

Agenda Item No.8 (d)

DERBYSHIRE COUNTY COUNCIL

COUNCIL

8 February 2017

Report of the Chief Executive and the Director of Finance

REVENUE BUDGET REPORT 2017-18

1 Purpose of the Report

To propose a Revenue Budget and Council Tax for 2017-18. This report should be read alongside the following reports to this Council meeting: the Budget Consultation Results Report for 2017-18, the budget monitoring position for 2016-17, the Prudential Code for Capital Finance, Capital Programme Approvals and Treasury Management Strategy Report for 2017-18 and the Five Year Financial Plan Report.

2 Information and Analysis

At its meeting on 24 January 2017, Cabinet proposed the Revenue Budget to full Council for approval.

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 2017. Details of funding and income streams to the Council are set out in Appendix One. The report commences with details of the Autumn Statement 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 2016-17

The latest budget monitoring position for 2016-17 is in a separate report for consideration at this meeting.

(b) Autumn Statement 2016

On 23 November 2016, the Government announced details of the Autumn Statement 2016. The key announcements relevant to local government were:

- A new National Productivity Investment Fund (NPIF) which will provide £23bn of funding between 2017-18 and 2020-21;

- A £2.3bn Housing Infrastructure Fund up to 2020-21 to deliver infrastructure that will support the building of 100,000 new homes in high demand areas, which will be allocated to local government on a competitive basis;
- To remove the inconsistency between rural rate relief and small business rate relief the Government will double rural rate relief to 100% from 1 April 2017;
- The Government will invest £1bn by 2020-21 targeted at supporting the market to roll out full-fibre connections and future 5G communications;
- The Government will award £1.8bn to Local Enterprise Partnerships across England through a third round of Growth Deals;
- National Living Wage increase from £7.20 per hour to £7.50 per hour from April 2017.

(c) Provisional Local Government Finance Settlement

Details of the Provisional Local Government Finance Settlement 2017-18 were published on 15 December 2016. It marked the start of a four-week consultation period. The Director of Finance submitted the Council's response to the Provisional Settlement on 13 January 2017, following consultation with the Leader of the Council and Chief Executive. A copy is attached at Appendix Five.

Multi-Year Funding Offer

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

Those local authorities which are interested in accepting the offer were required to provide an Efficiency Plan. The Council submitted its Efficiency Plan to Government last year, details of which were reported to Cabinet on 11 October 2016. Subsequently, the Government has confirmed that the Council is now formally on the multi-year settlement. The figures quoted for Revenue Support Grant and Business Rates Top-Up are in line with the indicative allocations previously announced.

The headlines from the Settlement are:

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 are summarised below:

	2016-17 £m	2017-18 £m	Percentage Increase/ (Reduction)
Revenue Support Grant	67.722	44.056	-34.9%
Business Rates Top-Up	86.457	88.604	2.5%
Business Rates - Local	17.295	18.041	4.3%
	171.474	150.701	-12.1%

- **Revenue Support Grant (RSG)**

From 2016-17, the Government changed the methodology for calculating the cut to RSG. The calculation is now applied at service tier level (i.e. upper tier, lower tier, fire, Greater London Authority etc.) and takes into account an authority's ability to generate income from Council Tax. The Government adopted this approach to address the pressure experienced by councils which provide adult social care and children's services. County councils will see an average reduction of 40.4% in RSG allocations. Only shire districts receive a higher reduction at 48.9%. The Council's reduction of 34.9% is substantially higher than the national average of 30.7% and higher than the cuts seen in Inner and Outer London which are 22.3% and 30.3% respectively.

- **Business Rates Top-Up**

Business Rates Top-Up increases in line with the Small Business Rates multiplier (based on the Retail Price Index as at September of the preceding financial year); however it has been adjusted to take account of the latest periodic revaluation of business rates which took place in 2016.

- **Business Rates – Locally Retained**

Authorities have until 31 January 2017 to provide the County Council with the final estimates to be used in setting the budget. The figure is higher than that reported to Cabinet on 24 January 2017 as four out of the eight billing authorities have now provided confirmation of their estimates. In determining the figure in the table above, where the information has not been provided, last year's figure has been used as an estimate. A verbal update on the final figures will be provided at the meeting.

New Homes Bonus (NHB)

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

Last year the Government consulted on options to reform the New Homes Bonus Scheme from 2017-18. The aim of the reforms was to sharpen the NHB's incentive to deliver new housing.

The Government also wished to reduce the level of NHB payments, in order to provide additional funding for the Improved Better Care Fund. Proposals included:

- Withholding the Bonus from areas where an authority does not have a Local Plan in place;
- Abating the Bonus in circumstances where planning permission for a new development has only been granted on appeal;
- A reduction in the number of years for which the Bonus is paid from the current six years to four years.

The Government has now responded following their consultation confirming that payments of the New Homes Bonus will only be made on housing growth above 0.4% of the local authority's housing stock (the consultation proposal was 0.25%). Payments will now be calculated on a basis that uses five rather than six years for payments. This will yield £240m and be reallocated to upper-tier authorities as the Adult Social Care Support Grant according to the Adult Social Care Relative Needs Formula. In 2018-19 the number of payment years will reduce further to 4 years.

The Government has confirmed that the Council will receive an additional allocation of NHB in 2017-18 of £0.470m, making an in-year total allocation receivable in 2017-18 of £2.495m.

General Grant

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

	2016-17 £m	2017-18 £m
Education Services Grant	8.247	2.308
Local Reform and Community Voices Grant*	0.489	0.400
Prison Services*	0.142	0.080
New Homes Bonus returned top-slice	0.249	0.257
Transition Grant	1.143	1.124
Lead Local Flood Authority	0.002	0.052
Business Rates Capping*	1.000	1.000
High Needs Strategic Planning	0.000	0.305
Special Educational Needs and Disability Implementation	0.465	0.513
Adult Social Care Support Grant	0.000	3.644
Improved Better Care Fund	0.000	1.946
Total	11.737	11.628

* 2017-18 figure is an estimate as details of allocations have not been released.

- **Education Services Grant** – the grant has been paid to local authorities for a number of years to support a range of services to schools such as school improvement, education welfare services and statutory and regulatory duties. The grant will cease on 1 September 2017. The Council has set out options to the Schools Forum to mitigate the impact of the loss

of grant whilst it assesses service needs, gives consideration to offering a traded service, agrees which costs and responsibilities should be met directly by individual schools and which services should either reduce or cease. The proposal includes the use of Dedicated Schools Grant reserve to increase the funding for schools so that the proposals have limited impact.

- **Local Reform and Community Voices Grant** – this grant is comprised of funding for Deprivation of Liberty Safeguards, local Healthwatch and Independent Complaints Advisory Services.
- **Prison Services** – funding for social care in prisons.
- **New Homes Bonus returned top-slice** - 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.
- **Transition Grant** – the Final Local Government Finance Settlement 2016-17 announced a transitional support scheme for local authorities in each of 2016-17 and 2017-18 financial years in response to concerns over changes to funding calculations in Revenue Support Grant.
- **Lead Local Flood Authority** – to carry out duties under the Flood and Water Management Act 2010 and for the role as statutory consultee on surface water for major development.
- **Business Rates Capping** – compensates authorities for their individual reductions in non-domestic rating income following recent decisions by Government to change the rate relief for some organisations. The Government has confirmed that compensation will be provided in 2017-18 by means of a Section 31 grant.
- **High Needs Strategic Planning** – funding to support a strategic review of local authorities' high needs provision.
- **Special Educational Needs and Disability (SEND) Implementation Grant** – to support implementation of SEND reforms.
- **Adult Social Care Support Grant** – the Government has announced that it will provide a grant to local authorities who have adult social care responsibilities. The grant is funded from the savings made as a result of changes made to the New Homes Bonus. The funding will be payable in 2017-18 only as a one-off.
- **Improved Better Care Fund** – the Comprehensive Spending Review 2015 announced that £1.5bn would be added to the ring-fenced Better Care Fund progressively from 2017-18, reaching £1.5bn in 2019-20 nationally.

Extended Right to Free Travel

The Government has confirmed that this funding stream will continue to be paid to authorities, however details of the allocations have not yet been published. The balance 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 2017-18 is £10.504m.

Ring Fenced Grants

- **Dedicated Schools Grant (DSG)**

Grant is paid to local authorities to provide school budgets. Local authorities are responsible for determining the allocation of grant in conjunction with their local Schools Forum. Local authorities are responsible for allocating funding to individual schools in accordance with their local funding formula. Details of DSG funding will be considered by Cabinet on 31 January 2017.

- **Public Health**

Public Health expenditure is funded from a ring-fenced grant. The budget is largely spent on drug and alcohol treatment services, sexual health services, health protection and promoting activities to tackle smoking and obesity and to improve children's health. The Council's allocation for 2017-18 is £41.618m. This represents a cut of 2.47% compared to the 2016-17 allocation.

- **Better Care Fund**

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

The allocation for Derbyshire in 2017-18 is £67.876m.

	£m
Tameside	2.252
Erewash	6.465
Hardwick	7.387
North Derbyshire	19.547
Southern Derbyshire	17.774
CCG minimum contribution	53.425
CCG additional contribution	
Wheelchairs	2.899
ICES equipment	2.269
	5.168
DCC additional contribution	
ICES equipment	1.857
DFG	5.481
Improved Better Care Fund	1.945
	67.876

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. The additional funding will help to bridge the funding gap which will be left by the reduction in Revenue Support Grant which is expected to cease in 2020-21.

(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 collection.

The billing authorities have until 31 January, the statutory deadline, to confirm in writing their taxbase positions. The total taxbase figure for 2017-18 is 240,854.95, based on the number of equivalent Band D properties, a 1.4% increase on the previous year. This figure is lower than that reported to Cabinet on 24 January 2017 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 £3.929m. This is calculated by multiplying the increase in the number of properties by the Council's Equivalent Band D Council Tax rate in 2016-17. Previous years have seen increases in the taxbase of 1.47%, 0.56% and 1.22%. The Provisional Five Year Financial Plan assumed an increase of 1.64% on the basis of housing growth seen in recent years.

Collection Fund

The collection fund surplus for 2017-18 is £3.416m. This surplus has changed since that reported to Cabinet on 24 January 2017 as Amber Valley Borough Council is now reporting a £0.941m surplus (previously £0.724m). As with the taxbase, billing authorities have until 31 January to confirm in writing their collection fund positions.

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

Social Care Precept

The Government has announced a continuation of the adult social care precept for all authorities with adult social care responsibilities. However, the Government has confirmed that authorities will be able to increase this to 3% in each of the next two years, but the total increase must be no more than 6% in total over the three year period 2017-18 to 2019-20. Therefore, authorities have the choice of continuing with the option of up to a 2% increase in each of the next three years.

This adult social care precept increase allowed for Council Tax is in addition to the referendum principle set for other expenditure. Therefore, the Council will trigger a referendum if Council Tax is raised by 5% or more (see below).

The Government has stated that "councils will be required to publish a description of their plans, including changing levels of spend on adult social care and other services. This must be signed off by the Chief Finance Officer. Councils wishing to use the extra freedom to raise the precept by 3% instead of 2% in 2017-18 must also show how they plan to use this extra money to

improve social care. The Government will write to adult social care authorities with further details on the conditions of the scheme in the near future.”

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.

If the Council were to accept the offer of a 2% increase, it would raise maximum additional income of £5.613m. Increasing Council Tax by 2% in each of the next three years, rather than just 3% in each of the next two years will result in additional Council Tax income of £0.100m in 2019-20.

Council Tax Referendum Principles

The Government has published the Council Tax Referendum principles for 2017-18, which state that an increase in Council Tax of 2% (excluding the adult social care precept) or higher in Council Tax would trigger a referendum. Any such referendum is anticipated to cost around £1.000m to hold.

If the Council were to increase Council Tax by 3.99%, the additional income raised would be £11.198m and would continue to be received in future years.

The effect of a 3.99% increase is shown in the table at Appendix Two. The resulting precept is derived by multiplying the districts'/boroughs' taxbase by the 2017-18 Band D rate, and adjusting for the surplus or deficit. The total amount of the precept for 2017-18 is £295.251m.

(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. As with 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 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 2017-18 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 2016-17 allocation, which was approximately £1.000m.

(f) Price Increases

There will be no increase to departmental budgets for specific items of expenditure, other than business rates and to reflect increases in insurance premiums, 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 price rises being frozen.

There will be an allocation to the Adult Social Care budget to reflect an annual increase in care home fees. Furthermore, there will be a contribution to the Pension Fund to reflect an increase in employer contributions based on the outcome of the recent actuarial review.

The total impact of price increases is estimated at £2.157m. This includes the allocation for increases in respect of:

	£m
Insurance Premiums	0.100
Business Rates	0.044
Pension Fund Contribution	0.213
Residential Care Home Fees	1.800
	<u>2.157</u>

Pay Award

The budget reflects details of the local government pay offer announced in December 2015. The offer was 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 cost to the Council in 2017-18 is £3.063m.

The Council first 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. This has been reviewed annually and an award of the Living Wage has been made. The costs of implementing the Living Wage in 2017-18 will be incorporated into the costs of the overall pay award of 1% highlighted above, subject to final agreement.

(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.

- **Apprenticeship Levy - £1.000m**

The levy will be introduced on 6 April 2017 and requires all employers in the UK with a pay bill of over £3m per annum to invest in apprenticeships. Employers who exceed the £3m pay bill threshold will need to spend 0.5% of their total pay bill on the apprenticeship levy. However, the Government has introduced a levy allowance of £15,000 per year meaning that the total amount to be spent is 0.5% of the pay bill less £15,000. The total cost to the Council (excluding schools) is estimated to be approximately £1.000m per annum. The balance will be allocated to departmental budgets when the costs are established later in the year.

- **Living Wage - £7.000m**

The Government announced in its Summer Budget 2015 that the new National Living Wage will rise to £9 an hour by 2020. The sum set aside represents current estimated costs to the Council, based on 2016-17 costs, excluding schools.

External Debt Charges - £47.313m

This represents the interest payable on the Council's outstanding debt. The Council has reviewed its Minimum Revenue Provision (MRP) Policy, details of which were reported to Cabinet on 22 November 2016. The amended Policy has resulted in a reduction to debt charges of £6.125m.

Risk Management Budget - £4.145m

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 - £4.000m

The Bank of England reduced the base rate of interest from 0.5% to 0.25% at its meeting on 3 August 2016.

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 Efficiency Plan published in October 2016 included a revised Five Year Financial Plan. It identified that a total of £34m of potential budget cuts would be required in 2017-18 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.

Details of identified cuts totalling £23.261m are shown at Appendix Four. In order to achieve a balanced budget in both 2017-18 and 2018-19, any shortfall in a department's budget cut target will be met from previous years' underspends or the Budget Management Earmarked Reserve. On 26 January 2016, Cabinet agreed to create the Budget Management Reserve to support the management of the Revenue Budget in 2016-17 and 2017-18, the balance of which remains largely uncommitted. There is sufficient balance in the Budget Management Reserve to meet the departmental total of shortfall against the cuts target which is £10.814m.

The table below summarises the cuts target, identified cuts and the shortfall for each department.

	Target	Identified Cut	Shortfall
	£m	£m	£m
Adult Care	12.249	6.931	5.318
Children's Service	9.656	6.163	3.493
Economy, Transport and	8.452	6.844	1.608
Chief Executives	0.417	0.197	0.220
Corporate Resources/Corporate	3.301	3.126	0.175
Total	34.075	23.261	10.814

The Five Year Financial Plan report indicates significantly lower savings will be required in later years and therefore it is considered appropriate to use reserves to smooth out the impact of the reductions over at least a two year period. It is expected that departments will meet their share of the 2018-19 budget reductions plus any shortfall remaining from previous years by the end of March 2019 without any further need for reliance on one-off measures to balance the budget. There may be exceptional reasons to support base budget with one-off resources beyond April 2019 but this is not expected to be significant.

(i) Service Pressures

A number of service pressures have been identified by departments. Details of pressures identified for 2017-18 are shown at Appendix Three. A total of £17.184m will be allocated to base budgets. One-off support of £6.170m will be funded from the General Reserve, with further one-off support of £0.819m allocated to Children's Services to be paid from two Department for Education grants.

(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. 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.

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 the ageing population, the National Living Wage and waste which will also have an impact on the balance if departments overspend. The level of the General Reserve will be between £18m - £21m 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 three and five per cent of the council's net spending as a prudent level for risk based reserves. Over the medium term the Council's figure is between three and five per cent.

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 the 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.

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, as detailed earlier in this report.

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

It should be noted that the reductions required to balance the budget on an on-going basis have yet to be finally identified. Further cut proposals will be brought to future Cabinet meetings to bridge the gap and one-off resources used to close any gap as part of the plan to balance over two years up to March 2019.

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 are in a separate report for consideration at this meeting. 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 annually.

The FYFP was updated in October 2016 as part of the process to publish an Efficiency Plan, details of which are set out earlier in this report. The Efficiency Plan included a revised Five Year Financial Plan which assumed the allocations of the multi-year funding settlement. The Plan showed budget reductions of £109m are required over the period 2016-17 to 2020-21.

The Council's Five Year Financial Plan has been updated and this serves to inform the annual budget setting process. There is a separate report for consideration at this meeting.

The Government is currently consulting with local authorities on the details of the proposals for local government to retain 100% of locally collected business rates income. Further consultation is expected over the coming months. The introduction of the revised scheme is expected to commence on 1 April 2020, therefore it is difficult to estimate the level of funding beyond the current multi-

year offer. There will be further updates later in the year, when the Council expects to have detailed exemplifications of the scheme proposals.

(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.

3 Legal and 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 2017-18 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 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, including consultation on a range of options, 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.

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 and Diversity Considerations

In 2015 the Council developed a draft Community Impact Assessment that made 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. This work is updated on a regular basis, more recently to include new and revised budget cut proposals and 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. Geographical mapping of both proposed and implemented budget cuts, where appropriate, also supports this work which provides the foundations for the necessary programme of detailed Equality Impact Assessments. This ensures 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.

6 Other Considerations

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

7 Background Papers

Autumn Statement 2016 – HM Treasury.

Provisional Local Government Finance Settlement 2017-18 – Department for Communities and Local Government.

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

8 Officers' Recommendations

That Council:

- (i) Notes the details of the Autumn Statement 2016 and Provisional Local Government Finance Settlement as outlined in sections (b) and (c).
- (ii) Notes the Government's expectations about Council Tax levels for 2017-18 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 £295.251m which is calculated as follows:

	£
Budget Before Pressures and Budget Reductions	481,198,868
Plus Service Pressures – on-going	11,571,261
Plus Adult Social Care Precept	5,612,739
Plus Service Pressures - one-off	6,988,747
Less Budget Reductions	-34,075,000
Plus Shortfall on Cuts Target	10,814,000
Contribution to Contingency Budget	7,155,835
Reduction to Debt Charges	-1,250,000
Reduction to Risk Management Budget	-453,450
Net Budget Requirement	487,563,000
Less Top-Up	-88,603,853
Less Business Rates	-18,041,234
Less Revenue Support Grant	-44,056,289
Less New Homes Bonus	-2,494,519
Less General Grant	-11,628,420
Less PFI Grant	-10,503,833
Less Use of General Reserve	-6,170,000
Less Use of Earmarked Reserves	-10,814,000
Balance to be met from Council Tax	295,250,852

- (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 2017-18.

IAN STEPHENSON

Chief Executive

PETER HANDFORD

Director of Finance

**Public
Appendix One**

SERVICE	Adjusted Base											
	Adjusted Base	Funding Changes	after Funding Changes	Pay and Price Inflation	Base Plus Inflation	Ongoing Pressures	Adult Social Care Precept	Budget Cuts Target	Shortfall/(Surplus)			
									Base Budget Ongoing	On Cuts Target	One off Pressures	Budget 2017-18
	£	£	£	£	£	£		£	£	£	£	£
Adult Care	202,615,614	0	202,615,614	2,867,908	205,483,522	5,387,261	5,612,739	-12,249,000	204,234,522	5,318,000	0	209,552,522
Children's Services	90,304,374	0	90,304,374	819,448	91,123,822	2,468,000	0	-9,656,000	83,935,822	3,493,000	3,933,747	91,362,569
Economy, Transport and Communities	84,773,402	0	84,773,402	462,582	85,235,984	3,059,000	0	-8,452,000	79,842,984	1,608,000	2,755,000	84,205,984
Chief Executives	6,030,632	0	6,030,632	43,482	6,074,114	257,000	0	-417,000	5,914,114	220,000	0	6,134,114
Corporate Resources	30,747,936	0	30,747,936	781,455	31,529,391	400,000	0	-2,311,000	29,618,391	730,000	300,000	30,648,391
Corporate	11,501,486	0	11,501,486	244,691	11,746,177	0	0	-990,000	10,756,177	-555,000	0	10,201,177
Service Totals	425,973,444	0	425,973,444	5,219,566	431,193,010	11,571,261	5,612,739	-34,075,000	414,302,010	10,814,000	6,988,747	432,104,757
Plus Contingency	844,165	0	844,165	0	844,165	7,155,835	0	0	8,000,000	0	0	8,000,000
Plus External Debt Charges	48,563,079	0	48,563,079	0	48,563,079	-1,250,000	0	0	47,313,079	0	0	47,313,079
Plus Risk Management Budget	4,598,614	0	4,598,614	0	4,598,614	-453,450	0	0	4,145,164	0	0	4,145,164
Less Interest Receipts	-4,000,000	0	-4,000,000	0	-4,000,000	0	0	0	-4,000,000	0	0	-4,000,000
Net Budget Requirement	475,979,302	0	475,979,302	5,219,566	481,198,868	17,023,646	5,612,739	-34,075,000	469,760,253	10,814,000	6,988,747	487,563,000
FUNDED BY:												
Council Tax	279,930,089	15,320,763	295,250,852	0	295,250,852	0	0	0	295,250,852	0	0	295,250,852
Top Up	86,457,249	2,146,604	88,603,853	0	88,603,853	0	0	0	88,603,853	0	0	88,603,853
Business Rates	17,294,656	746,578	18,041,234	0	18,041,234	0	0	0	18,041,234	0	0	18,041,234
Revenue Support Grant	67,722,178	-23,665,889	44,056,289	0	44,056,289	0	0	0	44,056,289	0	0	44,056,289
New Homes Bonus	2,863,627	-369,108	2,494,519	0	2,494,519	0	0	0	2,494,519	0	0	2,494,519
General Grant	11,207,670	-397,997	10,809,673	0	10,809,673	0	0	0	10,809,673	0	818,747	11,628,420
PFI Grant	10,503,833	0	10,503,833	0	10,503,833	0	0	0	10,503,833	0	0	10,503,833
Use of General Reserve	0	0	0	0	0	0	0	0	0	0	6,170,000	6,170,000
Use of Earmarked Reserves	0	0	0	0	0	0	0	0	0	10,814,000	0	10,814,000
	475,979,302	-6,219,049	469,760,253	0	469,760,253	0	0	0	469,760,253	10,814,000	6,988,747	487,563,000

Council Tax

Taxbase

	Equivalent Band D Properties 2016-17	Equivalent Band D Properties 2017-18	Change %
Amber Valley	37,554.07	38,249.52	1.9
Bolsover	20,617.59	21,040.47	2.1
Chesterfield	28,271.58	28,507.92	0.8
Derbyshire Dales	28,270.29	28,534.26	0.9
Erewash	32,226.80	32,703.00	1.5
High Peak	29,654.00	29,990.00	1.1
North East Derbyshire	29,897.94	30,182.78	1.0
South Derbyshire	30,990.00	31,647.00	2.1
	237,482.27	240,854.95	1.4

Collection Fund

	2016-17 £	2017-18 £
Amber Valley	790,661	941,231
Bolsover	376,828	137,854
Chesterfield	484,616	271,780
Derbyshire Dales	174,858	232,465
Erewash	503,838	652,796
High Peak	333,255	384,650
North East Derbyshire	430,616	427,477
South Derbyshire	128,000	368,000
	3,222,672	3,416,253

Council Tax Amounts

Band	2016-17 £	2017-18 £	Increase £	Number of Properties
A	776.78	807.77	30.99	131,552
B	906.24	942.40	36.16	78,617
C	1,035.71	1,077.03	41.32	58,062
D	1,165.17	1,211.66	46.49	38,227
E	1,424.10	1,480.92	56.82	22,868
F	1,683.02	1,750.18	67.16	11,479
G	1,941.95	2,019.43	77.48	6,740
H	2,330.34	2,423.32	92.98	512
				348,057

Precept Amounts

	Amount Collected £	Collect Fund Surplus £	Amount Actually Due £
Amber Valley	46,345,458	941,231	47,286,689
Bolsover	25,493,921	137,854	25,631,775
Chesterfield	34,541,941	271,780	34,813,721
Derbyshire Dales	34,573,856	232,465	34,806,321
Erewash	39,624,956	652,796	40,277,752
High Peak	36,337,720	384,650	36,722,370
North East Derbyshire	36,571,305	427,477	36,998,782
South Derbyshire	38,345,442	368,000	38,713,442
	291,834,599	3,416,253	295,250,852

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
Children's Services		
Early Help To help bridge the funding gap pending the anticipated increase in funding over the medium term.	0.000	1.200
Safeguarding Restructure and Demographic Pressures Workforce restructure to ensure caseloads of social workers are at safe levels and to address the impact of demographic increases.	0.974	0.000
Unaccompanied Asylum Seeking Children (UASC). Introduction of UASC transfer protocol could see a potential 20% rise in the Derbyshire looked after population. (previously approved by Cabinet 20 September 2016)	1.494	0.000
Home to School Transport Budget support pending reviews of the service.	0.000	1.290
Secondary Schools 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
Inclusion To off-set the impact of reductions in funding from the High Needs Block of the Dedicated Schools Grant.	0.000	0.475

High Needs Strategic Planning To support a strategic review of the Council's high needs provision. (funded by grant)	0.000	0.305
Special Educational Needs and Disability (SEND) Implementation To support implementation of SEND reforms. (funded by grant)	0.000	0.514
Corporate Resources		
Legal Services Increased staffing to ensure that sufficient resources are available in-house to deal with caseloads associated with Special Educational Needs and childcare.	0.400	0.000
Transformation Services To support email and internet replacement.	0.000	0.300
Economy, Transport and Communities		
Waste To support a range of waste related activities including waste growth, increased tonnages and management costs associated with the new waste treatment facility at Sinfin.	3.000	2.476
Fracking To support the additional staffing resource required to meet increased workloads from fracking applications.	0.000	0.119
Gold Card To support the bulk reissuing of expiring Gold Cards.	0.000	0.160
Flood Risk Management To support the work of the flood risk management team.	0.059	0.000

Chief Executives

Innovation

To permanently establish the Innovation
and Transformation Service.
(previously approved by Cabinet 13
December 2016)

0.257 0.000

17.184 6.989

Budget Cut Proposals 2017-18

Adult Care – Total - £6,931,000

Transport policy - £300,000

The Council's Cabinet has agreed to review transport for adults who use day services using criteria laid out in its transport policy. This change may result in less people being eligible for the service which will lead to savings.

(previously approved by Cabinet – 17 June 2014)

Housing-related support - £506,000

The Council will continue to reduce funding for housing-related support during 2017-18 as previously agreed by Cabinet. 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, better manage their health, keep safe and develop links in the community.

(previously approved by Cabinet on 15 July 2014 and 10 February 2015)

Consolidate block contracts - £400,000

Large block contracts to agencies and organisations for services are being switched to spot purchases. This began in October 2016 and will ensure that the Council is only paying for services that are being delivered, and that they are delivered as efficiently as possible.

Increase client contributions (co-funding) - £300,000

It was agreed in July 2014 by the Council's Cabinet to raise the amount people pay for council care and support to live at home. This is being introduced over time and charges are being calculated based on a maximum of 75% of Attendance Allowance or Disability Living Allowance. **(previously approved by Cabinet – 15 July 2014)**

Address double handling - £750,000

Double handling is the term used when two members of staff care for a client at any one time, for instance where they need moving or lifting. Training and the use of new technology to help with moving and lifting will reduce the number of appointments where two carers are required in certain circumstances while ensuring staff and clients remain safe.

Reduction in back office costs - £375,000

A number of restructures and a reduction in the number of support staff which reflects reductions in frontline services are being proposed, in line with corporate policies and consultation.

Increased use of assistive technology - £1,000,000

A range of equipment is available for people who need extra support to live at home – such as alarms and pressure pads – called assistive technology. The Council is proposing to review the range of equipment and how it is provided to increase the independence of clients and help to support them at home,

which may result in them needing fewer services and will therefore give rise to budget savings.

Demand management - £3,300,000

Currently a high proportion of people who contact or are referred to Adult Care become clients. The proposal is to review the Council's approach and look at further ways of promoting people's independence and improving the ways the Council signposts people to other services and support in their communities. This will include more targeted information and increasing support to carers.

Children's Services – Total £6,163,000

School Improvement and Support Services – £1,555,000

The Council will remove its subsidy and the service's costs will be limited to the income generated by the services it sells to schools and from external grant funding alongside some reductions in the cost of early years and childcare.

Additional funding from grants – £2,679,000

This includes the Council's anticipated share of the £50m national school improvement funding announced by the Government plus increased income from the Schools Block of the Dedicated Schools Grant which will support the Council's functions in respect of schools and academies as it cuts its spending.

Back office costs – £873,000

This will be achieved by reducing general business support and specialised back office functions, including staffing, in line with reductions in frontline services.

Outdoor education – £149,000

The Council's Outdoor Education Service will reduce its net costs by widening the facilities available to schools and families and at weekends e.g. weddings, functions and camping, to generate additional income and will review its charges to help deliver cost reductions.

Aiming High Review – £396,000

This cut reflects the full year impact of removing of Cabinet's decision on 24 May 2016 to remove 'Aiming High' – respite care for young people with disabilities and their families. The service will also review the scope for further cuts to disabled children's services.

Sports facilities provision – £23,000

Cease the Council's contribution towards the running costs of Etwell Swimming Pool. **(Previously approved by Cabinet Member for Children's Services – 8 November 2016)**

Youth offending – £300,000

The service will be restructured, including staffing, to reduce the net cost of running the service. **(Previously approved by Cabinet – 20 September 2016)**

Consolidation of Citizens Advice Bureau (CAB) Services Funding – £113,000

The Council will consolidate its contribution to CAB Services by funding them via the Public Health Prevention Budget. **(Previously approved by Cabinet - 14 June 2016)**

Supporting Families – £75,000

This cut will be achieved by reductions in the management costs of the service's work with vulnerable families and teenagers.

Economy, Transport and Communities – Total - £6,844,000

Staffing - £1,964,000

The number of staff in the department will be reduced by up to 70 posts by not replacing people when they leave, staff reorganisations and maximising income to pay for staff costs. **(Previously approved by Cabinet - 20 September 2016 and 11 October 2016)**

Vehicle fleet - £100,000

To achieve this, the number of vehicles used across the department will be reduced.

Local bus services - £750,000

The budget for subsidised public transport will be cut. As a result of a public consultation run by the Council in 2016 alternative funding will be found to continue to support public transport. **(Previously approved by Cabinet – 22 November 2016)**

Highway maintenance - £1,500,000

Less will be spent on routine highways maintenance but the Council has already started to invest £23m over three years to help keep the county's roads in good condition. By patching and surface dressing hundreds of miles of the county's roads the aim is to stop potholes developing in the first place.

Street lighting - £430,000

This money will be saved by converting street lights to LED fittings which will save energy and maintenance costs. A total of £34m is being invested by the Council in this three-year project. **(Previously approved by Cabinet – 21 October 2014, 3 May 2016 and 14 June 2016)**

Countryside Service - £408,000

The Council's Countryside Service will be restructured and resources will be concentrated on those centres that are most used - Elvaston, Shipley, Middleton Top and High Peak Junction. The Council is looking for alternative sources of funding and generating income through commercial activity to help

it continue running this valued public service. **(Previously approved by Cabinet – 20 September 2016)**

Gold Card concessionary fares - £250,000

The cost of providing subsidised fares for older people and people with disabilities will reduce due to demand being lower than in previous years, achieving this saving.

Road safety - £240,000

Funding for the Derby and Derbyshire Road Safety Partnership will be reduced but the Council will continue to work with partners to improve road safety.

Rail partnerships - £30,000

Less money will be given by the Council to community rail partnerships but support will be continued to help them in other ways.

Waste - £60,000

A new scheme to charge for construction and demolition waste at the Council's household waste recycling centres is being introduced to bring in additional income to offset the cost of disposing of Derbyshire's waste.

(Previously approved by Cabinet – 10 January 2017)

Community safety and emergency planning - £212,000

The Council will restructure these services to cut the staffing budget. The Community Safety Project Fund will be reduced which means the Council will do less work with communities to tackle anti-social and criminal behaviour.

(Previously approved by Cabinet – 10 January 2017)

Libraries - £607,000

This saving will be achieved by reducing the amount spent on books and other items. Opening hours at libraries will also be reviewed and staff reorganisations will take place.

Derbyshire Record Office - £65,000

The Council has already carried out a consultation on proposals to reduce the opening hours at the Derbyshire Records Office and the results are currently being analysed before a final decision is taken. **(Previously approved by Cabinet – 20 September 2016)**

Arts service - £79,000

The remaining budget for this service will be cut and the Council will look for alternative sources of funding to maintain the service in 2017-18.

Picture the Past - £30,000

The Council's contribution to the service will be cut.

Trading Standards - £69,000

The service will be restructured to make savings from the staffing budget. The Council is also identifying ways of generating income through commercial activity, particularly in relation to the Trusted Trader scheme.

Derbyshire Sport - £50,000

The Council will no longer help fund the Derbyshire Institute of Sport but will continue to work with partners to promote participation in sport and active lifestyles.

Chief Executive's – Total - £197,000

Staffing - £41,000

To cut costs the Council will employ fewer people in communications, its contact centre Call Derbyshire, policy and research and secretarial teams. This will be achieved by not replacing people when they leave.

Running expenses - £102,000

Some general budgets in the department will be reduced and the Council will also reduce the running costs for some of its digital communication systems, such as the website.

Voluntary organisations - £54,000

Grants to voluntary organisations will be reduced.

Corporate Resources and Corporate – Total - £3,126,000

Administration and employee savings - £961,000

The Council 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 some services may need to be reorganised. During 2016 the Council carried out a review of senior management costs and has already reduced posts, contributing significantly to this saving. Money will also be saved by making use of technology and new ways of working to reduce the costs of basic consumables like paper.

Additional income - £155,000

Income will be gained by charging more for the Council's registration services and from attracting new customers to buy its recruitment and payroll services on a commercial basis.

IT budget - £360,000

The amount spent on new IT projects and systems will be reduced and less will be spent on maintaining current IT systems.

Procurement savings - £590,000

As contracts for telecommunications, the IT network and other services come up for renewal savings will be made by buying these services for less money.

Insurance reductions - £170,000

This money will be saved by accepting a higher level of insurance risk which will lower insurance premiums.

Property Repairs and Maintenance - £890,000

The amount spent on maintaining properties owned by the Council will be reduced.

Response to Provisional Local Government Finance Settlement

Charles Coleman
Department for Communities and Local Government
2nd Floor
Fry Building
2 Marsham Street
London
SW1P 4DF

Dear Sir

Re. Provisional Local Government Finance Settlement 2017-18

The Council welcomes the opportunity to respond to the Provisional Local Government Finance Settlement 2017-18, details of which were published on the 15 December 2016. The Council's response is set out below.

Multi-year Funding Offer

The Council notes that the allocations for 2017-18 reflect the indicative figures announced at the time of the Local Government Finance Settlement 2016-17 and that the Top-Up figure has been adjusted accordingly to reflect the recent business rates revaluation.

Council Tax

The Council is pleased to see that the Government has recognised the cost pressures associated with delivering adult social care services by allowing local authorities with adult social care responsibility to raise up to an additional 3% to support service pressures. However, the extra income raised is insufficient to meet the pressures being faced by the Council. In 2017/18, the cost to the Council of demographic growth for Adult Social Care will be £14m, with similar figures expected each year for the foreseeable future. An extra 1% increase does little to help bridge the funding gap.

The ability for local authorities to raise additional precept income for Adult Social only serves to put the funding burden on the council taxpayer.

It is pleasing to see that the Council Tax referendum principles have been announced alongside the Provisional Settlement. We would urge Government to provide details on the conditions of the scheme as soon as possible. Local authorities will need to make decisions early in the New Year to aid their budget setting processes. The Council asks that any details are issued well in advance of the announcement of the Final Local Government Finance Settlement to aid this process.

Information to be published in Council Tax bills and supporting information has to be agreed and finalised with billing authorities in January to allow sufficient time for processing and printing of bills and supporting information. Therefore, information regarding the details to be published on bills is needed early in the New Year.

Adult Social Care

The financial pressures faced by local authorities to address the delivery of adult social care require a long-term sustainable solution. Whilst the measures announced in the Settlement will provide welcome financial support for local authorities with adult social care responsibilities, it is only a short-term solution. For example, the funding which is being directed from the New Homes Bonus will be payable in 2017-18 only.

The Government is currently consulting with local authorities on revisions to the Business Rates Retention Scheme. An element of this process is to examine 'needs based funding' to address the inequalities in the current funding system. However, funding is needed to support social care in the short-term pending the review of the current system, as it is unlikely that a revised methodology will not be introduced until 2020 at the earliest.

Question 1: Do you agree with the methodology of Revenue Support Grant in 2017-18?

In its response to the 2016-17 Local Government Finance Settlement, the Council stated that it did 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 estimated their funding reductions on this well-practiced methodology in developing their medium term financial plans.

Again, the revised methodology favours inner and outer London authorities, who have average reductions of 22.3% and 30.3% respectively, whilst the county councils average reduction is 40.4%. Shire district authorities show an even larger reduction at 48.9%.

The Government is aware of the funding crisis in adult social care. County councils have responsibility for providing services for adult social care; therefore the discord that exists in county councils taking a higher reduction than other groups of authorities is unacceptable, given that the Government has made commitments to support funding of adult social care through the adult social care precept and the Improved Better Care Fund.

Question 2: Do you think the Government should consider transitional measures to limit the impact of reforms to the New Homes Bonus?

Whilst the decision to reduce the number of years from 6 years to 4 years will see a reduction in the Council's allocation, it is more significant for shire districts that will see substantial reductions in their annual allocations. Historically, the funding allocations have been used to support, not only base budgets, but to develop housing growth. The reduction in New Homes Bonus, particularly for planning authorities does not appear to correlate with recent decisions made by the Government to support and invest in housing growth in the country.

Question 3: Do you agree with the Government's proposal to fund the New Homes Bonus in 2017-18 with £1.16 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.5.8?

The Council has no comment on the proposal, but it is pleased that the Settlement provided an indicative allocation of the returned New Homes Bonus funding which supports the Council in estimating the level of returned funding available in 2017-18.

Question 4: Do you agree with the proposal to provide £240 million in 2017-18 from additional savings resulting from New Homes Bonus reforms to authorities with adult social care responsibilities allocated using the Relative Needs Formula?

The Council welcomes the additional funding for adult social care. However, this is not new money and is only payable in 2017-18. The social care funding crisis requires additional base budget funding.

The methodology used to allocate this funding is different to the formula used in allocating the Improved Better Care fund, this shows an inconsistent approach to the allocation of funding to support the delivery of adult social care services and we restate the points made earlier, in that there needs to be an urgent review of adult social care funding prior to the implementation of the 100% business rates retention scheme.

Question 5: Do you agree with the Government's proposal to hold back £25 million to fund the business rates safety net in 2017-18, on the basis of the methodology described in paragraph 2.8.2?

The Council does not agree with the proposal and reiterates the point made in previous consultations to Provisional Settlements and at the time of the introduction of the Business Rates Retention Scheme, in 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 6: Do you agree with the methodology for allocating Transition Grant payments in 2017-18?

The Council agrees with the methodology; however we would refer you to the earlier comments made in Question 1.

Question 7: Do you agree with the Government's proposed approach in paragraph 2.10.1 of paying £65 million in 2017-18 to the upper quartile of local authorities based on the super-sparsity indicator?

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

Question 8: Do you have any comments on the impact of the 2017-18 local government finance settlement on those who share a protected characteristic, and on the draft equality statement published alongside this consultation document? Please provide supporting evidence.

The Adult Social Care Precept raises variable amounts of income in different parts of the country. The Council can raise income of approximately £2.8m from the extra 1% increase in Council Tax which is allowed under the ASC precept referendum principles. In comparison, Surrey can raise approximately £6.2m from a 1% increase, whilst Cumbria can only raise approximately £2m.

The decision to allow local authorities to increase the Adult Social Care precept by 3% moves the costs to the local electorate. It will be a difficult decision for some authorities to place the cost burden on Council Taxpayers, particularly in areas of high deprivation.