviour, domestic violence and re-offending rates.

**Mobile Library Service Changes – £0.265m**

A reduced service is now in operation. The cut was approved by Cabinet on 30 September 2014 following a seven-month consultation process. This is the ongoing effect of the service changes introduced in January 2015.

- **Trading Standards Restructure - £0.150m**

- **Libraries and Heritage Restructure – £0.250m**

The Council is proposing to restructure its libraries and heritage service.

- **Departmental Reduction in Management and Non-Staffing Budgets – £0.454m**

The Council is proposing to reduce management and back-office staffing budgets which would impact on the support provided to front line services. It is also proposing to reduce non-staff budgets such as training and development, equipment and IT resources.

- **Museum Service - £0.027m**

The cuts proposal is not to fill a vacant post.

- A further £3.537m will be used from the Public Health Resource Fund during 2015-16 to provide additional support to departments.

- **Total - £4.828m**

**Chief Executives**

- **Staffing - £0.299m**

Fewer senior managers and employees in Communications, Call Derbyshire and the Policy and Research Unit. This will be achieved by not replacing people who leave.

- **Local Area Forum Support - £0.084m**  
Less funding to support Local Area Forums.
- **Publicity Campaigns - £0.094m**  
Fewer publicity campaigns and reduction in printed materials.
- **Reduction in Other Running Expenses - £0.019m**
- **Total - £0.496m**

### **Corporate Resources and Corporate**

- **Review of Corporate Property - £0.997m**  
Reorganisation of Corporate Property, resulting in fewer managers and fewer employees and bringing some work back in-house to save money.
- **Property Maintenance - £1.300m**  
Spending less on maintaining the Council's buildings.
- **Back Office Efficiencies - £0.991m**  
Fewer employees in Corporate HR, Finance, Shared Service Centre and the Derbyshire Business Centre – mainly achieved by not replacing people who leave, possible re-organisations, potential partnership approaches and some voluntary redundancies and voluntary early retirements. Also saving money by better use of IT systems and sending some bulk mailings to an external mailing house.
- **Additional Income from Registration Service - £0.240m**  
More income resulting from increasing fees in line with national benchmarks and increased business from better Register Offices.
- **IT savings - £0.675m**  
Savings from better buying of IT equipment and systems, and reducing the IT developments budget.
- **Total - £4.203m**



## **Public Health Resource Fund**

### **Adult Care**

- **Housing Related Support**

The Council is using the Public Health Fund to support the housing-related support programme which provides services to support vulnerable people with complex needs, with the aim of improving their quality of life, independence, health and well-being.

- **Domestic Violence**

Public Health funding will be used to support services providing free and confidential advice for female and male victims of domestic abuse living in Derbyshire. Support includes emotional support, housing advice, financial guidance including benefits, counselling, safety planning and appropriate referrals into other agencies e.g. child protection and adult safeguarding for additional action and support.

- **Community Development and Volunteering**

The Public Health Fund will help the Council provide support to voluntary organisations across the county with information and guidance to develop their organisations, and ensure voluntary and community groups become sustainable.

- **Sensory Services**

Public Health funding will be used to deliver a range of support services to people with sensory loss. Services provided include a range of accessible information, advice, training and support services for people with sensory impairments such as hearing and sight loss and to provide a rehabilitation service (a rehabilitation, training and mobility service).

- **Other Adult Care Support**

The Council will support a range of voluntary organisations providing a range of services including befriending, dementia support, support for people with autism, substance misuse support and the home from hospital service using funding from the Public Health Fund.

## **Children and Younger Adults**

- **Early Intervention**

The Council is investing Public Health funding into its work to support children and families with low level or early indications of health issues, which could go on to develop into more serious and costly problems if they do not receive our help at the earliest opportunity.

- **Other Children and Younger Adults**

The Council is supporting children and families with existing or emerging health conditions through our available Public Health funding. The Council does this so youngsters have the best opportunities in life, are kept safe and well, are able to attend school, find training or employment and can contribute to their communities.

## **ETE**

- **b\_line**

Public Health funding is being used to help fund a revised b\_line scheme – the Council's student travel and discount scheme. Cabinet is due to consider proposals to consult on the revised scheme in January 2015.

- **Community Transport**

The Council is investing Public Health funding to help it continue to support Community Transport Services across the county for people with mobility problems or with no travel alternatives.

- **School Crossing Patrols**

Public Health funding will be used to help pay for school crossing patrols at 93 sites that meet the criteria based on national guidance, subject to a report being approved by Cabinet in January 2015.

- **Wheels to Work**

Wheels to Work is a scheme which helps people with no travel alternatives to get to work, education or training through a moped loan scheme.

### **Health and Communities**

- Funding work to prevent domestic violence and support victims, trading standards work including projects to protect consumers most at risk of health inequalities from scams and poor quality or illegal goods and services.
- It will also fund projects to tackle drug and alcohol misuse and support the Council's home library service, which is facing increased demand due to cuts to the mobile library service.

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

Dear Sir

**Re. Local Government Finance Settlement 2015-16**

The Council welcomes the opportunity to respond to the Local Government Finance Settlement 2015-16, details of which were published on the 18 December 2014.

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 17 December, so it was disappointing that local authorities were made to wait until the following day, with uncertainty as to whether the information would be published before the parliamentary recess.

The Council, once again welcomes the Government's decision to compensate authorities for any loss of income that would have transpired as a result of the decision to cap the business rates multiplier, as announced in the Chancellor's Autumn Statement.

We are pleased that the Council Tax referendum limits have been announced but it is disappointing that details of the principles (Referendums Relating to Council Tax Increases (Principles) (England) Report for 2015/16) were not published on the day of the Provisional Settlement. It is important that local authorities understand the statutory and legislative requirements, in order that it can make and consider budget decisions sooner rather than later. The Council needs to make decisions regarding Council Tax levels early in the New Year and the publication of the principles would have aided the Council's decision making process. The Council is planning to have its budget approved on 4 February 2015 and is therefore keen to ensure that there is not a repeat of last years' delayed announcement of the principles when they were not published

until the date of the Final Settlement which coincided with the date of the meeting when the Council's revenue budget was to be approved.

The Council would like to reiterate the point it made in the response to the Summer Technical Consultation. Whilst the Council welcomes the change to the Carbon Reduction Commitment Energy Efficiency Scheme which will result in local authorities having reduced administrative costs, the Council does not agree with the reduction to the 2015-16 Settlement to compensate the loss of the revenue to the Exchequer. The introduction of the Scheme was not supported by additional funding from Government and in other instances new burdens have been fully funded.

The Council urges Government to issue details of its proposals for the balance of the '£150m Early Intervention Grant top-slice', as soon as possible in order that local authorities can implement appropriate plans and strategies regarding the use of the funding.

The Government has once again, used the Spending Power calculations to explain the level of funding cuts to local government. The Spending Power figure does not properly take into account like-for-like resources that are available and is poorly understood by the media and general public. The reality is that the Council's Revenue Support Grant has been cut by 27% in 2015-16, so it fails to reflect the true cut in mainstream funding to local authorities.

The Council's response to the consultation questions are set out below.

Question 1: Do you agree with the Government's proposal that local welfare provision funding of £129.6m should be identified within the Settlement by creating a new element distributed in line with local welfare provision funding in 2014-15?

The Council is disappointed that the Government has taken this approach and fails to see the value of the information provided. 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. Like many local authorities,

the Council was surprised that the funding would cease in 2015-16. The Council feels that the Government has failed to make this point clear in its funding announcements.

It would also seem to contradict the Government's New Burdens Doctrine, in that funding originally provided for a new burden, is being cut, only two years after its implementation.

Question 2: Do you agree with the Government's proposal that the funding for the Improvement and Development Agency for Local Government for services to local government should be £23.4 million in 2015-16?

The Council agrees with this approach.

Question 3: Do you agree with the Government's proposal to reduce the New Homes Bonus holdback from £1bn to £950m?

Yes. The Council welcomes the decision to reduce the holdback, thereby assisting local authorities in having accurate funding information available during their budget setting processes.

Question 4 Do you agree with the Government's proposal to increase the rural funding element from £11.5m, as previously proposed, to £15.5m?

The Council agrees with this approach.

Question 5: Do you agree with the Government's proposal to reduce the fire funding element of Revenue Support Grant for each fire and rescue authority, by an amount equal to 0.24% of the total pensionable pay for that authority?

Not applicable.

Question 6: Do you agree with the Government's proposal to compensate local authorities for the cap on the multiplier in 2015-16, calculated on the same basis as in 2014-15?

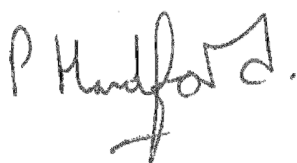
The Council agrees that this is a sensible approach.

Question 7: Do you have any comments on the impact of the 2015-16 settlement on persons who share a protected characteristic, and on the draft Equality Statement?

The Government's decision to withdraw funding for local welfare provision means that the Council will have to continue to provide this service from within existing resources. Many local authorities will be forced to examine the costs of providing such services, which may result in the service being withdrawn which will affect a significant number of service users.

Local authorities have argued that the Business Rates Retention Scheme does little to reflect the needs of council services such as an ageing demographic. 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. In 2015-16, the Council will see its Revenue Support Grant cut by £34m. 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 2015-16. Inevitably, the cuts will impact many users of the Council's services.

Yours faithfully

A handwritten signature in black ink, appearing to read 'P Huxford'.

Director of Finance