

COUNCIL
04 MARCH 2021

Report of the Director of Resources

REVENUE BUDGET 2021/22

PURPOSE OF REPORT

This report seeks approval for the District Council's Revenue Budget for 2021/22, whilst also seeking approval to update the District Council's Revised Revenue Budget for 2020/21.

RECOMMENDATIONS

1. That the level of Council Tax for 2021/22 is increased by £5 per band D (2.33%) from the 2021/22 level to £219.27 for Band D.
2. The estimated net revenue expenditure for 2021/22 totalling £11,015,556 as detailed in the Summary Revenue Account in Appendix 2, is approved.
3. The net revenue expenditure for 2020/21 (revised budget) totalling £12,671,464 as detailed in the Summary Revenue Account in Appendix 2, is approved.
4. The minimum level of uncommitted working balances is approved at £1,000,000 at 1st April 2021, and £1,000,000 at 1st April 2022.
5. The net sum of £4,419,167 is transferred from strategic reserves in 2021/22, as shown in Appendix 2 and detailed in Appendix 6.
6. The net sum of £3,066,860 is transferred to strategic reserves in 2020/21 (revised budget), as shown in Appendix 2 and detailed in Appendix 6.
7. The following amounts are calculated by the Council for the chargeable financial year 2021/22 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 £44,090,313;
 - ii. aggregate of the amounts which the Council estimates for the items set out in Section 31A(3)(a) to (d) thereof is £35,691,106;
 - 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 2021/22 is £8,399,207.
8. That service reductions to achieve the Corporate Savings Target “Continue a programme to identify efficiency savings and/or additional income of £250,000 a year by 2023/24” as identified in the Corporate Plan be put on hold pending the outcome of the government review of Council funding.

9. That the Director 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 Corporate Plan 2021/22 (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 2021/22 (to be considered elsewhere on the agenda for this Council meeting).

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 2021/22 (to be considered elsewhere on the agenda for this Council meeting).
- 1.2 The forecasts of revenue spending requirements include both the revenue financing costs and running/operating expenditure associated with the Capital Programme.
- 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 5.

2 LOCAL GOVERNMENT FINANCE SETTLEMENT

2.1 Introduction

Details of the provisional Local Government Finance Settlement for 2021/22 were provided to Council Members in January. Final settlement figures were issued on 4th February 2021 and approved by parliament on 10 February 2021. The final settlement for the Council is in line with the provisional settlement published on 18th December 2020. 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

- i. Local government has received an average **Core Spending Power (CSP)** increase of 4.5% (£2.2bn). This increase in CSP is better than in any year for more than a decade (with the exception of 2020-21) and represents real terms growth. It will do very little to address local government's funding shortfall, or the very serious funding problems in some local authorities.

- ii. However, a particularly worrying feature of the settlement is the increased reliance on increasing council tax. 87% of the increase in CSP is from council tax increases, and is accompanied by relatively low increases in grant funding. Social care authorities will be able to increase Band D by up to 5%, and district councils will be able to increase by the higher of 2% or £5 (expected but still very welcome). Fire authorities will still only be able to increase their Band D by 2% - even though police and crime commissioners can increase their precept by up to £15. There is no wider dispensation to allow councils to increasing council tax, even where councils are really struggling.
- iii. Very little of the new grant increases are funded with new money. Almost all the increases are funded by using the New Homes Bonus (NHB) returned surplus. This approach breaks the principle of returning the surplus to local government and thus makes forecasting more difficult.
- iv. A new grant (**Lower Tier Services Grant**) effectively uses £111m of the NHB returned surplus. It is a peculiar grant with the purpose of helping to minimise the range of increases in CSP, and particularly to ensure that no authority receives a reduction in CSP. It is very heavily weighted towards district councils, and particularly those that are losing from the changes in NHB. It is probably a short-term grant that will disappear when wider reforms of local government funding are introduced (possibly in 2022/23)
- v. There are particularly large increases in COVID funding. Allocations from tranche 5 of the COVID funding (£1.55bn) have been announced, alongside a methodology for distributing the £670m to support council tax. At first glance, the proposals for compensating authorities for tax income support seem more generous than expected, but we have not yet had time to fully review the proposals.
- vi. Other key elements in the 2020-21 provisional settlement are:
- vii. Revenue Support Grant (RSG) will be increased in line with the Consumer Price Index (CPI) (£13m, 0.55%).
- viii. Negative RSG. There will continue to be no adjustment for “negative RSG” (i.e. “negative RSG” continues to be funded).
- ix. Baseline Funding Level (BFL – the baseline share of business rates that an authority is allowed to keep) will be frozen in 2021/22 because the business rate multiplier will be frozen in 2021//22 However there will be a grant to compensate councils for income lost by the decision to freeze the multiplier in 2021/22.
- x. Council tax. MHCLG assumes every authority will increase Band D council tax by the maximum allowed, which is £5 per Band D (2.33%) for DDDC. In its CSP figures, MHCLG has assumed that the tax-base will increase in 2021/22 for each authority in line with their average tax-base increase since 2016/17. The tax-base will most likely be much lower than this because COVID has resulted in lower growth rates and lower collection rates, combined with higher costs of Local Council Tax Support.
- xi. Social care funding. Existing social care grants will continue (£1.8bn Improved Better Care Fund (IBCF), £240m Winter Pressures, and £1,410m social care support grant). A further £300m social care grant was announced in the Spending Review 2020 (SR20) – but only £150m is new money, with £150m top-sliced from New Homes Bonus. The Government estimate that local authorities will have access to an additional £1.0bn of resources, based on £300m additional funding for social care and a further £0.7bn raised from the precept.
- xii. New Homes Bonus. It is estimated that the overall cost of New Homes Bonus will be £622m, which in theory leaves a surplus of £278m (out of the £900m budget) to be returned to local government. There will be no returned surplus in 2021/22. The government has recently issues a consultation paper on New Homes Bonus which can be found [here](#). The deadline for responses is 7 April 2021.

- xiii. Rural Services Deliver Grant. Increase in funding (4m to £85m) compared to 2020/21, and no change in methodology (funding will be received by authorities in the top-quartile for super-sparsity).
- xiv. The Fair Funding Review and Business Rates Retention Review have been deferred for a further year; the outcome will not be implemented until 2022/23. An announcement is expected in Autumn / Winter 2021.

2.3 The local context

- The District Council's 2021/22 **Settlement Funding Assessment** (SFA) of £1.675 million is the same as for 2020/21. This is £23,000 less than the amount assumed in the Council's Medium Term Financial Plan for 2021/22 where an inflationary increase had been expected.
- The **core spending power** for this Council has increased from £9,165,000 (adjusted) in 2020/21 to £9,281,000 in 2021/22 (an increase of 1.27%). The table below shows how the core spending power for Derbyshire Dales District Council is calculated and the elements of change:

Table 1: Core spending power 2021/22 compared with 2020/21

Source of Funding	2020/21 Adjusted £000s	2021/22 £000s	Change £000s	Change %	Comments
Settlement Funding Assessment	1,675	1,675	0	0.0%	
New Homes Bonus	631	398	-233	-36.93%	
Rural Services Delivery Grant	401	421	20	5.0%	
Council Tax (excl. parish precepts)	6,391	6,629	238	3.72%	Assumes £5 increase in council tax and growth in tax base at same level as last 5 years.
Compensation for under-indexing the business rates multiplier	67	87	20	29.85%	
Lower Tier Services Grant	0	71	71		New for 2021/22
Total Core Spending Power	9,165	9,281	116	1.27%	

- The **increase in the Council Tax** income shown in the table above at 3.72% reflects the government's assumed maximum £5 (2.33%) increase (on Band D), as well as an increase in the council tax base that reflects new homes at a rate of growth equal to that over the last 5 years. This rate of growth is probably over optimistic. The MTFP assumed a council tax increase of 1.94% (£4.16 per band D).
- **Rural Services Delivery Grant** (RSDG) increases by 5% to £421,000. In the MTFP approved in August we had assumed that this grant would reduce to £200,000 in 2021/22; this means that RSDG for 2021/22 is £221,000 more than included in the MTFP.
- The **New Homes Bonus** (NHB) has been retained but 2021/22 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 2021/22. There will be no returned surplus in 2021/22. This results in NHB of £398,000 for 2021/22, which is £233,000 less than 2020/21 but £109,000 more than had been assumed in the MTFP.

- A new **Lower Tier Services Grant** Of £71,000 for 2021/22 helps to ensure that no authority receives a reduction in CSP.
- **Negative Revenue Support Grant** has been funded in the settlement so is no longer a cost pressure in 2021/22. The MTFP had assumed a cost of £380,000.

The increases in grants and council tax over the assumptions in our medium term financial plan amount to an increase in funding of £858,000 for 2021/22 as shown in table 2 below.

Source of Funding	MTFP £000s	Settlement £000s	Change £000s	Change %	Comments
Settlement Funding Assessment	1,698	1,675	-23	-1.4%	MTFP assumed inflationary increase
Negative RSG	-380	0	380	-100.0%	Negative RSG removed from settlement
Compensation for under-indexing the business rates multiplier	68	87	19	27.94%	
Lower Tier Services Grant	0	71	71		New for 2021/22
New Homes Bonus	289	398	109	37.72%	
Rural Services Delivery Grant	200	421	221	110.5%	
Council Tax (excl. parish precepts)	6,548	6,629	81	1.24%	Assumes £5 increase in council tax and growth in tax base at same level as last 5 years.
Total Core Spending Power	8,423	9,281	858	10.19%	

2.4 Covid-19 Funding

The Council has been allocated £294,000 from tranche 5 (2021/22) of the COVID funding to cover additional service costs and lost income due to the pandemic, as well as £80,500 to be used for council tax hardship cases.

2.5 Officer comments: A one year settlement

This settlement relates to 2021/22 only and there is no certainty that this level of funding will continue into future years. While the provisional settlement results in significantly more grant being received for 2021/22 than had been anticipated in the medium term financial plan, it is more difficult to predict the level of finance settlement that might be received from 2022/23 onwards given the lack of clarity over future funding levels.

The positive settlement for 2021/22 should not be taken as an indication of the likely funding position in future years. Significant changes in local government finance are due to take place from 2022/23. For example, the retained business rates of £1.675m for 2020/21 could be reduced significantly as part of the government's review of business rates retention, Rural Services Delivery Grant (£421,000 in 2021/22) and Lower Tier Services Grant (£71,000 in 2021/22) could disappear after the Fair Funding Review. New Homes Bonus is expected to reduce from £398,000 in 2021/22 to £218,000 in 2022/23 and possibly be removed altogether after that. As mentioned above, a consultation is underway regarding the future of NHB.

2.6 Officer comments: Using the additional funding

Part of the increased funding of £858,000 was already expected as a result of the spending review announcement (though the MTFP had not been until after the final settlement). The MTFP approved in August 2020 showed a funding gap (the corporate

saving target) of £517,000 for 2021/22. In the revenue spending proposals for 2021/22, the additional funding has been used to contribute towards achieving a balanced revenue budget.

Another issue that affects the budget surplus / shortfall is the level of the Council Tax increase that Members approve for 2021/22. The MTFP assumed an increase of 1.94% (£4.16) in line with recent years. The settlement indicates that the referendum limit would allow an increase of £5 (2.33%) on the band D Council Tax. This provides additional income of around £25,000 over a 1.94% increase.

2.7 Local Government Finance Settlement: Conclusion

The settlement for 2021/22 is much better than expected. Most of the financial uncertainties for future years, that have been explained repeatedly, still remain. This settlement helps greatly for 2021/22 but the financial uncertainties and need for corporate savings remain for 2022/23 and subsequent years. The settlement gives us a chance to delay our savings decisions for a while (see the section on the Medium Term Financial Plan below), giving us **an opportunity to plan savings for the medium term** while awaiting the outcome of the government reviews into funding and non-domestic rates.

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:-

Table 3 – Summary Revenue Account

	Estimate 2020/21 £	Revised Estimate 2020/21 £	Estimate 2021/22 £
Net Cost of Services (as Appendix 1)	10,517,345	12,529,303	10,718,189
Income from investment properties	(101,956)	(101,056)	(102,556)
Net interest	90,528	137,260	188,150
Statutory sum for debt repayment	302,424	209,725	211,773
Net revenue expenditure	10,808,341	12,775,232	11,015,556
Transfer to/(from) strategic reserves (detailed in Appendix 6)	(548,967)	3,066,860	(4,419,167)
External Funding Requirement	10,259,374	15,842,092	6,596,389
Funded by:			
Retained Business Rates	(2,602,786)	(6,610,030)	(2,868,832)
New Homes Bonus	(630,790)	(630,790)	(397,613)
Rural Services Delivery Grant	(401,179)	(401,179)	(420,990)
Council tax collection fund deficit / (surplus)	(102,632)	(102,632)	80,418

NDR collection fund (surplus) / deficit	(130,596)	(130,596)	3,949,040
Lower Tier Services Grant	0	0	(71,358)
Other Government Grants	0	(1,575,474)	(294,083)
Total external funding (excl. council tax)	(3,867,983)	(9,450,701)	(23,418)
DDDC Council Tax Requirement	6,391,391	6,391,391	6,572,971
Town and Parish Council Precepts*	1,741,162	1,741,162	1,826,236
Council Tax Requirement (Appendix 2)	8,132,553	8,132,553	8,399,207

*Two parish precepts to be confirmed

- 3.2 A summary of variances between the Original Budget 2020/21 and the Revised Budget 2020/21 is given in Appendix 3. The overall position for 2020/21 is now forecast to be £48,316 better than reported to Council in August 2020, mainly as a result of income not reducing by as much as had been expected. This has reduced the amount that is required from the general reserve. The following table highlights significant variances (over £100,000).

Table 4 – Variances for revised budget 2020/21 over original budget 2020/21

Budget Head	Variance £000
Corporate Director Post	(101)
Loss of income from ice cream concessions	103
Reduction in car parking income	916
Reduction in Bakewell market income	127
Additional contract payments in support of leisure services during coronavirus pandemic	478
Additional contract payments in support of waste services during coronavirus pandemic	122
Reduction in trade waste income	104
Tree maintenance works	167
Additional Unidentified Covid pressures (offset by government grants)	188
Increase in Retained Business Rates	(4,007)
Increase in Other Government Grants (Covid grants)	(1,575)
Increase in transfers to reserves – to mitigate against Retained Business Rates surplus above	3,957
Increase in transfers to / (from) reserves (excl. Business Rates)	(341)

- 3.3 The estimates for 2021/22 result in an increased council tax requirement of £181,580 against the original budget for 2020/21. A summary of variances when comparing the 2021/22 estimates to the 2020/21 original estimates is given in Appendix 4. Significant variances (over £100,000) are shown in the table below:-

Table 5 – Variances for proposed budget 2021/22 over original budget 2020/21

Budget Head	Variance £000
Corporate Director Post	(101)
Increase in costs associated with waste contract (full year effect)	326
Garden Waste Income (new in 2021/22)	(548)
Additional Unidentified Covid pressures (offset by additional government grants)	294
Reduction in Income from Retained Business Rates & Collection Fund deficit	3,813
Transfers to / from reserves (incl. NNDR deficit)	(3,870)
Increase in Government Grants	(152)
Council Tax Collection Fund Deficit (relating to prior year losses)	183

- 3.4 The previous Waste Management Contract ended in August 2020, with the new contract costing considerably more. The waste contract is the biggest single contract let by the District Council and one of the most high profile services received by the public. Since the previous 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 service costed approximately £2.1m for 2020/21 but this has increased to around £3.2m (including £0.1m in one-off costs) for 2021/22. In order to offset the significant increase in costs, councillors agreed in December 2019 that charges for the garden waste collection service would be introduced from 1st April 2021/22. Income received to date for 2021/22 exceeds the amount forecast in December 2019 by £90,000.
- 3.5 The Summary Revenue Account (Appendix 2) sets out the spending proposals for this Council and the precepts of the Town/Parish Councils for 2021/22. 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 2021/22 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 31st March 2021 there is expected to be a deficit on the Council Tax collection fund. The District Council's share of the deficit is £80,418, which has to be taken into account in setting the 2021/22 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 31st March 2021 there is expected to be a deficit on the non-domestic rates collection fund. The District Council's share of the deficit is £3,949,040, which has to be taken into account in setting the 2021/22 Council Tax level. The majority of this deficit is offset by a transfer from reserves in 2021/22, reflecting a government grant received in 2021/22 and carried forward through reserves.

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 (excluding parish council precepts) from the Council Tax for 2021/22, including a comparison with 2020/21, is calculated as follows:-

Table 6 – Council Tax Calculation

	2020/21	2021/22
Council Tax Requirement (DDDC)	£6,391,391	£6,572,971
Council Tax Base	29,828.68	29,976.17
DDDC Council Tax - Band D	£214.27	£219.27
Increase per band D		£5.00
Increase %		2.33%

4.6 The Ministry of Housing, Communities and Local Government (MHCLG) has announced the following council tax principles for 2021/22 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 2021/22 and the previous 5 years:-

Table 7 – Council Tax Levels since 2016/17

Financial Year	Band D Council Tax	Increase on Previous Year
2016/17	£193.34	1.94%
2017/18	£198.34	2.59%

Financial Year	Band D Council Tax	Increase on Previous Year
2018/19	£204.27	2.99%
2019/20	£209.27	2.45%
2020/21	£214.27	2.39%
Proposed 2021/22	£219.27	2.33%

It is important to note that the proposed increase in council tax for 2021/22 will benefit each subsequent financial year, when the council faces uncertainty on levels of 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 5, sets out in broad terms the anticipated future spending requirements. This takes account of current and known additional requirements. 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.

Table 8 – Summarised Medium Term Financial Plan

	Original Budget 2020/21	Revised Budget 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Net Revenue Expenditure	10,808	12,775	11,015	9,824	10,161	10,336	10,422
Transfers to/(from) reserves	(549)	(888)	(463)	193	138	230	230
Net Spending Requirement	10,259	11,887	10,552	10,017	10,299	10,566	10,652
Funded By:							
Income from Council Tax	(6,494)	(6,494)	(6,493)	(6,725)	(6,912)	(7,114)	(7,311)
Income from Business Rates	(2,910)	(3,139)	(3,052)	(3,055)	(3,115)	(3,178)	(3,242)
NNDR Payment to Pool	177	354	177	181	185	189	193
Covid 19 Grants & Contributions	0	(1,576)	(294)	0	0	0	0
Negative Revenue Support Grant	0	0	0	390	400	410	420
Rural Services Delivery Grant	(401)	(401)	(421)	(200)	(200)	(200)	(200)
New Homes Bonus	(631)	(631)	(398)	(218)	0	0	0
Lower Tier Services Grant	0	0	(71)	(72)	(73)	(74)	(75)
Total Income	(10,259)	(11,887)	(10,552)	(9,699)	(9,715)	(9,967)	(10,215)
Savings to be achieved	0	(0)	0	318	584	599	437

- 5.3 The Medium Term Financial Plan demonstrates that, with the proposed increase in council tax, there is a balanced budget for 2021/22. However, the Medium Term Financial Plan shows that further grant losses are expected from 2022/23 onwards (see below) and that, as a result, there is a need to identify additional ongoing savings or income of around £318,000 a year by 2022/23, rising to almost £600,000 in 2024/25. The approach to achieving these 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 might reduce and the information received has been 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 2021/22 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 2022/23 while a thorough review of income and expenditure is undertaken and an action plan developed.
- 5.7 The MTFP includes the impact of several key developments for the council over the MTFP period. These include increased savings from the leisure management contract, the triennial review of the pension fund and additional savings or revenue income arising from investments being made through the capital programme e.g. climate change and regeneration projects.
- 5.8 The assumptions made in preparing the MTFP are shown in Appendix 5. 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:

Table 9 – Results of scenario testing for Medium Term Financial Plan

	Estimates 2021/22 £000s	Estimates 2022/23 £000s	Estimates 2023/24 £000s	Estimates 2024/25 £000s	Estimates 2025/26 £000s
Current MTFP, as table above					
Surplus (-) / Deficit	0	318	584	599	437
Loss of RSDG					
Surplus (-) / Deficit would be:	421	518	784	799	637
No Negative Revenue Support Grant (RSG)					
Surplus (-) / Deficit would be:	0	(72)	184	189	17
Loss of New Homes Bonus (NHB) from 2022/23					
Surplus (-) / Deficit would be:	0	536	584	599	437
No Negative RSG and NHB retained at 2022/23 legacy payments level					
Surplus (-) / Deficit would be:	0	(72)	(34)	(29)	(201)
Business Rates Income above baseline reduces by 10%					
Surplus (-) / Deficit would be:	108	429	697	714	554
No growth in council tax base after 2020/21					
Surplus (-) / Deficit would be:	0	352	675	750	650
No growth in council tax base after 2020/21					
Surplus (-) / Deficit would be:	0	285	492	448	224

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 6. The estimated position on the Council's Reserves and Balances as at 31st March 2020 and 31st March 2021 is detailed in Appendix 7. 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 31st March 2022 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 5, and a summary of reserves is given in Appendix 7. It can be seen that the estimated General Reserve balance is £738,000 at 31st March 2022.
- 6.5 Balances, by their very nature, can be used only 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 (albeit at very low interest rates at the current time). 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.

Strategic 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 6 and details of strategic reserves are given in Appendix 7.
- 6.8 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 strategic reserves is given at Appendix 8. The statement lists the various strategic reserves, the purposes for which they are held, and the forecast levels at 31st March 2022, based on the requirements shown in the proposed budget for 2021/22 and the Medium Term Financial Plan. The outcome of the review is reflected in the Statutory Report in Section 8 below.
- 6.9 Following this review of reserves, strategic reserves are estimated to total £16.9 million at 31st March 2021 and £7.3 million at 31st March 2022.

7 SAVINGS

- 7.1 The Council has worked hard over recent years to make 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, the introduction of new revenue income streams and through a series of service reviews that have examined each service area and made significant efficiencies. The service reviews that have been undertaken have not only generated efficiency savings but have also introduced service improvements for customers / residents. 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 The need to achieve further savings is set out in the Medium Term Financial Plan (see Appendix 5 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 amount set aside in usable revenue 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 will continue to explore commercial and investment opportunities to help it to 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.

Robustness of estimates

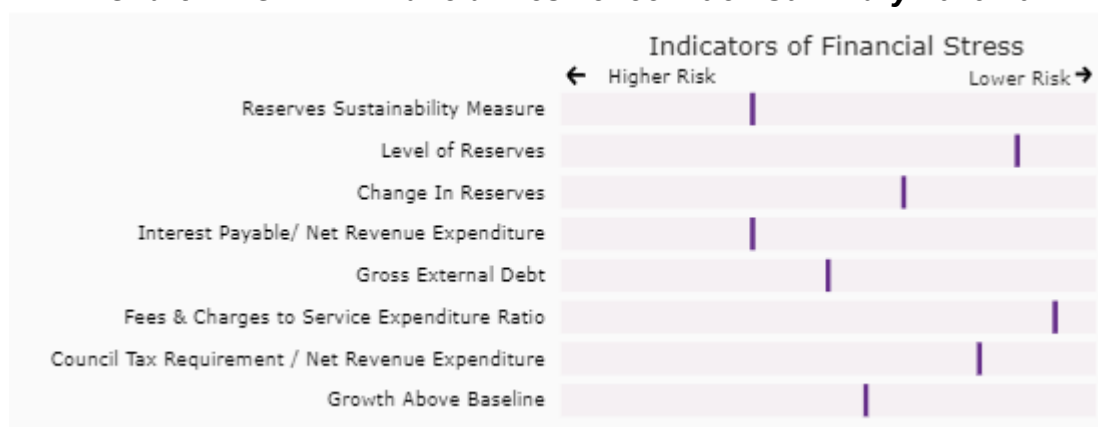
- 8.2 In accordance with this requirement, the Director of Resources is of the opinion that the processes used in calculating the net budget requirement for 2021/22 are robust and accurate, while depending on estimation. In reaching this opinion, the Director of Resources is satisfied that adequate account 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 government grant allocations;
- 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;
- expected revenue income streams resulting from capital investment;
- a realistic forecast has been made of major income streams, e.g. car parks income;
- resource allocations are in line with service plans, Council policies and priorities;
- the budget process is supported by clear guidelines in the approved Medium Term Financial Strategy and Capital Strategy, financial regulations, 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.

Financial Resilience

8.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) has developed a 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 graphic below shows an overview for this Council, based on information at 31 March 2020, with a comparison against similar authorities.

Chart 1 – CIPFA Financial Resilience Index Summary 2019/20

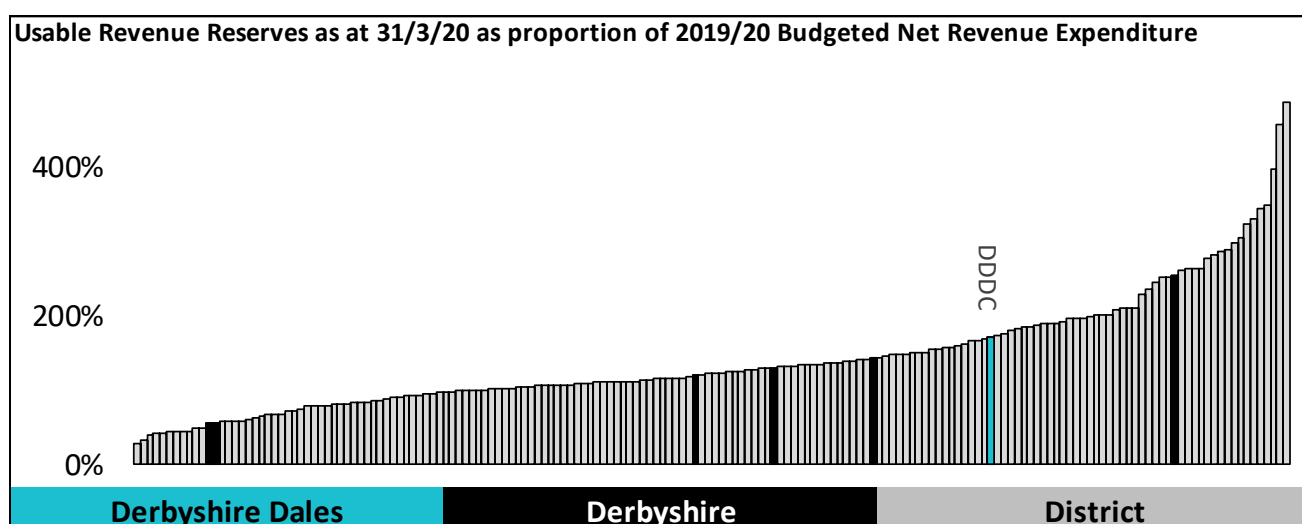


Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	14.33	100.00	100.00
Level of Reserves	65.64%	295.61%	300.00%
Change In Reserves	-17.32%	63.64%	265.23%
Interest Payable/ Net Revenue Expenditure	0.00%	3.33%	39.89%
Gross External Debt	£0k	£5,450k	£135,339k
Fees & Charges to Service Expenditure Ratio	13.11%	31.32%	56.16%
Council Tax Requirement / Net Revenue Expenditure	51.45%	100.00%	100.00%
Growth Above Baseline	12.00%	68.00%	112.00%

The most recent analysis (for 2019/20) shows that for most indicators the Council performs in the median or low risk 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 middle to high risk for “Reserves Sustainability”; this was expected as it has been apparent for some time that strategic reserves (especially those to fund the capital programme) are reducing. Interest payable divided by net revenue expenditure is also classed as middle to high and relates to debt repayment.

- 8.4 The chart below, produced by LG Improve, compares levels of Usable Revenue Reserves as a percentage of net revenue expenditure across all district councils at 31 March 2020. This is an indicator of financial resilience with the higher percentages indicating higher resilience. The result for Derbyshire Dales is shown in blue and is in the mid to upper quartile. There is no prescribed level for this indicator, but the median appears to be around 100%; at 31 March 2020, the result for Derbyshire Dales District Council was 171%.

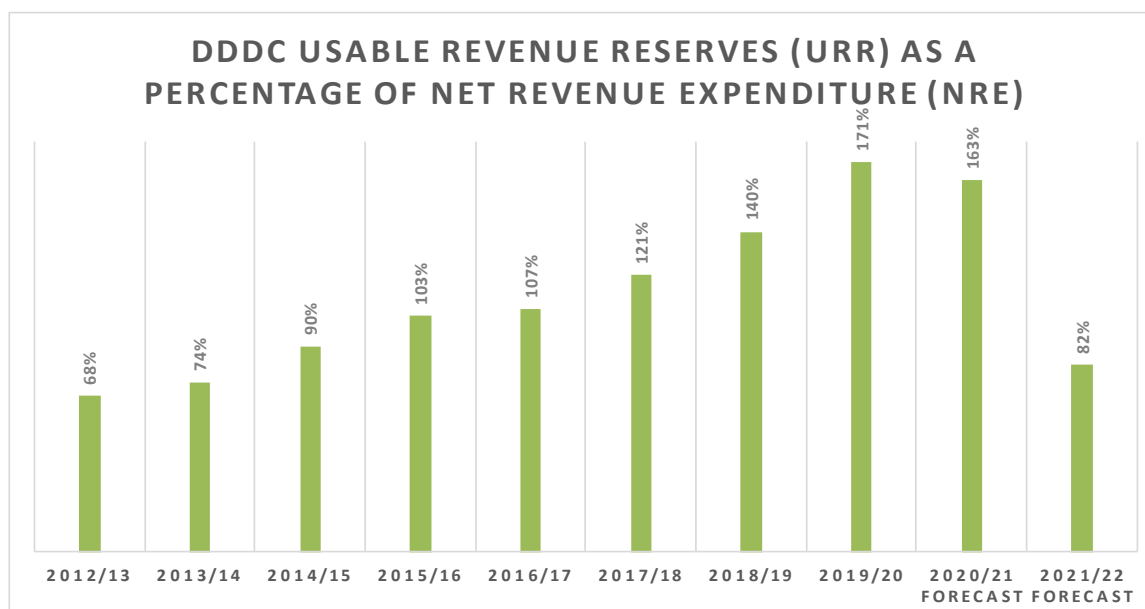
Chart 2 – Usable Revenue Reserves as % of Net Revenue Expenditure at 31 March 2020: All Districts



- 8.5 Since 31 March 2020 all local authorities’ financial resilience has been impacted by the coronavirus pandemic lockdowns and consequent lost income and additional spending. While there has been support from central government, in this Council’s case a

significant transfer from usable reserves is required to balance the 2020/21 revenue account. The table below shows the Council's results from 2012/13 with forecasts for 31 March 2021 and 31 March 2022, based on spending proposals. The results show that financial resilience was increasing up to 2019/20, but the impact of coronavirus in 2020/21 and the use of reserves to fund the capital programme in 2021/22 mean that resilience will decline in 2021/22. At a rate of 82% for 2021/22, the Council has sufficient reserves to fund almost a full year's net revenue expenditure.

Chart 3 – Usable Revenue Reserves as % of Net Revenue Expenditure



8.6 It is the Director of Resources' opinion that there are sufficient reserves at present to provide resilience for revenue spending but higher levels of reserves would provide added resilience. The Medium Term Financial Strategy, the subject of a report elsewhere on the agenda for this meeting, suggests measures to address this. 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 2019/20 accounts. The Director of Resources is satisfied that the Council's Financial Reserves, as summarised in Appendices 7 & 8, are adequate. In reaching this opinion, the Director 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 Bellwin scheme is a source of emergency financial assistance which "reimburses local authorities for costs incurred on, or in connection with, their immediate actions to safeguard life and property;
- 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.

9 Financial Management Code

- 9.1 CIPFA has published a Financial Management Code (the FM 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. Local authorities are required to evidence their performance against the standards from April 2021, though it has recently been announced that a "direction of travel" rather than full compliance will be acceptable at the start of the financial year. The FM Code will help external auditors in forming their value for money opinion as part of the audit of a local authorities' year-end accounts.
- 9.2 A review of the Council's financial management arrangements against the standards set out in the Code is being undertaken at the time of writing this report. A report on the Financial Management Code, which will identify any areas that need to be strengthened, will be presented to the Governance & Resources Committee on 11 March 2021. No significant problem areas are anticipated, though a few areas require some improvements.

10 TOWN / PARISH COUNCIL PRECEPTS

- 10.1 The precepts of Town/Parish Councils for 2021/22 are shown in Appendix 9 to this report and total £1,826,236 for 2021/22 (subject to the formal notification of two parish councils), an increase of £85,074 (4.89%) over 2020/21. 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 £58.37 in 2020/21 to £60.92 in 2021/22, an increase of £2.55 (4.37%).
- 10.2 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.

11. CONSULTATION

- 11.1 Consultation on the District Council's spending plans has been restricted in 2021 by the lockdown and not being able to use community forums as a form of engagement. Consultation on the proposed revenue and capital spending proposals, and the proposed increase in the council tax in 2021/22 has been carried out mainly by publicising details on the Council's website and social media channels and inviting feedback. This consultation commenced on 17 February 2021 and is due to end on 3 March 2021. A summary of the consultation responses will be provided to councillors on 4 March 2021.
- 11.2 The statutory consultation with representatives of National Non-Domestic Ratepayers was carried out by providing a link to details of the Council's spending proposals in the

Council's "Business News". Businesses were sent an information leaflet relating to non-domestic rates. The details were sent by email on 6 February 2020. This consultation commenced on 17 February 2021 and is due to end on 3 March 2021. A summary of the consultation responses will be provided to councillors on 4 March 2021.

12. RISK ASSESSMENT

12.1 Legal

The Local Government Finance Act 1992 requires the Council to set the Council Tax by 11th 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.

12.2 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 2022/23 onwards. This financial risk is assessed as High.
- Uncertainties relating to business rates income, which can be very volatile, especially since the coronavirus pandemic. This risk is assessed as High.
- Uncertainties relating to collection of council tax income and growth in the tax-base, which has been impacted by the coronavirus pandemic. This risk is assessed as Medium to High.
- Income from sales, fees and charges 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. While there might be some support in additional government grants, it is unlikely that this will fully offset losses. This source of income is significant to the Council's budget process and, therefore, this financial risk is assessed as High.
- Uncertainty due to the value of income from disposal of recycling material (though this is mitigated somewhat by the establishment of a reserve). Given the volatility in the current markets for recyclable materials, this financial risk is 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 £381,000 by 2022/23, rising to almost £600,000 in 2024/25 (though reducing in 2025/26). While it is

hoped that additional government funding will help 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.

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 in the medium term. This risk is considered to be High; it has been reflected on the Council's Strategic Risk Register, together with some mitigating actions.

12. OTHER CONSIDERATIONS

12.1 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
04/02/2021	Details of Final Local Government Finance Settlement (approved by parliament on 10 February 2021)	Local authorities' individual allocations can be found at: https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2021-to-2022

15. ATTACHMENTS

- Appendix 1 Service Summary
- Appendix 2 Summary Revenue Account
- Appendix 3 Variations in spending proposals for revised budget 2020/21 compared to 2020/21 original estimate
- Appendix 4 Variations in spending proposals for proposed budget 2021/22 compared to 2020/21 original estimate

Appendix 5 Medium Term Financial Plan

Appendix 6 Transfers to and from Strategic Reserves

Appendix 7 Summary of Revenue Balances, Provisions and Strategic Reserves

Appendix 8 Annual Review of Strategic Reserves

Appendix 9 Parish Precepts