Appendix 1

Derbyshire DALES District Council

Medium Term Financial Strategy 2020/21 to 2024/25

To be approved March 2020

This Medium Term Financial Strategy is intended to set out the Council's strategic approach to the management of its finances and provide a framework within which decisions can be made regarding future service provision and council tax levels.

Appendix 1

Table of Contents

If you have any questions or comments about this Medium Term Financial Strategy please contact finance@derbyshiredales.gov.uk

1. Executive Summary

1.1 This Medium Term Financial Strategy (MTFS) is intended to set out the Council's strategic approach to the management of its finances and provide a framework within which decisions can be made regarding future service provision and council tax levels.

1.2 It is based on a five-year rolling forecast from 2020/21 to 2024/25 and is intended to be reviewed annually (usually in November, but delayed this year awaiting the outcome of the Local Government Finance Settlement). The MTFS provides the financial context for the Council's financial resource allocation and budget setting processes.

1.3 In recent years all local authorities have faced significant reductions in Government funding, though the Finance Settlement for 2020/21 offered an improvement. By the end of 2020/21 the Council's Settlement Funding Assessment (the main source of government grant funding) will have reduced by 55% or £2.1m from 2013/14. This equates to £70 per band D property. The Council has responded well to the grant cuts so far and has already made savings of over £2.7 million since 1st April 2014. At the same time, public expectations are increasing and there are cost pressures on some services, such as waste and recycling. The impact of changes in the economy (such as rising inflation and interest rates), together with the UK's exit from the European Union, bring more uncertainty and instability, as does the potential outcome of the Government's Fair Funding Review and changes to the system of Business Rates Retention, which are expected to be announced in 2020.

1.4 The Medium Term Financial Plan (MTFP) contained in this document (Appendix A) shows that further cuts in government funding mean that corporate savings of £250,000 are required by 2023/24. Coming on top of the savings that have already been made, this is a challenging target, equating to around 2.3% of net revenue spending in 2020/21. The District Council has already made budget savings exceeding £2.7m since 2014, and further savings will not be easy to achieve.

1.5 Faced with such unprecedented cuts in government funding and a significant corporate savings target, the Council will have to become more self-sufficient and generate more income from fees and charges, local taxation and business rates, as well as critically reviewing its expenditure, if it is to continue to set a balanced budget (as required by law).

1.6 In addition to these pressures on the revenue budget over the coming years, the Council's sources of capital funding are becoming depleted. The Council's Capital Strategy sets the framework for all aspects of the Council's capital expenditure; including planning, prioritisation, management and funding. The Strategy has direct links to the Council's Asset Management Plan and this Medium Term Financial Strategy (MTFS).

1.7 It is clear that the Council will face some difficult decisions in the coming years regarding which services and which capital projects it should prioritise within the resources (revenue and capital) that are available.

1.8 While there is uncertainty over the Council's future funding position, it is proposed that (while the Council will continue to look for efficiency savings) there will be a hold on any significant service reductions until the outcome of the funding / business rates reviews is known. It is considered that the Council has sufficient reserves and balances that would be available to address any immediate funding reduction, giving a period of time to consider the required action in the event of significant funding cuts.

1.9 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. As well as ensuring that Council services are streamlined and offer value for money, 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.

1.10 There are risks associated with this strategy, which are described in part 5 of this Strategy. These risks will be mitigated by robust budget monitoring, together with contingency plans that will be used if the savings target is not achieved (or turns out to be greater than expected when the outcome of the government reviews is known).

2. Overview

2.1 Purpose of Strategy

The Medium Term Financial Strategy (MTFS) provides a robust, consistent and sustainable approach to establishing and maintaining a stable and prudent financial basis on which improvement and transformation of the Council's services can progress within the resources that are available.

The MTFS identifies the estimated financial commitments of the Council alongside the likely level of resources available to it over the next five financial years. It provides a financial overview against which budgets will be set.

The MTFS helps to:

- establish a framework within which the Council's revenue and capital budgetary processes are aligned with its main aims and priorities as identified in the Corporate Plan and in other service strategies;
- summarise the current financial position;
- ensure the sustainability of the Council's budget;
- set down overall parameters and objectives for future spending, together with a medium-term forecast of the financial position, identifying spending pressures and savings / efficiency targets for the next four years;
- establish an approach to setting the Council Tax based on keeping increases to a minimum whilst protecting investment in key service priorities;
- establish arrangements for the effective evaluation of the financial aspects of decision-making;
- highlight financial risks and mitigating actions.

2.2 Principles of the Strategy

The principles underlying this MTFS are set out in the following table:

Element	Strategy
Revenue Budget	
Sustainable Budget	To have a balanced sustainable budget in the medium-term to ensure that the Council remains in good financial health and meets the statutory requirement to set a balanced budget.
Budget Model	To use a five-year budget model on which to base short and medium-term decisions on the level of Council Tax and Revenue Reserves.
Budget Consultation	A budget consultation exercise will be carried out annually to help inform Members of stakeholders views of spending priorities and acceptable levels of Council Tax. The exercise may involve, for example use of Community Forums & the Residents' Online Panel.
Council Tax	Keep council tax increases to the level necessary to maintain the standards of service required by residents, taking into account factors such as Government policy in respect of capping levels.
Corporate Savings Target	Any 'resource gap' in the Council's budget model (i.e. between spending and income, taking into account forecast commitments, proposed levels of Council Tax and estimated Business Rates Income and Government Grants) will be the Council's Corporate Savings Target. Members & Officers will need to determine how to meet the Corporate Savings target in order to achieve a sustainable, balanced budget.
Budgetary Control	Up-to-date, reliable information should be available for Members and Officers. Budget monitoring reports should be available on a quarterly basis for Members. Reports for budget holders should be available monthly, within 10 working days of month-end. Additional monthly reports should be provided for budgets which are significant in terms of size or risk (e.g. significant income items) and significant variances from budget. Budget holders should put in place action plans to deal with significant variances.
Working Balance	The Council will maintain a working balance of approximately 10% of its net revenue expenditure which is considered appropriate to the strategic and operational risks which the authority faces.
General Reserve	Any General Fund Balance over and above the working balance will be termed the 'General Reserve'. The General Reserve will be available for meeting 'one-off' expenditure or development items, and should only be used to fund ongoing revenue expenditure in exceptional circumstances. The Council will aim to set balanced budgets that do not require the use of the general reserve.

Element	Strategy
Revenue Account	Any over-spending on the revenue account will be met from the General Reserve. Any under-spending on the revenue account will be transferred to strategic reserves to finance the Capital Programme, top up the Investment Fund or to prepare for future revenue account pressures.
Service Growth	Any areas of service growth must be identified through the annual service planning and budget process, and be subject to business case appraisal. Compensating savings or additional income should always be identified.
Priorities	The District Council's priorities are those set out in its Corporate Plan. The Corporate Plan is the District Council's primary policy document. It sets out the District Council's priorities and areas for improvement, and identifies key targets to be achieved. From 2020/21, the three Corporate Plan priorities of the District Council are People, Place and Prosperity.
Strategic Reserves	Strategic reserves will be maintained for earmarked purposes in order to assist the Council in achieving its priorities. These include reserves to fund asset replacements and the capital programme, to smooth out significant items of expenditure which do not occur annually, and to provide cover for financial risks and pressures, such as uninsured losses. Balances on reserves will be reviewed at least annually. The MTFP and future revenue budgets will include annual revenue contributions to capital reserves provided that they are affordable.
Provisions	Provision should be maintained for potential liabilities which may arise or will be incurred, such as any insurance claims which are going through the settlement procedure.
Fees and Charges	Fees and charges will be reviewed annually to maximise income, taking into account the Council's priorities, the level of inflation, and charges levied by neighbouring authorities. The Council will explore opportunities for new areas of charge.
Savings, Efficiencies and Value for Money	The Council will continue to seek efficiencies and value for money in all services through its approach to procurement, transformational and organisational changes and better use of assets, as well as generating extra income from new fees and charges and additional business rates. The Council has established a Commercial Board, which will explore commercial opportunities to help the Council achieve a sustainable financial future. The Council will continue to consider opportunities for working in partnership with other local authorities and other organisations where this will deliver efficiencies. The Council will evaluate existing partnerships to ensure they continue to deliver best value, and where that is not the case the Council will consider reducing or withdrawing funding (giving appropriate notice). This approach should reduce the impact of the savings on priority services.

Element	Strategy
Capital Programme:	
New projects	Business cases will be produced for all new projects. Business cases will be evaluated by the Corporate Leadership Team (taking into account factors such as the Council's priorities, ability to deliver and potential for income generation), before being reported to the relevant Policy Committee for approval.
External Funding	External and partnership funding should be explored for all schemes.
Revenue Consequences	The revenue consequences of all capital schemes should be assessed and included in the Medium Term Financial Plan.
Prudential Code	Capital expenditure plans, external borrowing and other long-term liabilities are to be affordable and within prudent and sustainable levels. Prudential Indicators are reported annually to Council.
Prudential borrowing	The Council will consider the use of prudential borrowing to fund capital investment where it can be demonstrated that this is in keeping with the Council's priorities and where the impact on the revenue account is affordable when the cost of the borrowing is taken into account.

2.3 Background

The Council's Financial Strategy was last approved in January 2019. In March 2019 the Council set a Corporate Savings Target to achieve £400,000 savings by 2020/21. This budget gap has been closed for 2020/21 and a balanced budget is due to be set for that year. There remains a budgetary shortfall for subsequent financial years.

It is therefore vital that the Council has a robust and sustainable financial strategy in place to ensure that it is in a position to deliver balanced budgets as required by statute, whilst being able to meet its priorities whenever possible.

2.4 National and International Influences

Derbyshire Dales District Council's financial and service planning takes place within the context of the national and international economy. This Medium Term Financial Strategy has been prepared within that context.

The potential implications of the wider economic situation on the Council's finances include:

- The Council may find it harder to collect sums due to it, for example for council tax and business rates. Despite the increased pressures, there has not yet been any significant deterioration in collection rates;
- The Council will face increased demands for its services to assist residents falling into hardship (such as for housing benefit discretionary hardship reliefs);

- The Council may find its suppliers and contractors at risk of liquidation, potentially affecting delivery of services;
- Inflationary pressures may be greater than assumed.

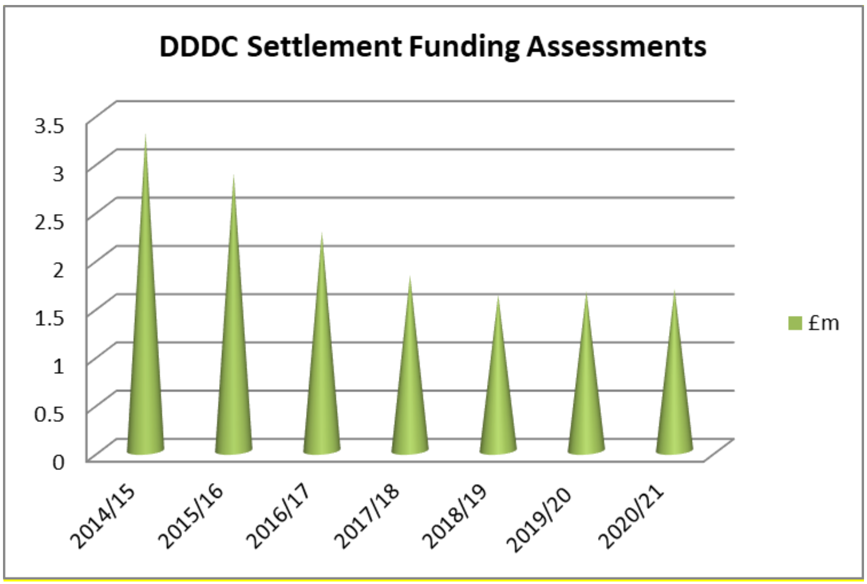
The Government has introduced a number of measures that have significant impacts on local government. The relevant items are set out below:

- Introduction of a national living wage, which is currently £8.21 per hour for all workers aged 25 and over, rising by 6.2% to £8.72 in April 2020;
- The Fair Funding Review and proposals to introduce 75% local retention of business rates. The former will involve a new method of grant distribution to replace Revenue Support Grant, Rural Services Delivery Grant and New Homes Bonus. The latter may involve the transfer of additional responsibilities and a reset of business rates baselines;
- The withdrawal of the UK from the European Union brings more uncertainty and instability. It will therefore be necessary to monitor the impact of "Brexit" on the Council's finances and review plans where necessary.

Whilst the current economic outlook continues to improve there remains a great deal of uncertainty and change and it is important that the Council has a level of reserves that allows it to withstand unanticipated financial impacts of future developments at a local and national level.

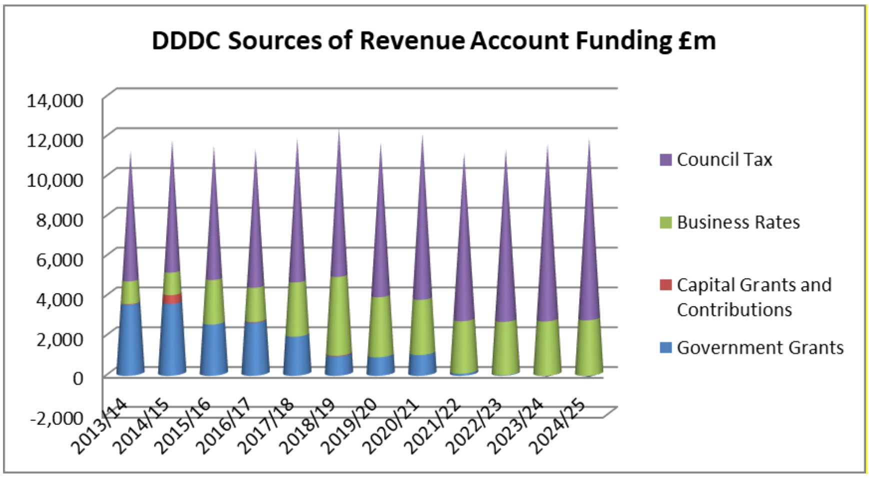
2.5 Government Funding

By the end of 2020/21 the Council's Settlement Funding Assessment (the main source of government grant funding that includes Revenue Support Grant and Business Rates Baseline Funding) will have reduced by 55% or £2.1m from 2013/14. This equates to £70 per band D property. This is illustrated on the table below:



Source: MHCLG Notifications

The relative proportions (gearing) of Council funding are predicted to change significantly over the period from 2013/14 to 2024/25. The table below shows that government grants are forecast to reduce from £3.5m (32% of funding) in 2013/14 to -£0.2m (effectively 0%) in 2024/25. Business rates, as a source of funding, increase from 10% to 24% across the same period and council tax increases from 58% to 78%.



Source: DDDC Statement of Accounts and Medium Term Financial Plans

This demonstrates that the Council will become much less dependent on government grants and much more self-reliant in future, relying more on council tax and business rates as sources of funding.

2.6 The Council's Priorities

The Council's priorities are due to be set in March 2020 within a new Corporate Plan. It identifies three corporate priorities: people, place and prosperity. In order to ensure adequate funding for priorities, it is important that the Council's budgetary processes are aligned with corporate priorities. The following measures are in place.

- The Council produces Service Plans for all front line and support services. The service planning and budget setting process are aligned.
- All items relating to service growth are considered separately when setting the budget and in conjunction with other spending proposals in order that priorities can be set.
- All Committee reports include a Strategic Link (to the Corporate Plan), and have a mandatory section for Risk Assessment, including legal risks, financial risks and corporate risks.
- The Council's Capital Programme is ordered by priority, giving Members and officers a visual guide to which priorities capital expenditure is allocated.

3. The Council's Current Financial Position and Outlook

3.1 The Medium Term Financial Plan & Corporate Savings Target

The Medium Term Financial Plan (MTFP) shows the Council's proposed budget for 2020/21 and forecasts for 2021/22 to 2024/25. Full details are given in Appendix A; the table below provides a summary:

	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
Net Spending Requirement	**10,259**	**9,394**	**9,343**	**9,641**	**9,889**
Funded By:					
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
Total Income	**(10,259)**	**(9,250)**	**(9,380)**	**(9,391)**	**(9,625)**
Savings to be achieved	**0**	**144**	**(37)**	**250**	**264**

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.

The information in the MTFP suggests that the Corporate Savings Target should be amended to "Continue a programme to identify efficiency savings and/or additional income of £250,000 by 2023/24", which is a recommendation of the report on the Revenue Budget 2020/21.

3.2 Outlook and Approach to Achieving the Savings

Medium Term Financial Planning remains very difficult. The uncertainties include:

- The future of government grants, especially New Homes Bonus;
- The outcome of the government's Fair Funding Review;

- Business rates – the impact of the proposed changes to business rates including changes to the local share, funding of reliefs (especially Small Business Rate Relief), provision for appeals and the impact of revaluation exercises;
- Rising inflation rates (which increase the cost of services);
- The UK's intended withdrawal from the European Union, which could affect the cost of services and European grant funding;
- The value of the pound, which could affect the cost of goods and services;
- Increases in employer pension contributions;
- Nationally agreed pay awards, increases in the National Minimum Wage and changes in the Apprentices Levy;
- The impact of future welfare reforms, which could increase the cost of the Council Tax Support Scheme and Housing Benefit Overpayments;
- Increases in demand for services;
- Achievement of the savings required (see below);
- Potential for a reduction in the cost of leisure services, as the Council's cost is expected to reduce over the life of the contract;
- Potential cost pressures from outsourced services, which are coming to the end of current contracts. This includes the additional costs of the new waste contract from August 2020 (over £1.1m per year plus the financing of new vehicles at £3.6m in 2020/21) and the impact of a volatile market for recycling materials;
- The level of income following the introduction of charges for garden waste collection from 1st April 2021.

The assumptions made in preparing the Medium Term Financial Plan are shown in Appendix A. 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 are set out below:

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

Faced with expected reductions government funding and a significant corporate savings target, the Council will have to become more self-sufficient and generate more income from fees and charges, local taxation and business rates, as well as critically reviewing its expenditure, if it is to continue to set a balanced budget (as required by law).

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.

3.3 Capital Programme

As well as having to make savings in order to balance its revenue budget over the coming years, the Council's resources for capital funding are diminishing.

The Capital Strategy sets the framework for all aspects of the Council's capital expenditure; including planning, prioritisation, management and funding. The Strategy has direct links to the Council's Asset Management Plan and forms a key part of the Council's Medium Term Financial Strategy (MTFS)

This medium term financial strategy includes a "strategic reserves policy" that the MTFP and future revenue budgets will include annual revenue contributions to capital reserves provided that they are affordable. These contributions will help to provide for the life cycle (replacement) costs of assets. This is explained further in the Capital Strategy. These contributions do impact on bottom line savings to be achieved but will ensure that sufficient funding is available to allow replacement of these assets at the end of their lives. The impact of the revenue contributions has been included in the MTFP shown on Appendix A.

3.4 Reserves and balances

In examining the immediate and longer term spending plans, for both revenue and capital, it is necessary to consider the levels of reserves and balances which are available and, of those, the ones that will be required to meet spending plans.

Revenue balances

It is 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.

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 "slack" removed, the need for adequate working balances has become 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.

In addition to the working balance, the Council also has a General Reserve, which is expected to amount to £1m at 1st April 2020. This is also available to meet emergency, unforeseen and unknown eventualities. However, it is important to note that balances, by their very nature, can be used only once. Therefore, the continued use of the General Reserve 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.

For the reasons set out above, this Medium Term Financial Strategy 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 unless there are exceptional circumstances. The Council will aim to set a balanced revenue budget that does not rely on the use of the general reserve.

Strategic Reserves

The Council has strategic reserves for specific purposes, which are consistent with corporate priorities, 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.

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 takes place in March each year as part of the budget setting process.

The table below lists the various strategic reserves, the purposes for which they are held, and the forecast balances at 31st March 2020:

ANNUAL REVIEW OF EARMARKED RESERVES (MARCH 2020)

Reserve	Purpose	Forecast Balance 31st March 2021
Business Rates Fluctuations Reserve	To provide funding towards potential future losses on Non-Domestic Rates	£490,423 Balance considered to be appropriate at the current time but will need to be re-examined when the full details of changes to the rates retention scheme are known.
Capital Programme Reserve	To provide funding for capital expenditure	£1,129,763 Required for the five year capital programme and potential future liabilities not yet in the programme. It is recommended that annual contributions are made from revenue, if affordable, to ensure a sufficient balance for future capital projects. Top up is possible if there is a revenue account underspend
Carsington Improvements	To provide grants towards projects in Parishes bordering Carsington Reservoir. The reserve was established with a deposit	£13,382 Expected to be used by 2022/23
Committed Expenditure	Annual contributions in respect of expenditure which has been committed, but service not received at the end of the financial year,	£213,998 Expected to be used during 2020/21.
Corporate Plan Priorities	To provide a source of funding for priority projects emerging from the new Corporate Plan 2020-2024.	£191,471 Balance considered to be appropriate at the current time but will need to be re-examined when the priority projects have been identified.
Customer Innovation	To procure and implement a customer platform that integrates with existing systems to enable us to drive channel shift and to deliver easier, faster and better customer service. To provide our	£141,554 This balance is considered to sufficient to deliver the project.
Economic Development	To provide funding for economic development initiatives.	£172,191 Fully committed to deliver the Economic Development Plan.
Elections	Annual revenue contributions to smooth the cost of four-yearly District Council elections.	£126,242 The aim is to build up a reserve to fund the cost of the May 2023 election.

Continued……

ANNUAL REVIEW OF EARMARKED RESERVES (MARCH 2020)

(Continued)

Reserve	Purpose	Forecast Balance 31st March 2021
Grants Unapplied	The balance of grants received but not yet spent, set aside to finance expenditure in future years. Includes Section 106 Contributions. Most grants can only be used for specific purposes.	£4,263,651 Most of the balance is committed to fund the capital programme. The Capital strategy states that the Council will seeks grants and contributions when the opportunity arises.
ICT Renewals	To provide funding for renewal of the Council's information technology equipment, including telephony & central printing equipment.	£372,903 This balance is considered to sufficient to deliver the needs identified in the ICT Strategy.
Insurances	To provide funding for uninsured losses.	£464,473 A balance of approximately £500,000 is considered appropriate.
Investment Fund	To provide funding towards, for example, interim and temporary resources to provide additional capacity and skills to support the change agenda, and to kick-start investments, subject to suitable business cases.	£564,590 For application to schemes approved by the Commercial Board. Balance considered sufficient for current needs, but could be topped up if there is a revenue under-spend.
Job Evaluation	To provide funding for the additional cost of job evaluation.	£150,000 Balance considered to be adequate.
Local Plan	Annual revenue contributions to smooth the cost of four-yearly review of the local plan.	£108,422 Annual contributions will be made to provide funding for the next public inquiry. Balance is expected to be adequate.
Member/Officer Indemnity	To indemnify Members and officers against acts or omissions subsequently found to be ultra vires, and against defence costs of	£25,000 Adequate for current needs.
Vehicle Renewals	To provide for the replacement of vehicles.	£275,713 Balance is fully committed. Annual revenue contributions will ensure that the balance is adequate.
Waste Contract Fluctuations	To finance changes in disposal costs which will become part of the new waste contract.	£712,000 Adequate for current needs. To be used in 2020/21.

3.5 Budgetary Control & Monitoring the Plans

The Council's financial regulations set out the arrangements for setting and managing budgets.

Annual revenue estimates are prepared jointly by Heads of Service and the Head of Resources. The Head of Resources then prepares a budget report for Council.

Each Head of Service is responsible for ensuring that the budgets for controllable expenditure on each Service (as shown in the circulated budgetary control reports) are not exceeded. Where it appears that such a service provision shall be exceeded by an amount in excess of £10,000, the Head of Service concerned must, in consultation with the Head of Resources, inform the relevant policy committee with recommendations on how the expenditure is to be funded or defrayed.

No expenditure introducing major continuing liabilities to the Council, particularly new projects which involve financial commitments in future years, new policy or extension of services, may be incurred without prior consultation with the Head of Resources and the approval of the relevant policy committee either through the budget or separately in the course of the financial year.

Transfers (up to £10,000) of budgets, except for salaries, wages and associated costs, from one service provision to another within a relevant service portfolio may be made by Heads of Service, after consultation with the Head of Resources. For transfers exceeding £10,000 a report shall be taken to the relevant policy committee.

Budgets for salaries, wages and associated costs may be amended, following approval by the Corporate Leadership Team, provided that total salary costs remain within budget.

A Supplementary Estimate is required where expenditure is required or anticipated which:-

a) has not been included in the Revenue Budget; and

b) cannot be met by the transfer of budgetary provision from another service provision; and

c) would cause the controllable expenditure on the particular service to be exceeded,

Any request for a Supplementary Estimate shall be made to the relevant policy committee after consultation with the Head of Resources. Additional income and savings may be used to finance additional expenditure only after consultation with the Head of Resources who may require a report to the relevant policy committee.

Each service has a designated Budget Holder. The Financial services Team provides the following:

- Up-to-date reports from the Council's financial management system that show budgets and spending / income;
- Monthly budget monitoring reports for budget holders;
- Monthly budget monitoring reports for major income items for consideration by the Corporate Leadership Team.

Reports will be presented to Council as follows:

- In March – revenue budget and Council tax setting for the coming year, updated MTFP, five-year capital programme, treasury management strategy, investment strategy; Corporate Plan targets; Service Plans.
- In May / June – out-turn of revenue account and capital programme for previous financial year, updated capital programme for current year and next four years, updated MTFP; Out-turn of Key Performance Indicators.
- In November – revised estimates for the current year, annual review of Medium Term Financial Strategy, updated MTFP and updated capital programme; annual review of Corporate Plan; mid-year update on Key Performance Indicators.

The Medium Term Financial Plan and Medium Term Financial Strategy will be communicated to employees and stakeholders and published on the Council's website.

4. Links to other strategies, policies and plans

This Medium Term Financial Strategy has links to other Council strategies, policies and plans as set out below:

Corporate Plan	Sets out the Council's priorities which are taken into account when preparing the capital programme, especially when evaluating new bids
Risk Management Policy and Strategy	Establishes a framework for the effective and systematic management of risk, which will ensure that risk management is embedded throughout the Council and makes a real contribution to the achievement of the Council's vision and objectives. All committee reports include a financial risk assessment. The strategic risk register includes an item relating to the Council's budget.
Capital Strategy	Sets out the Council's strategic approach to the management of its Capital Programme and provides a framework within which decisions can be made regarding capital investment and financing
Treasury Management Strategy	Sets out how the Council's investments and borrowings are to be organised, and includes treasury indicators
Minimum Revenue Provision Policy	Shows how residual capital expenditure is charged to revenue over time
Investment Strategy	Sets out the parameters on how investments are to be managed
Asset Management Plan	Takes into account the balance between capital expenditure on assets and revenue expenditure on repairs.
Procurement Strategy	Reflects the Council's initiatives to remove unnecessary complexity from processes and procedures and embeds best practice to maximise the benefits available from all commercial arrangements.
Economic Development Strategy	Sets out the need for more modern workspace for local firms, in order to accommodate the growth in higher-paid jobs required by the district. A vibrant economy with more homes and businesses should result in increased council tax and business rates that could be used to fund council services.
Equality & Diversity Policy	Explains that the Council will encourage and promote equality as an employer, in the provision of its services, and in carrying out its public functions. This can have an impact on the cost of services.
Corporate Consultation and Engagement Plan	Records all consultation and engagement planned through the financial year. Included are: corporate mechanisms for consultation e.g. community forums; customer satisfaction surveys; and changes to external facing policies, proposals which have a major impact on services, or changes that have an unfair impact on protected groups. This includes consultation on the draft budget.

5. Risk Management

There are significant risks associated with the Medium Term Financial Strategy. The uncertainties associated with medium term financial planning are set out in section 3.2 of this strategy. The preparation of an efficiency plan is a key mitigating factor but, even so, this financial risk is assessed as High.

The table below identifies the key risks and mitigating actions:

Keys Risks	Mitigating actions and controls
• Lack of resources available to deliver the core Council activities • Controls not performed or overlooked due to time and resource pressures. • Cash flows are not available to maintain standards and quality of service provision. • Increase in claims made to the Council. • Initiatives, development programmes etc. around capital enhancements, car park maintenance etc. may not be performed resulting in members of the public hurt or public property damaged. • Targeted savings or additional income not being achieved. • Loss of a key source of income e.g. government grants or business rates from a large supermarket or quarry. • Increases in pay and prices are higher than forecast.	• Monthly reporting of management accounts with monitoring of variations from budgets. • Monthly scrutiny of major income budgets by the Corporate Leadership Team. • The MTFP and capital programme are regularly monitored and are updated and reported to Council in March, May/June and November each year. • A number of services have been outsourced, with long-term agreements. The costs are structured within the outsourced contract, allowing the Council to forecast and plan budget costs / savings effectively (except for the inflationary adjustments). • The Council has an 'investment reserve', which may be used for initiatives that will generate savings or additional income over the medium term. • The Council has insurance arrangements in place to protect itself against claims. • Budgets have been balanced for 2020/21 and are due to be approved on 5 March 2020; • This Medium Term Financial Strategy sets out the approach to achieving the savings that will be required. • Savings target set and achievement monitored by Corporate Leadership Team (though achievement is "on hold" at present). • Reserves established for budget uncertainties and for areas of volatility such as business rates income and waste contract price fluctuations.

6. Glossary of Terms

Budget

A statement of the Council's policies and spending plans for net revenue and capital expenditure over a specified period of time, usually one financial year from 1st April to 31st March.

Budget Requirement (or External Funding Requirement)

The Council’s revenue budget on general fund services after deducting funding streams such as fees and charges and any funding from reserves. This excludes income from council tax, business rates and non-specific government grants such as Revenue Support Grant, Rural Services Delivery Grant and New Homes Bonus.

Business Rates Baseline Funding Level

The amount of a local authority’s start-up funding allocation which is provided through the local share of the estimated business rates aggregate (England) at the outset of the scheme as forecast by the Government.

Business Rates Local Share

This is the percentage share of locally collected business rates that will be retained by local government, currently 50%. The local share of business rates is divided between authorities on the basis of proportionate shares set by the government. Currently at Derbyshire Dales District Council the 50% local share is shared 40% for Derbyshire Dales District Council, 9% for Derbyshire County Council and 1% for Derbyshire Fire and Rescue Authority,

The Government has announced that the local share of business rates will increase to 75%, though this will be accompanied by additional responsibilities. The additional responsibilities and the share between district and county councils have not yet been determined.

Business Rates Pool

As part of the rates retention scheme, authorities are able to come together, on a voluntary basis, to pool their business rates, giving them scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area. This not only allows them to pool their resources under the scheme (which they could do anyway), but ensures that they are treated as if they were a single entity for the purposes of calculating tariffs, top-ups, levies and safety net payments. Derbyshire Dales District Council has been part of the Derbyshire Business Rates Pool since 1st April 2015.

Capital Expenditure

Spending on assets that have a lasting value such as land, buildings, vehicles and equipment. It can also include grants to other bodies towards such assets.

Capital Programme

The Council’s plan of future spending on capital projects such as buying land, buildings, vehicles and equipment.

Capital Receipts

The proceeds from the disposal of land or other fixed assets and repayment of certain grants and advances. Capital receipts can be used to finance new capital expenditure within rules set down by the Government, but they cannot be used to finance revenue expenditure, except in specific circumstances defined in regulations.

Capping

This is the power under which the Government may limit the maximum level of local authority spending or increases in the level of spending year on year, which it considers excessive. It is a tool used by the Government to restrain increases in council tax. The Council Tax cap, which is the greater of £5 per band D or 2% for 2020/21, means that any local authority in England that wishes to raise council tax by more than the threshold must consult the public in a referendum. Councils losing a referendum would have to revert to a lower increase in their bills.

CIPFA

The Chartered Institute of Public Finance and Accountancy is one of the UK accountancy institutes. Uniquely, CIPFA specialise in the public sector. Consequently CIPFA holds the responsibility for setting accounting standards for local government.

Collection Fund

A separate statutory account, maintained by the council, to show the transactions of a billing authority in relation to amounts collected from Council Tax and Non-Domestic Rates (NDR) and the payments to central government and major preceptors (the County Council, the Police and the Fire Authority).

Collection Fund Surplus or Deficit

If the Council collects more or less council tax than it expected at the start of the financial year, the surplus or deficit is shared with central government and the major preceptors (see above), in proportion to the respective council tax precepts These surpluses or deficits have to be returned to the council taxpayer in the following year through lower or higher council taxes. If, for example, the number of properties or the allowance for discounts, exemptions or appeals vary from those used in the council tax base, a surplus or deficit will arise.

The Collection Fund also shows transactions relating to business rates. Any surplus or deficit arising from business rates is shared in proportion to the local share (see above) and taken into account when setting the council tax for the following financial year.

Contingency

This is money set aside to meet the cost of unforeseen items of expenditure, such as higher than expected inflation or unforeseen events. At Derbyshire Dales District Council the contingency is held in the General Reserve.

Council Tax Base

This is the figure that is used by the Council in the calculation of the Council Tax. It is the number of band D equivalent properties within the District. This figure is produced by the council counting each property in each council tax band across the district; the number of properties in each band is then multiplied by a factor to convert it into a band D equivalent; these are then added up to produce the total number of band D equivalent properties for the district; an adjustment is then made to reflect Council Tax Support; finally a collection rate is applied and the result is the council tax base.

Council Tax Requirement

The Council Tax Requirement is the amount that the Council needs to collect from Council Tax each year. It is the Budget (or External Funding) requirement less business rates income and non-specific grants.

The Council Tax Requirement is divided by the Council Tax Base to calculate the Band D Council Tax for the financial year.

CPI

The main inflation rate used in the UK is the CPI (Consumer Price Index). Some of the council's contracts with suppliers (such as that for waste collection) include an agreement that prices will be increased each year in line with CPI.

Financial Year

The Council's financial year commences on 1st April and finishes on 31st March the following year.

General Fund

This is the main revenue account of the Council which summarises the day to day spending of all services provided by the Council which are funded from the precept, government grants and other income.

General Fund Balances

This represents amounts put aside, but not allocated to meet, any future spending commitments or unforeseen pressures. The Council's General Fund Balances include a working balance of £1m to meet emergencies and contingencies, and to assist with cash flow, as well as a General Reserve that currently stands at £1m.

Gross Expenditure

The total cost of providing the Council's services, before deducting income from Government grants, or fees and charges for services.

Minimum Revenue Provision

The minimum amount which must be charged to an authority's revenue account each year, as a provision to repay borrowing and finance leases.

Net Expenditure

This is gross expenditure less income, but before deduction of government grant, business rates and council tax income.

New Homes Bonus

Under this scheme councils receive a new homes bonus (NHB) for each new property built in the district. There is also a payment in respect of empty homes brought back into use. Payments are based on match funding the council tax raised on each property with an additional amount for affordable homes. It is paid in the form of an un-ringfenced grant, which the government has announced will cease after 2020/21, apart from legacy payments for a further two years.

Non Domestic Rates (NDR)

Also known as 'business rates', see above,

Precept

The amount which a precepting authority (Derbyshire County Council, Derbyshire Police, Derbyshire Fire & Rescue and Town and Parish Councils) requires Derbyshire Dales District Council (as billing authority) to collect on their behalf in the form of council tax.

Prudential Borrowing

A set of rules governing local authority borrowing for funding capital projects under a professional code of practice developed by CIPFA to ensure the Council's capital investment plans are affordable, prudent and sustainable.

Revenue Expenditure

Expenditure to meet the day-to-day running costs incurred in providing services e.g. wages and salaries, purchase of materials and capital charges.

Revenue Support Grant

A general government grant paid to the Council as a contribution towards the cost of its services. When added to the Business Rates Baseline Funding Level (see above), it produces the Settlement Funding Assessment.

Specific Grants

These grants are for specified purposes and cannot be used on anything else, for example, housing benefits administration.

Strategic (Earmarked) Reserves

These balances are not a general resource but earmarked for specific purposes.

Treasury Management

The process of managing the Council's cash flows, borrowing and investments. Details are set out in the Treasury Management Strategy which is approved by Council in March each year.

Virement

This is the transfer of budget provision from one budget head to another. A virement must be properly authorised by the Council or, if under £10,000, by the Head of Resources under delegated powers.

Appendix A – Medium Term Financial Plan

	Note	Revised Budget 2019/20	Propsed Budget 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
		£000s	£000s	£000s	£000s	£000s	£000s
Base Service Funding Requirement		**8,059**	**8,023**	**8,026**	**8,028**	**8,030**	**8,032**
Service Costs Funded from Reserves		(65)	981	142	0	92	0
Inflation							
Pay		292	357	491	625	759	893
Other		132	311	423	535	647	759
Pressures/Savings							
Increasing savings from Leisure review		0	0	(50)	(200)	(300)	(300)
Additional costs of new waste contract, net of income for charging for garden waste collections		0	1,136	274	125	125	125
Potential increase in pension contributions following revaluation		0	0	0	0	150	150
Forecast spending		**8,418**	**10,808**	**9,306**	**9,113**	**9,503**	**9,659**
Transfers to/from reserves		65	(981)	(142)	0	(92)	0
Contributions to reserves for future years costs							
Vehicle renewal fund		150	150	150	150	150	150
Election reserve annual contribution		30	30	30	30	30	30
Local plan reserve		50	50	50	50	50	50
ICT reserve		100	0	0	0	0	0
General reserve		47	0	0	0	0	0
New funding uncertainty reserve		421	0	0	0	0	0
Use of reserves NDR fluctuations		264	0	0	0	0	0
Corporate Plan Priorities Reserve		0	202	0	0	0	0
Waste contract fluctuation reserve		300	0	0	0	0	0
Underspend to waste vehicle		103	0	0	0	0	0
Committed expenditure		5	0	0	0	0	0
Total Net Spending Requirements		**9,953**	**10,259**	**9,394**	**9,343**	**9,641**	**9,889**
Funded By:							
Revenue Support Grant	1	0	0	380	390	400	410
Business Rates Baseline Funding	2	(1,648)	(1,742)	(1,766)	(1,801)	(1,837)	(1,873)
Settlement Funding Assessment		**(1,648)**	**(1,742)**	**(1,386)**	**(1,411)**	**(1,437)**	**(1,463)**
Other business rates income, net of payment to pool	3	(1,322)	(991)	(827)	(842)	(858)	(875)
Rural Services Delivery Grant	4	(401)	(401)	(200)	(200)	(200)	(200)
Financing from Council Tax	5	(6,051)	(6,391)	(6,548)	(6,709)	(6,896)	(7,087)
Council Tax Collection Fund (surplus) / deficit		(11)	(103)	0	0	0	0
New Homes Bonus	6	(520)	(631)	(289)	(218)	0	0
Total Income		**(9,953)**	**(10,259)**	**(9,250)**	**(9,380)**	**(9,391)**	**(9,625)**
Corporate Saving Target		**0**	**0**	**144**	**(37)**	**250**	**264**

Notes to Medium Term Financial Plan

1. Negative RSG removed in 2019/20 and 202/21 settlements. Effect of future negative grant cannot be dismissed.

2. Assumed business rates baseline funding will increase by inflation in future years (assumed 2%).

3. Assumed NNDR receipts as per current pool arrangement. Changes to future distribution not confirmed. Effect of NNDR CF balance reflected in use of business rate fluctuations reserve to mitigate impact.

4. RSDG only confirmed for 2020/21. Assumed reduction thereafter.

5. Council tax base growth assumed at 150 band D properties per year for 2021/22 and 2022/23, rising to 250 per year for 2023/24 and 2024/25 plus 1.94% increase from 2021/22 onwards.

6. New Homes Bonus calculated on current year methodology, no new allocations assumed, only legacy payments.