

## **REVENUE BUDGET 2020/21**

### **PURPOSE OF REPORT**

This report seeks approval for the District Council's Revenue Budget for 2020/21.

### **RECOMMENDATIONS**

1. That the level of Council Tax for 2020/21 is increased by £5.00 per band D (2.39%) from the 2019/20 level.
2. The estimated net revenue expenditure for 2020/21 totalling £10,808,341 as detailed in the Summary Revenue Account in Appendix 2, is approved.
3. The minimum level of uncommitted working balances is approved at £1,000,000 at 1<sup>st</sup> April 2020, and £1,000,000 at 1<sup>st</sup> April 2021.
4. The net sum of £548,967 is transferred from earmarked reserves in 2020/21, as shown in Appendix 2 and detailed in Appendix 5.
5. The following amounts are calculated by the Council for the chargeable financial year 2020/21 in accordance with Section 31A of the Localism Act 2011:-
  - i. aggregate of the amounts which the Council estimates for the items set out in Section 31A(2)(a) to (f) thereof is £40,495,819;
  - ii. aggregate of the amounts which the Council estimates for the items set out in Section 31A(3)(a) to (d) thereof is £32,363,266;
  - iii. calculation under Section 31A(4) being the amount of which the aggregate at (i) above exceeds the aggregate of (ii) above, as the Council Tax Requirement for 2020/21 is £8,132,553.
6. That the Corporate Savings Target be confirmed as “Continue a programme to identify efficiency savings and/or additional income of £250,000 a year by 2023/24”.
7. That the Head of Resources’ report on the robustness of the budget and the adequacy of reserves in accordance with clause 25 of the Local Government Act 2003 is noted.

### **WARDS AFFECTED**

All

### **STRATEGIC LINK**

All the Council's aims and priorities, as contained in the draft Corporate Plan 2020 - 2024 (to be considered elsewhere on the agenda for this Council meeting), and various service strategies, have been taken into account in determining these revenue spending proposals. Revenue spending proposals are shown in each of the draft service plans for 2020/21 (to be considered elsewhere on the agenda for this Council meeting).

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## REPORT

### 1. INTRODUCTION

- 1.1 Revenue spending proposals for all the Council's services and activities are given in Appendix 1 to this report. These are linked to the service plans for 2020/21 (to be considered elsewhere on the agenda for this Council meeting).
- 1.2 The forecasts of revenue spending requirements include both the financing costs and running/operating expenditure associated with the Capital Programme. In order to make the budget setting exercise more stringent, the draft spending proposals for 2020/21 have been based on 2018/19 actual expenditure, aside from inflation adjustments where required under service contracts or where a change has been justified by a Head of Service.
- 1.3 In addition to considering the spending proposals for the forthcoming year, the Code of Practice on a Prudential Approach to Local Authority Commitments requires the preparation of a Medium Term Financial Plan. This shows the known changes in financial commitments for future years, in order that the implications for future spending requirements are identified in advance and included in the strategic planning process. An updated Medium Term Financial Plan is provided in Appendix 4.

### 2 LOCAL GOVERNMENT FINANCE SETTLEMENT

#### 2.1 *Introduction*

Details of the provisional Local Government Finance Settlement for 2020/21 were provided to Council Members in January. Final settlement figures were issued on 6th February and, at the time of writing this report, are expected to be approved in Parliament in the week beginning 24 February 2020. The final settlement for the Council is in line with the provisional settlement published on 20th December 2019. Although the Council is only in receipt of a small number of government grants the settlement still has a significant impact on the council's finances. The key points of the final settlement relevant to the District Council are set out below.

#### 2.2 *The national context*

- This financial settlement gives local authorities an increase in their **Core Spending Power**, which will rise from £46.2 billion in 2019-20 to £49.2 billion in 2020-21. In real terms this is a 4.4% increase and the largest year on year real terms increase in a decade. The settlement delivers significant extra resources to the government's priority areas of adult and children's social care;
- Local authorities will continue to be able to increase council tax in 2020/21 by a core principle of up to 2%, without holding a local referendum. Shire district councils will have a bespoke **council tax referendum principle of 2% or £5, whichever is higher**, and there is a £10 Band D council tax referendum principle for all police authorities. In addition, councils with adult social care responsibilities will be able to increase their council tax by a further 2%, on top of the core principle, to be spent exclusively on adult social care.
- **Settlement Funding Assessments** have increased based on the 1.6% increase in the small business rate multiplier;
- **Negative Revenue Support Grant** has been removed, with the cost being funded by the Government;

- **New Homes Bonus** allocations have been made for 2020/21– the growth baseline is to remain at 0.4%. However, the government will make no legacy payments on these new allocations, but will make legacy payment/s on allocations made in earlier years which are due to be paid in 2020/21. The Minister said “In order to ensure that the New Homes Bonus is focussed on incentivising homes where they are needed most, I am announcing that the government will consult on the future of the housing incentive in the Spring. This will include moving to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes we need”.
- **Rural Services Delivery Grant** remains at the same level in 2020/21 as it was in 2019/20. It will be distributed using the same methodology as in 2019/20, which allocated funding to the top quartile of local authorities on the ‘super-sparsity’ indicator.

### 2.3 The local context

- The District Council’s 2020/21 **Settlement Funding Assessment** (SFA) of £1.675 million is an increase of 1.6% over the 2019/20 level. This increase is £315,000 more than the amount assumed in the Council’s Medium Term Financial Plan for 2020/21 (£371,000 more due to the withdrawal of Negative Revenue Support Grant, but £56,000 less than we had forecast for retained business rates).
- The **core spending power** for this Council has increased from £8,673,947 (adjusted) in 2019/20 to £9,016,002 in 2020/21 (an increase of 3.9%). The table below shows how the core spending power for Derbyshire Dales District Council is calculated and the elements of change:

Source of Funding	2020/21 £'000s	2019/20 adjusted £'000s	Change
Settlement Funding Assessment	1,675	1,648	+1.6%
New Homes Bonus	631	520	+21.3%
Rural Services Delivery Grant	401	401	No change
Council Tax (excl. parish precepts)	6,242	6,051	+3.2%
Compensation for under-indexing the business rates multiplier	67	54	+24.1%
<b>Total Core Spending Power</b>	<b>9,016</b>	<b>8,674</b>	<b>+3.9%</b>

- The **increase in the Council Tax** income shown in the table above at 3.9% reflects the government’s assumed maximum £5 increase (on Band D), as well as an increase in the council tax base that reflects new homes. The March MTFP assumed a council tax increase of 1.94% (£4.06 per band D).
- **Rural Services Delivery Grant** (RSDG) will remain at the same level in 2020/21 as it was in 2019/20. In our March 2019 MTFP we had assumed that this grant would cease after 2019/20; this means that RSDG for 2020/21 is £401,000 more than included in the March 2019 MTFP.
- The **New Homes Bonus** (NHB) baseline has been retained at 0.4% in 2020/21. This results in an allocation of £630,790 for Derbyshire Dales District Council for 2020/21,

(2019/20 £519,965). The allocation for 2020/21 is £247,000 more than the £384,000 included in the March 2019 MTFP. However, the new allocations will be for 2020/21 only, with no legacy payments. The government will make legacy payments on allocations made in earlier years which are due to be paid in 2020/21.

- The increases in SFA, RSDG and NHB for 2020/21 over the 2019/20 adjusted figure amount to £138,000. However, the increases over the assumptions in the March 2019 medium term financial plan amount to an increase in funding of £963,000 for 2020/21.

#### 2.4 **Officer comments: Using the additional funding**

**Part of the increased funding of £963,000 over the MTFP was already expected** as a result of the technical consultation paper issued in October 2019. When the waste collection contract was awarded in December 2019, the report showed an estimated budgetary shortfall of £813,000 for 2020/21. So at least **£813,000 of the funding for 2020/21 was already spoken for**, to cover the introduction of the new waste contract and the costs of marketing the new chargeable garden service (as income from charging for garden waste will not be due until after 1 April 2021).

It should also be noted that it is planned to use £2.5m from earmarked reserves and £1.1m from capital receipts in 2020/21 to finance the capital expenditure required for vehicles for the new waste and recycling contract, reducing our financial resilience.

#### 2.5 **Local Government Finance Settlement: Conclusion**

The settlement for 2020/21 is much higher than anticipated in the March 2019 MTFP, which will offset the significant budgetary shortfall caused by the additional costs of the new waste contract in 2020/21. Most of the financial uncertainties for future years still remain. This settlement is of great assistance in achieving a balanced budget for 2020/21 but the financial uncertainties and need for corporate savings remain for subsequent years. The settlement gives us a chance to delay our savings decisions for a while, giving us **an opportunity to plan savings for the medium term** without a big sword hanging over us in the short term.

### 3. **NET SPENDING AND COUNCIL TAX REQUIREMENT**

- 3.1. The net cost of services is detailed in Appendix 1. The calculation of net revenue expenditure and the Council Tax requirement is shown in detail in the Summary Revenue Account in Appendix 2 and is summarised in the table below:-

	<u>Estimate</u> <u>2020/21</u>	<u>Estimate</u> <u>2019/20</u>
	£	£
<b>Net Cost of Services (as Appendix 1)</b>	<b>10,517,345</b>	<b>8,718,087</b>
Income from investment properties	(101,956)	(104,905)
Net interest	90,528	122,502
Statutory sum for debt repayment	302,424	358,536
<b>Net revenue expenditure</b>	<b>10,808,341</b>	<b>9,094,220</b>
Transfer to/(from) strategic reserves (detailed in Appendix 6)	(548,967)	858,398
<b>External Funding Requirement</b>	<b>10,259,374</b>	<b>9,952,618</b>

<b>Funded by:</b>		
Retained Business Rates	(2,602,786)	(2,760,244)
New Homes Bonus	(630,790)	(519,955)
Rural Services Delivery Grant	(401,179)	(401,179)
Council tax collection fund deficit / (surplus)	(102,632)	(11,299)
NDR collection fund (surplus) / deficit	(130,596)	(209,081)
<b>Total External funding (excl. council tax)</b>	<b>(3,867,983)</b>	<b>(3,901,758)</b>
<b>DDDC Council Tax Requirement</b>	<b>6,391,391</b>	<b>6,050,860</b>
Town and Parish Council Precepts	1,741,162	1,609,952
<b>Council Tax Requirement (Appendix 2)</b>	<b>8,132,553</b>	<b>7,660,812</b>

- 3.2 The estimates for 2020/21 result in an increased council tax requirement of £340,531 on the original budget for 2019/20. A summary of variances when comparing the 2020/21 estimates to the 2019/20 original estimates is given in Appendix 3. Significant variances (over £100,000) are shown in the table below:-

<b>Budget Head</b>	<b>Variance £000</b>
Corporate Director Post	101
Increase in costs associated with waste contract	1,151
Spend on Local Plan (funded from reserve)	150
Reduction in Retained Business Rates & Collection Fund surplus/deficit	145
Increase in New Homes Bonus	-111
Reduced income from car parking charges	105
Decrease in transfers to reserves	-1,205
Increase in transfers from reserves	-202

- 3.3 The Waste Management Contract, currently provided by Serco, is due to end in 2020. It is the biggest single contract let by the District Council, costing approximately £2.1m for 2019/20 and one of the most high profile services received by the public. Since the current waste contract was entered into, the waste sector and particularly the recycling elements have changed considerably. As reported to Council in December 2019, the award of a new waste contract from August 2020 has resulted in a significant increase in costs, both revenue and capital, and further financial risks arising from the Council taking on 70% of the risk of price fluctuations for recycling materials. The proposed revenue budget for 2020/21 includes the impact of these additional costs on the revenue account for that year.
- 3.4 The Summary Revenue Account (Appendix 2) sets out the spending proposals for this Council and the precepts of the Town/Parish Councils for 2020/21. The estimates of cost reflect the spending needs of the current service plans and policies of the Council. Following the transfers to/from reserves, there is a breakeven position in the 2020/21 budget, with expenditure matched by income.

#### 4. COUNCIL TAX

### **Council Tax Collection Fund Balance**

- 4.1 In determining its demand on the Council Tax, the Council must take account of any balances relating to Council Tax transactions, reflecting the difference between anticipated yield and collection rate compared to those actually achieved.
- 4.2 At 31<sup>st</sup> March 2020 there is expected to be a surplus on the Council Tax collection fund. The District Council's share of the surplus is £102,632 which has to be taken into account in setting the 2020/21 Council Tax level.

### **Non-domestic Rates Collection Fund Balance**

- 4.3 In determining its demand on the Council Tax, the Council must take account of any balances relating to Non-Domestic Rates transactions, reflecting the difference between anticipated yield and collection rate compared to those actually achieved.
- 4.4 At 31<sup>st</sup> March 2020 there is expected to be a surplus on the non-domestic rates collection fund. The District Council's share of the surplus is £130,596, which has to be taken into account in setting the 2020/21 Council Tax level. The surplus has arisen because the expected number and value of appeals has reduced.

### **Council Tax Requirement and Proposed Council Tax Increase**

- 4.5 The Council Tax is calculated by dividing the Council's Council Tax Requirement by its Council Tax Base. Taking the above factors into account, this Council's requirement from the Council Tax for 2020/21, including a comparison with 2019/20, is calculated as follows:-

	<u>2020/21</u>	<u>2019/20</u>
Council Tax Requirement (DDDC)	£6,391,391	£6,050,860
Council Tax Base	29,828.68	28,914.13
<b>DDDC Council Tax - Band D</b>	<b>£214.27</b>	<b>£209.27</b>
<b>Increase £ per band D</b>	<b>£5.00</b>	<b>£5.00</b>
Increase %	2.39%	2.45%

- 4.6 The Ministry of Housing, Communities and Local Government (MHCLG) has announced the following council tax principles for 2020/21 in relation to shire district councils:

“a referendum will be required if the authority sets an increase of 2% (or more than 2%), or more than £5, whichever is greater.”

The recommendations in this report do not exceed that limit.

- 4.7 The table below shows the proposed band D Council tax for 2020/21 and the previous 5 years:-

<b>Financial Year</b>	<b>Band D Council Tax</b>	<b>Increase on Previous Year</b>
2015/16	£189.66	0%
2016/17	£193.34	1.94%
2017/18	£198.34	2.59%
2018/19	£204.27	2.99%

Financial Year	Band D Council Tax	Increase on Previous Year
2019/20	£209.27	2.45%
Proposed 2020/21	£214.27	2.39%

It is important to note that the proposed increase in council tax for 2020/21 will benefit each subsequent financial year, when the council faces uncertainty on reductions in government funding.

## 5. MEDIUM TERM FINANCIAL PLAN

- 5.1 In considering its spending requirements the Council must have regard to its future commitments and its ability to finance those requirements either internally through balances or through its precept on the Council Tax. It is necessary, within the limitations inherent in any forward planning exercise, to consider the implications of future spending needs and produce a financial strategy to deal with them.
- 5.2 The Medium Term Financial Plan, which is summarised in the table below and shown in detail at Appendix 4, sets out in broad terms the anticipated future spending requirements. This takes account of current and known additional requirements, including the impact of the previous two-year pay offer. The quantified additional requirements are based on the planned intentions of the Council and any future impact of decisions already implemented, but cannot be conclusive, as other changes will undoubtedly occur over time.

	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
	£000s	£000s	£000s	£000s	£000s
Forecast spending	10,808	9,306	9,113	9,503	9,659
Transfers to/from reserves	(549)	88	230	138	230
<b>Net Spending Requirement</b>	<b>10,259</b>	<b>9,394</b>	<b>9,343</b>	<b>9,641</b>	<b>9,889</b>
<b>Funded By:</b>					
Income from Council Tax	(6,494)	(6,548)	(6,709)	(6,896)	(7,087)
Income from Business Rates	(2,910)	(2,774)	(2,828)	(2,884)	(2,941)
Negative Revenue Support Grant	0	380	390	400	410
Rural Services Delivery Grant	(401)	(200)	(200)	(200)	(200)
New Homes Bonus	(631)	(289)	(218)	0	0
NNDR Payment to Pool	177	181	185	189	193
<b>Total Income</b>	<b>(10,259)</b>	<b>(9,250)</b>	<b>(9,380)</b>	<b>(9,391)</b>	<b>(9,625)</b>
<b>Savings to be achieved</b>	<b>0</b>	<b>144</b>	<b>(37)</b>	<b>250</b>	<b>264</b>

- 5.3 The Medium Term Financial Plan demonstrates that, with the proposed increase in council tax, there is a balanced budget for 2020/21. However, the Medium Term Financial Plan shows that further grant losses are expected from 2021/22 onwards (see below) and that, as a result, there is a need to identify additional ongoing savings or income of around £250,000 a year by 2023/24. The approach to savings is set out in section 7 of this report.
- 5.4 Several funding streams (New Homes Bonus, Rural Services Delivery Grant and Revenue Support Grant) received from Government, all have a significant direct impact



on the Council. The MHCLG has previously indicated all of these funding streams will reduce and the information received is used to model the Council's future MTFP.

- 5.5 The MHCLG continues to review the arrangements for Local Government financing. However, as experienced in the 2020/21 settlement, changes to allocations can be received late in the day. As the provisional and final settlements are not normally received until December and January respectively (February this time) prior to financial year start, the Council has limited time to respond to changes introduced by the MHCLG.
- 5.6 The Council has reserves and balances that could be used in the short term to address any savings requirements for 2021/22.
- 5.7 The MTFP includes the impact of several key developments for the council over the MTFP period. These include the impact of the new waste contract (net of income from charging for garden waste from 2021/22), increased savings from the leisure management contract, the triennial review of the pension fund and investments being made through use of reserves.
- 5.8 The assumptions made in preparing the MTFP are shown in Appendix 4. It is possible that some of these assumptions may turn out to be too cautious or over-optimistic. Some scenario testing has been carried out to demonstrate the impact of different assumptions on the savings requirement identified in the medium term plan. The results of that testing is set out below:

	Estimates 2021/22 £000s	Estimates 2022/23 £000s	Estimates 2023/24 £000s	Estimates 2024/25 £000s
<b>MTFP, as Appendix 4</b>				
Surplus (-) / Deficit	144	-37	250	264
<b>Loss of new homes bonus from 2021/22</b>				
Surplus (-) / Deficit would be:	433	181	250	264
<b>Business rates income above baseline reduces by 10%</b>				
Surplus (-) / Deficit would be:	231	52	340	356
<b>No growth in council tax base after 2020/21</b>				
Surplus (-) / Deficit would be:	177	30	375	449
<b>Growth in council tax base after 2020/21 is twice as much as forecast in MTFP</b>				
Surplus (-) / Deficit would be:	111	-103	126	79
<b>Loss of Rural Services Delivery Grant</b>				
Surplus (-) / Deficit would be:	344	163	450	464

## 6. RESERVES AND BALANCES

- 6.1 In examining the immediate and longer term spending plans, for both revenue and capital, it is necessary to consider the levels of balances which are available and, of those, the ones that will be required to meet spending plans. Transfers to/from reserves are detailed in Appendix 5. The estimated position on the Council's Reserves and Balances as at 31st March 2020 and 31<sup>st</sup> March 2021 is detailed in Appendix 6. A number of points need to be taken into account:-

### **Working Balances**

- 6.2 It is considered essential that the Council retains a level of uncommitted balances to meet emergency, unforeseen and unknown eventualities. This includes positive opportunities that may arise as well as disastrous or onerous liabilities.
- 6.3 In the absence of these balances any such expenditure would fall directly on the General Fund and Council Tax requirement. This could result in significant financial



consequences for service provision. As budgets have been tightened and contingencies removed, the need for adequate working balances becomes even more important. Whilst it is impossible to advise on the precise level because of the uncertainty involved, it is considered prudent to retain uncommitted working balances of approximately 10% of net revenue expenditure. Working balances at 1st April 2020 are set at £1,000,000, which is considered adequate for the purpose described above.

### ***Use of Balances***

- 6.4 The effect of the Council's spending proposals and commitments on the General Reserve is shown in the Medium Term Financial Plan in Appendix 4, and a summary of reserves is given in Appendix 6. It can be seen that the estimated General Reserve balance is just under £1m at 1<sup>st</sup> April 2020.
- 6.5 Balances, by their very nature, can be used once. Therefore, the continued use of balances to support ongoing spending is not sustainable beyond the life of the available amount. A strategy which is based on the continued use of balances to support regular spending can only have a finite life. Therefore, in looking at the use of available balances regard must be taken of the future demands upon them in terms of both capital and revenue spending. In addition, interest is earned on the investment of unused balances. Utilisation of balances will therefore reduce the interest earned in future years.
- 6.6 It should be noted that the Medium Term Financial Strategy (for Members' approval elsewhere on the agenda for this meeting) allows the General Reserve to be used for meeting "one-off" expenditure or for "invest-to-save" proposals, but restricts its use for funding ongoing revenue expenditure to exceptional circumstances.

### ***Earmarked Reserves***

- 6.7 The Council has strategic reserves for specific purposes and these should continue to be earmarked for the identified purpose. This ensures the availability of the amounts in these reserves for those purposes and defrays demands on the revenue spending and general balances. Details of transfers to/from reserves are shown in Appendix 5 and details of earmarked reserves are given in Appendix 6.
- 6.8 The recommended transfers to reserves for 2020/21 include £200,000 to a new Corporate Plan Priorities Reserve, which will be available to fund the priorities that are to be approved at this Council meeting.
- 6.9 It is important that reserves are reviewed on at least an annual basis to ensure they are adequate for the purpose, but not excessive, based on an assessment of needs, an understanding of risks, and taking into account the opportunity costs of maintaining reserves. An annual review of earmarked reserves is given at Appendix 7. The statement lists the various earmarked reserves, the purposes for which they are held, and the forecast levels at 31<sup>st</sup> March 2021 and 31<sup>st</sup> March 2025, based on the requirements shown in the proposed budget for 2020/21 and the Medium Term Financial Plan. The outcome of the review is reflected in the Statutory Report in Section 8 below.
- 6.10 Following this review of reserves, earmarked reserves are estimated to total £14.3 million at 31<sup>st</sup> March 2020 and £9.4 million at 31<sup>st</sup> March 2021.

## **7 SAVINGS**

- 7.1 The Council has worked hard over the last six years in making substantial savings that have enabled the organisation to present a balanced budget each year. These savings have been achieved through exploring different ways of delivering services, e.g. outsourcing, shared services and through a series of service reviews that have examined each service area and made significant efficiencies. The Corporate

Leadership Team has also carried out a detailed scrutiny of every service budget and removed any that the trends indicate may not be required in future years. Any underspends made each year are also analysed to identify those that can be classed as ongoing savings.

- 7.2 Service Reviews have been carried out with the intention of achieving significant savings, to contribute towards the overall savings target identified in the Medium Term Financial Plan, and driving improvement. The service reviews that have been undertaken have not only generated efficiency savings but have also introduced service improvements for customers / residents.
- 7.3 The need to achieve further savings is set out in the Medium Term Financial Plan (see Appendix 4 and section 5 of this report). The approach to achieving the savings is set out in the Council's Medium Term Financial Strategy, which is recommended for Members' approval elsewhere on the agenda for this Council meeting. Given the relatively low value of the savings target, the amount set aside in the general reserve and strategic reserves, the timing of the required savings, and the uncertainty surrounding council funding (arising mainly from the outcome of the anticipated level of the government's Fair Funding Review and its review of the Business Rates Retention scheme), the Council's approach to meeting the Corporate Savings Target and closing the budget gap is to refrain from significant service reductions at the present time, until the outcome of the government reviews is known. The Council has established a Commercial Board, which will explore commercial opportunities to help the Council achieve a sustainable financial future. The overall aim of this approach is that the Council will be far less reliant on government funding and will become more self-sufficient. The approach will focus on income generation and investment in economic development that will lead to growth. In the longer term, this approach will provide the Council with more financial resilience than depending on government grants.

## **8 CHIEF FINANCE OFFICER'S STATUTORY REPORT**

- 8.1 Clause 25 of Part 2 of the Local Government Act 2003 requires that the Officer appointed for the purposes of Section 151 of the Local Government Act 1972 must, when calculating the net budget requirement, report to Members on:-
- the robustness of the estimates made for the purposes of the calculation;
  - the adequacy of the proposed financial reserves.

The Council is required to take the report into account when making the calculations for its budget.

### **8.2 Robustness of estimates**

In accordance with this requirement, the Head of Resources is of the opinion that the processes used in calculating the net budget requirement for 2020/21 are robust and accurate, while depending on estimation. In reaching this opinion, the Head of Resources is satisfied that adequate account has been taken of the following factors:-

- last year's outturn;
- the current year's income and expenditure to date;
- expected pay & price increases;
- pension contributions;
- the impact of interest rate movements;
- demand for services;
- the revenue impact of capital investment;
- local predictions of future grant settlements;

- debt recovery performance;
- future Council Tax Base changes;
- future increases in Council Tax;
- expected income from business rates;
- the timing and level of capital receipts;
- expected savings from service reviews;
- a realistic forecast has been made of major income streams, e.g. car parks income;
- the effect of the V.A.T. partial exemption calculation;
- resource allocations are in line with service plans and Council policies and priorities;
- the budget process is supported by clear guidelines in the approved Medium Term Financial Strategy and Capital Strategy, a clear timetable with allocated roles and responsibilities, and a Budget Holder's Manual for staff involved in the preparation of estimates,
- the process is underpinned by the Council's Risk Management framework.

### 8.3 Financial Resilience

The Chartered Institute of Public Finance and Accountancy (CIPFA) has recently developed its Financial Resilience Index which is a comparative analytical tool designed to provide councils with a clear understanding on their position in terms of financial risk. The index is made up of set of indicators, which can be used to compare against similar authorities.

The most recent analysis (for 2018/19) shows that for most indicators the Council performs in the median range when compared to other similar councils, demonstrating a well-balanced approach to financial management against a backdrop of significant demand pressures and central government funding cuts. The Council ranks as a higher risk than others for "Reserves Sustainability"; this was expected as it has been apparent for some time that earmarked reserves (especially those to fund the capital programme) are reducing. However, it is the Head of Resources' opinion that there are sufficient reserves to provide resilience for revenue spending. Members may recall that the approach taken by the Council was supported by the external auditor in his Value For Money conclusion for the audit of the 2018/19 accounts.

The Head of Resources is satisfied that the Council's Financial Reserves, as summarised in Appendices 6 & 7, are adequate. In reaching this opinion, the Head of Resources has taken into account the following factors:-

- the budget process is robust and accurate for the reasons given above;
- an assessment has been made of the major risks;
- the Council does not have a history or culture of overspending its budgets;
- the level of reserves has been determined with regard to CIPFA guidance on local authority reserves and balances
- the Council has adequate systems of budgetary control throughout the year.

### 8.4 Financial Management Code

CIPFA has published Financial Management Code to support good financial management, as well as demonstrating a local authority's financial sustainability. The Code is based on a series of principles supported by specific standards and statements which are considered necessary to managing its finances over both the short and medium term, managing financial resilience to meet foreseen demands on services and to manage unexpected shocks in its financial circumstances. It is anticipated that local authorities will be required to evidence their performance against the criteria from April 2021, which will help external auditors in forming their value for money opinion as part

of the audit of a local authorities' year-end accounts. A review of the Council's financial management arrangements against the standards set out in the Code will be undertaken during 2020/21; at the current time, no significant problem areas are anticipated.

## **9 TOWN / PARISH PRECEPTS**

- 9.1 The precepts of Town/Parish Councils for 2020/21 are shown in Appendix 8 to this report and total £1,741,162 for 2020/21, an increase of £131,210 (8.15%) over 2019/20. However, this has not resulted in a similar percentage increase in council tax for parishes, as there has been an increase in the council tax base. As shown in Appendix 2, the average Parish Council Tax increases from £55.68 in 2019/20 to £58.37 in 2020/21, an increase of £2.69 (4.83%).
- 9.2 These precepts have to be shown as part of the District Council's requirements as detailed in the Summary Revenue Account. As part of Council Tax setting, the individual Town/Parish precepts become a special expense chargeable against each specific area and are raised from the Council Tax levied on that area.

## **10. CONSULTATION**

- 10.1 Consultation on the District Council's spending plans has been carried out in different ways.
- 10.2 During 2019 the Council carried out extensive consultation on its Corporate Plan and priorities, which have been used to set spending priorities that are reflected in the budget proposals for 2020/21.
- 10.3 Consultation took place at a Community Forum meeting on 29 January 2020, giving Council Tax payers an opportunity to discuss the Council's budget and Council Tax proposals.
- 10.4 The statutory consultation with representatives of National Non-Domestic Ratepayers was carried out by providing details of the Council's spending proposals in the Council's "Business News". The details were sent by email on 6 February 2020. The recipients were invited to submit their responses by email to the Head of Resources by 4 March 2020.
- 10.5 At the time of writing this report, only two residents have objected the proposed council tax increase for 2020/21. Should this change, a verbal update on the outcome of the consultation will be given at the Council meeting.

## **11. RISK ASSESSMENT**

### **11.1 Legal**

The Local Government Finance Act 1992 requires the Council to set the Council Tax by 11<sup>th</sup> March for the following financial year. There are no legal considerations with Service Reviews at this stage. The legal risk arising from the report is low.

A requirement (by way of Standing Order 2014 No. 165), to adopt a mandatory standing order came into force on 25 February, 2014. The provisions require that immediately after any vote is taken at a budget decision meeting of an authority there must be a recorded vote in the minutes of the proceedings of that meeting showing the names of the persons who cast a vote for the decision or against the decision or who abstained from voting. Therefore, a recorded vote will be taken once a decision on this item has been taken.

## 11.2 Financial

Significant risks within the revenue budget include:-

- Uncertainty about the level of Government funding (especially New Homes Bonus, Rural services Delivery Grant (or a replacement mechanism to reflect the additional costs faced by rural authorities) and Negative RSG) and the business rates retention scheme, especially from 2020/21 onwards. This financial risk is assessed as High.
- Uncertainties relating to business rates income, which can be very volatile. This risk is assessed as High.
- Uncertainty regarding contracts coming to the end of their terms during the period covered by the MTFP. The new waste contract involves the Council in accepting greater risks on the value of recycling material (though this is mitigated somewhat by the establishment of a reserve). Given the volatility in the current markets for recyclable materials, these financial risks are assessed as High.
- Targeted savings not being achieved. As stated in the body of the report, The Medium Term Financial Plan indicates that the Corporate Savings Target requires further ongoing savings or additional income of £0.25m by 2023/24. While it is hoped that the Commercial Investment Strategy will help to deliver savings to close this gap, meeting it will be a significant challenge on top of savings that have already been made. This financial risk is therefore currently considered to be High.
- Significant income items not being achieved. The Council has no direct control over, for example, the level of car parking income, which is affected by factors such as the weather. This source of income is significant to the Council's budget process and, therefore, this financial risk is assessed as Medium/High.

The financial risk in respect of the Council's long-term financial position is assessed as "High".

## 11.3 Corporate Risk

As identified in the report, the key risks result from the need to make savings and therefore to change some current practices and procedures. These will be mitigated by project management, communication and training. If current practices and procedures do not change, there is a risk that the savings and efficiencies required could not be realised. This latter risk is considered to be High; it has been reflected on the Council's Strategic Risk Register.

## 12. OTHER CONSIDERATIONS

In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property considerations.

## 13. CONTACT INFORMATION

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## 14. BACKGROUND PAPERS

Date	Description	Location
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25/02/2020	Details of Local Government Finance Settlement (approved by parliament on 24 February 2020)	Local authorities' individual allocations can be found at: <a href="https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2020-to-2021">https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2020-to-2021</a> .
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## 15. ATTACHMENTS

- Appendix 1 Service Summary
- Appendix 2 Summary Revenue Account
- Appendix 3 Variations in spending proposals 2019/20 compared to 2018/19 original estimate
- Appendix 4 Medium Term Financial Plan
- Appendix 5 Transfers to and from Earmarked Reserves
- Appendix 6 Summary of Revenue Balances, Provisions and Earmarked Reserves
- Appendix 7 Annual Review of Earmarked Reserves
- Appendix 8 Parish Precepts