This information is available free of charge in electronic, audio, Braille and large print versions, on request.

For assistance in understanding or reading this document or specific information about this Agenda or on the "Public Participation" initiative please call the Committee Team on 01629 761133 or
e-mail: committee@derbyshiredales.gov.uk

10 March 2021

To: All Councillors

As a Member of the **Council**, please treat this as your summons to attend a **virtual meeting** on **Thursday, 18 March 2021 at 6.00pm** via the Zoom application.
(Joining details will be provided separately).

Under Regulations made under the Coronavirus Act 2020, the meeting will be held virtually. As a member of the public you can view the virtual meeting via the District Council's website at www.derbyshiredales.gov.uk or via our YouTube channel.

Yours sincerely

James McLaughlin
Director of Corporate and Customer Services

AGENDA

1. APOLOGIES

Please advise the Committee Team on 01629 761133 or e-mail: committee@derbyshiredales.gov.uk of any apologies for absence.

2. PUBLIC PARTICIPATION

As the Council cannot hold meetings at the Town Hall, Public Participation can only take place using the Zoom application or by written representations. Members of the public are able to comment or ask questions on the items listed in the agenda and must give notice before 12 noon on the day preceding the meeting by:

Web-form: Make your submission here
Email: committee@derbyshiredales.gov.uk
Post: Democratic Services, Derbyshire Dales District Council, Town Hall, Matlock DE4 3NN
The Committee Team will assist any member of the public without access to electronic means by capturing their concerns over the telephone.

Phone: 01629 761133 (working days only 9am – 5pm)

Written representations, received by the deadline will be read out at the meeting, verbal contributors will be given instructions on how to join the meeting after giving notice.

All meeting proceedings open to the public will be streamed live on our YouTube channel when all non-exempt items are being considered. Recordings of the meeting will also be available after the event on the District Council's website.

3. INTERESTS

Members are required to declare the existence and nature of any interests they may have in subsequent agenda items in accordance with the District Council's Code of Conduct. Those interests are matters that relate to money or that which can be valued in money, affecting the Member her/his partner, extended family and close friends. Interests that become apparent at a later stage in the proceedings may be declared at that time.

4. APPROVAL OF THE MINUTES OF PREVIOUS MEETINGS

Council	21 January 2021
Council – Extraordinary Meeting	04 February 2021
Council – Budget Meeting	04 March 2021

5. LEADERS' ANNOUNCEMENTS

Announcements of the Leader of the Council:

6. CHAIRMAN'S ANNOUNCEMENTS

Announcements of the Civic Chairman.

7. COMMITTEES

To receive the non-exempt minutes of the Committees shown below:

Committee	**Date**
Non Exempt Minutes to be Received	
Council	21 January 2021
Council – Extraordinary Meeting	04 February 2021
Council – Budget Meeting	04 March 2021
Governance & Resources Committee	14 January 2021
Planning Committee	09 February 2021
Community & Environment Committee	10 February 2021
Planning Committee	09 March 2021

<u>Minute Book TO FOLLOW</u>

8. QUESTIONS (RULE OF PROCEDURE 15)

Questions, if any, from Members who have given notice.

9. PROPOSAL OF A NOTICE OF MOTION (RULE OF PROCEDURE 16)

MOTION

The Council will debate the following Motion, submitted by Councillor Jason Atkin, in accordance with Rule of Procedure 16.

"That this Council recognise the commitment shown by all staff at this Authority.

And that a one off payment is made to every employee of the Authority irrespective of position or pay scale, by way of recognition of their hard work and commitment.

The payment suggested being £150 and is payed at the next cycle of salary payments. This payment will be met out of the Covid-19 Additional Burdens Monies we have received from Central Government and will not impact on the financial burden to this Authority."

Page Nos.

16. **LOCAL GOVERNMENT BOUNDARY COMMISSION FOR ENGLAND'S RECOMMENDATIONS FOR NEW ELECTORAL ARRANGMENTS AND WARD BOUNDARIES IN THE DERBYSHIRE DALES** **111 - 153**

To note the draft recommendations of the Local Government Boundary Commission for England, in respect of the proposed electoral arrangements for Derbyshire Dales District Council.

17. **PEAKS AND DALES RAILWAY – MANCHESTER AND EAST MIDLANDS RAIL ACTION PARNERSHIP** **154 – 183**

To note a report of the views of Derbyshire County Council and the Peak District National Park Authority, over the proposals being advocated by Peaks and Dales Rail to re-open the railway line from Matlock to Manchester.

18. **SEALING OF DOCUMENTS**

To authorise that the Common Seal of the Council be affixed to those documents, if any, required completing transactions undertaken by Committees or by way of delegated authority to others, since the last meeting of the Council

NOTE: For further information about this Agenda or on "Public Participation" call 01629 761133 or e-mail: committee@derbyshiredales.gov.uk

NOT CONFIDENTIAL – For public release **Item No. 10**

COUNCIL
18 MARCH 2021

Report of the Director of Resources

MEDIUM TERM FINANCIAL STRATEGY 2021/22 to 2025/26

PURPOSE OF REPORT

This report seeks the Council's approval for the Medium Term Financial Strategy for 2021/22 to 2025/26. The 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.

RECOMMENDATION

1. That approval is given to the Medium Term Financial Strategy (MTFS) for 2021/22 to 2025/26, attached as Appendix 1 to this report;
2. That Council agrees that, when setting budgets for 2021/22 and beyond, spending should be focused on the Council's corporate priorities, wherever possible;
3. That approval is given to the approach set out in the Medium Term Financial Strategy for achieving the savings required to set balanced budgets i.e. that there will be a hold on any significant service reductions until the outcome of the funding / business rates reviews is known.

WARDS AFFECTED

All wards

STRATEGIC LINK

Financial planning is all about allocating finite resources over time, to reach the broad goals set out in an organisation's corporate or business plan. The medium term financial strategy aims to match predicted spending levels within projected resources and maintain an adequate level of reserves, and to allow for the reallocation of resources in line with the authority's objectives and priorities.

1 SUMMARY

1.1 The Council has a statutory duty to set a balanced budget. The Medium Term Financial Strategy (MTFS) shown in Appendix 1 provides a forecast of the Council's financial position over the five years for 2021/22 to 2025/26. The MTFS shows the pressures that the Council faces and the impact of reductions in government funding, at a time when public expectations and pressures on service costs are increasing. This year there are the added financial pressures arising from the impact of the coronavirus pandemic.

1.2 The MTFS explains that beyond 2021/22 there is great uncertainty relating to government funding and retained business rates income, as the government has not yet completed its reviews of local authority funding for 2022/23 onwards. This makes financial planning very difficult at the current time.

1.3 The Medium Term Financial Plan (MTFP) contained within the MTFS indicates that, with the proposed increase in council tax, there is a balanced budget for 2021/22. However, the MTFP also 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.

1.4 The MTFS sets out the Council's approach to meeting the corporate savings target and closing the budget gap over the medium term. 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. There are risks associated with this approach and these are explained in the MTFS.

1.5 The MTFS will assist in managing the Council's financial resilience in the medium term. It indicates that significant savings are required over the medium term and the Council will have to become much more self-reliant in future, depending much less on government grants as a source of funding and more on income from council tax and business rates, or from its own fees and charges.

2 REPORT

2.1 The current Medium Term Financial Strategy was approved in March 2020. Since that time the Council has faced further reductions in government funding but has experienced low levels of inflation. It has also faced the coronavirus pandemic, which has had a significant impact on the Council's financial position and increased financial instability during 2020/21.

Influences on the Council's finances over the next five years include:

- A potential for further significant reductions in government funding resulting from the current review of needs and resources;
- The impact of the proposed changes to business rates including changes to the local share, resetting the business rates baseline, 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 impact of the coronavirus pandemic, especially on collection rates for council tax, business rates and income from fees and charges;
- 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 costs to improve or replace assets, such as waste collection vehicles;
- The impact of volatility in the markets for recycling materials;
- The level of income following the introduction of charges for garden waste collection from 1st April 2021.

2.2 The purpose of the MTFS is set out in section 2 of that document. The aims include setting overall parameters and objectives for future spending to align them with Council priorities and ensuring the sustainability of the Council's budget. The MTFS should be reviewed annually; this year's review was delayed so that the Local Government Finance Settlement for 2021/22 could be reflected.

2.3 The updated MTFS, shown in Appendix 1, includes:

- A statement of principles, including recommendations for the amount that should be retained in working balances and policies for under- or over-spends on the revenue account;
- Details of the Council's current financial position and Outlook;
- An updated Medium Term Financial Plan (MTFP), which shows the corporate savings or additional income that are required to close the budget gap;
- An explanation of the approach to achieving savings;
- A risk assessment.

2.4 The updated MTFP includes forecasts of the Council's income and expenditure over the next five years. Key assumptions are shown, which include:

- The Settlement Funding Assessment from the Government for future years will be as in the 2021/22 Final Local Government Finance Settlement (plus inflation) but with the retention of an adjustment similar to the negative revenue support grant that had been planned for recent years (though not implemented), and a reduction in Rural Services Delivery Grant;
- Council Tax income will increase by around £50,000 p.a. to reflect new homes;
- From 2022/23, Council Tax will increase by 1.94% each year. Officers recommend that this is the minimum necessary to achieve a sustainable financial plan;
- Business Rates Income retained by Derbyshire Dales District Council will increase by 2% p.a.;
- New Homes Bonus that has been awarded for 2021/22 will be for one year only; legacy payments from previous years will be honoured.

2.5 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. This is a very challenging target on top of savings that have already been made, and might not be required if the Council's funding position for years after 2021/22 turns out to be better than forecasted.

2.6 Given the value of the savings required, 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 recommended approach to making savings to close 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 opportunities for efficiency savings or new revenue income streams 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.

2.7 There are risks with this approach, that are set out in part 5 of the MTFS, which explains that these risks will be mitigated by robust budget monitoring, together with the use of reserves in the short term if the financial position is worse than expected.

2.8 As well as having to make savings (or generate additional income) in order to balance its revenue budget over the coming years, the Council's sources of finance for capital funding are becoming depleted. The Council's Capital Strategy (elsewhere on the agenda for this Council meeting) 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).

2.8 The MTFS includes a section on reserves and balances. It is necessary to retain sufficient reserves and balances to meet the Council's needs, which are consistent with the Council's priorities, but also to ensure that they are not excessive taking into account the opportunity costs of maintaining them. The principles for reserves and balances are set out in section 2 of the MTFS; the individual reserves are described and balances reviewed for adequacy in section 3 of the MTFS. It is clear that the Council's financial resilience has been weakened by the use of reserves to offset cost pressures and lost income due to the coronavirus pandemic, as well as to fund the capital programme. To address this, it is recommended that for any underspending on the revenue account, the first call should be to top up the general reserve. Any residual balance should be transferred to strategic reserves to finance the Capital Programme or "Invest To Save" Initiatives, or to mitigate against future funding pressures.

2.9 Section 3 of the MTFS includes a description of the Council's processes for setting and managing budgets. The Head of Resources, assisted by the Corporate Leadership Team, will monitor performance against the Medium Term Financial Strategy, the Medium Term Financial Plan, Revenue Budget and Capital Programme.

3 RISK ASSESSMENT

3.1 Legal

The adoption of a Financial Strategy is one of the mechanisms available to the Council to fulfil its responsibilities to properly manage its financial resources and meet its statutory obligations. To maintain that equilibrium, the District Council needs to adopt a risk based approach to decision making which balances the needs of the community and the ability of the District Council to deliver both key and discretionary services. The report also includes savings targets which are currently speculative and will be the subject of more detailed findings and reports in due course. The overall legal risk is therefore assesses as low to medium

3.2 Financial

The uncertainties associated with medium term financial planning are set out in section 3 of the MTFS. They include changes to the rates of inflation, the impact of the coronavirus pandemic, changes to the Business Rates Retention Scheme and reductions in Government Grants.

The key risks and the mitigating actions and controls relating to the MTFS are set out in Section 5 of the MTFS.

The MTFS indicates that there is a forecast budget gap of £318,000 in 2022/23. The recommended approach to this budget gap is to refrain from significant service reductions at the present time, until the outcome of the government reviews is known, using reserves if necessary.

The financial risk is assessed as high.

3.3 Corporate Risk

The Medium Term Financial Strategy sets out the intention to focus spending on the District Council's corporate priorities, as defined in the Corporate Plan. The Corporate Plan is the District Council's primary policy document and business plan. It sets out the District Council's priorities and identifies key targets to be achieved.

The Corporate Plan for 2021/22 was approved at the Council meeting held on 4 March 2021.

Budgets are currently rated High Risk in the District Council's strategic risk register.

4 OTHER CONSIDERATIONS

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

5 CONTACT INFORMATION

Karen Henriksen - Director of Resources
Telephone: 01629 761284
Email: karen.henriksen@derbyshiredales.gov.uk

6 BACKGROUND PAPERS

None

7 ATTACHMENTS

Appendix 1: Medium Term Financial Strategy for 2021/22 to 2025/26

Medium Term Financial Strategy 2021/22 to 2025/26

To be approved 4 March 2021

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.

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 2021/22 to 2025/26 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 During 2020/21 the Council's financial position has been impacted by the coronavirus pandemic. The revised budget for 2020/21 includes transfers of £205,000 from the General Reserve and £491,000 from the Funding Uncertainties Reserve to fund additional expenditure and lost income during the coronavirus pandemic, not fully offset by government grants. For improved financial resilience, the Council should aim to top up the General Reserve to around £1m (which would require approximately £250,000) as soon as it becomes affordable.

1.4 In recent years all local authorities have faced significant reductions in Government funding. By the end of 2021/22 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, together with the impact of the coronavirus pandemic on the Council's financial position and the costs of becoming carbon neutral. The impact of changes in the economy (such as from the Covid-19 pandemic, inflation and interest rates) 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 late 2021.

1.5 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. There is now more emphasis on financial sustainability. An analysis of usable revenue reserves as a percentage of net revenue expenditure is one measure of sustainability. An analysis shows that financial resilience was increasing up to 2019/20, but the impact of the coronavirus pandemic in 2020/21 and the use of reserves to fund the capital programme in 2021/22 mean that resilience will decline in 2021/22. 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. Should there be an under-spending or a significant increase in government funding, it is recommended that the first call on this should be to top up the general reserve and after that to increase contributions to reserves to cover the costs of replacing capital assets, such as vehicles. This will improve financial resilience, as well as reducing overall costs (compared to the cost of borrowing).

1.6 The Medium Term Financial Plan (MTFP) contained in this document (Appendix A) shows that expected further cuts in government funding mean that corporate savings (or the generation of additional income) of £318,000 are required by 2022/23. Coming on top of the savings that have already been made, this is a challenging target, equating to around 3.1% of net revenue spending. The savings requirement rises to around £600,000 in 2024/25 before reducing to £437,000 in 2025/26 (reflecting new revenue income streams). The District Council has already made budget savings exceeding £2.7m since 2014, and further savings will not be easy to achieve.

1.7 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).

1.8 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).

1.9 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.

1.10 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.

1.11 The Council will explore commercial 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. 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.

1.12 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 stake-holders 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.

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 used initially to top up the general reserve, with any residual balance being transferred to strategic reserves to finance the Capital Programme, future asset replacements (not yet in the capital programme e.g. replacement waste collection vehicles) or “Invest To Save” Initiatives, or to mitigate against future funding 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 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 March 2020. In March 2020 the Council set a Corporate Savings Target to achieve £250,000 savings by 2023/24. At that time there was a budget gap of £144,000 for 2021/22. This budget gap has been closed for 2021/22 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 The Coronavirus Pandemic

The potential implications of the pandemic on the Council's finances include:

- The costs of delivering some services have increased, notably leisure services and waste collection. Some of the cost has been offset by additional government grants in 2020/21 and 2021/22;
- During 2020/21 there have been significant shortfalls in income from fees and charges, especially from car parking, parks activities, Bakewell stall market, and trade waste. It is likely that shortfalls will continue into 2021/22. The government has introduced new grant to partly offset losses (above a threshold) from sales, fees and charges and has confirmed this for 2020/21 and the first quarter of 2021/22;

- The Council is finding it harder to collect sums due to it for council tax and especially business rates. At 31 January 2021, collections were 1.8% under target for Council tax and 8% under target for business rates. While the government is allowing the spreading over the next three years, there will be losses to account for, which are expected to come to light when debt recovery is recommenced in full during 2021/22;
- The Council has faced increased demands for its services to assist residents falling into hardship (such as for discretionary council tax discounts and housing benefit discretionary hardship reliefs), though it has received extra government grants to offset the majority of these costs;
- The revised budget for 2020/21 includes transfers of £205,000 from the General Reserve and £491,000 from the Funding Uncertainties Reserve to fund additional expenditure and lost income during the coronavirus pandemic, not fully offset by government grants. At this stage, the impact on 2021/22 cannot be assessed with any accuracy.

If the Council is not fully compensated for additional expenditure and lost income for 2021/22, it will have the finance the shortfall from reserves, which would require a top up of reserves in future years to remain financially sustainable over the medium term and it might delay improvement plans or capital projects if reserves are no longer available to finance them

2.5 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:

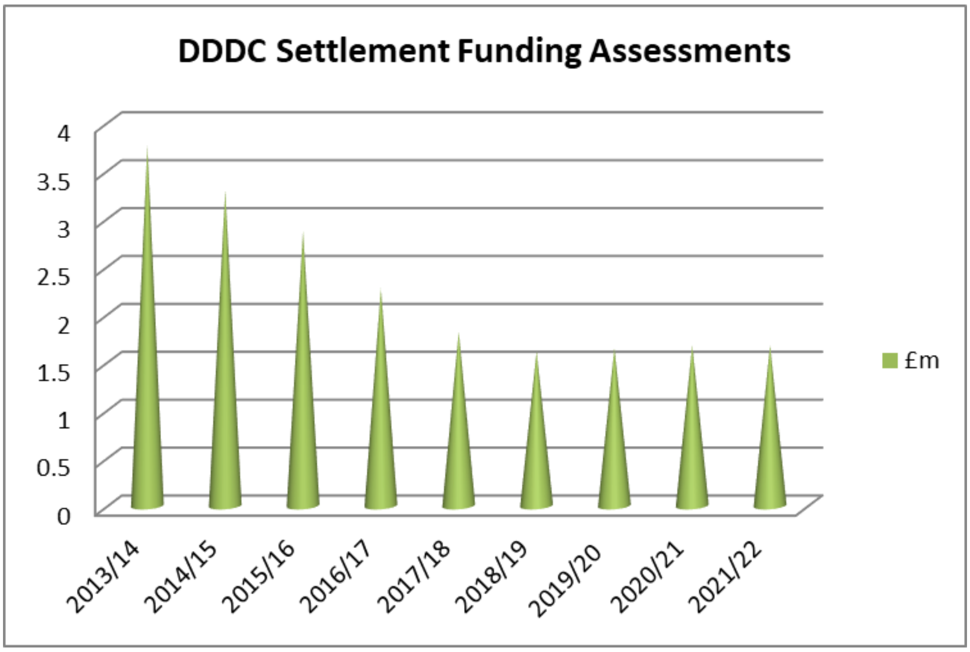
- The national living wage, which is currently £8.72 per hour for all workers aged 25 and over, is set to increase by 2.2% to £8.91 in April 2021 and to be extended to 23 and 24 year olds;

- 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.

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.

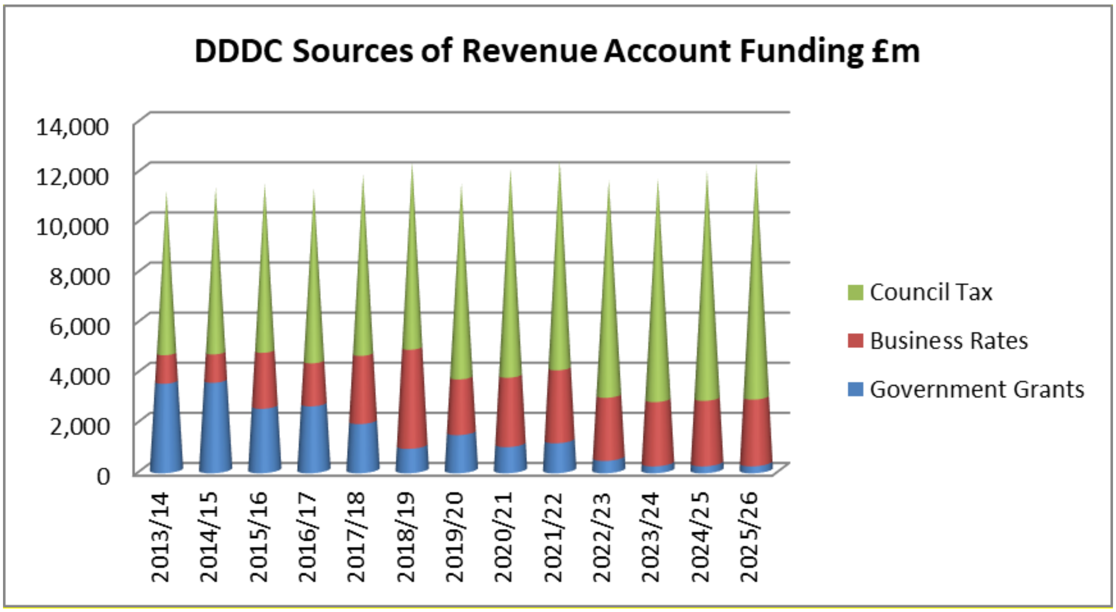
2.6 Government Funding

By the end of 2021/22 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 2025/26. The table below shows that government grants are forecast to reduce from £3.5m (32% of funding) in 2013/14 to £0.3m (2%) in 2025/26. Business rates, as a source of funding, increase from 10% to 21% across the same period and council tax increases from 58% to 77%.



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.

2.7 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:

	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**

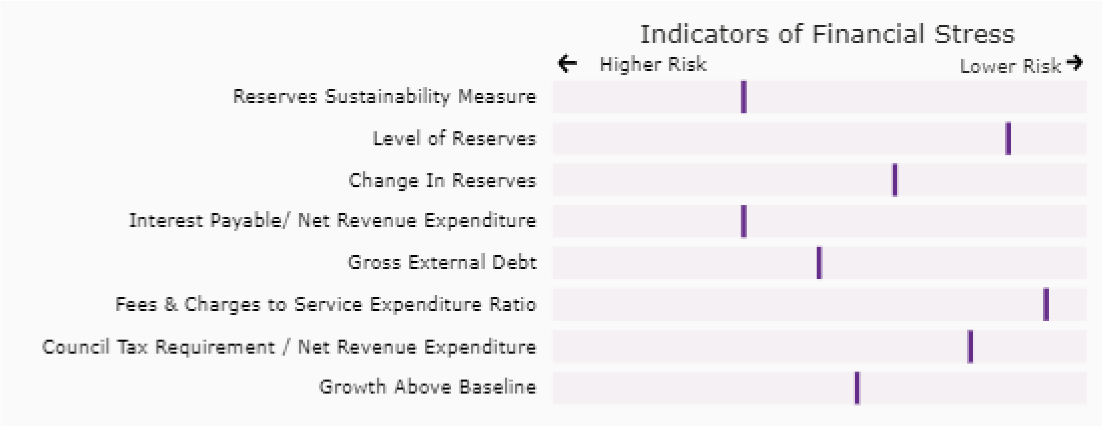
The MTFP includes the impact of several key developments for the council over the MTFP period. These include the impact of the new waste contract (net of income from charging for garden waste from 2021/22), increased savings from the leisure management contract, the triennial review of the pension fund 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 Financial Resilience

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 and overview for this Council, based on information at 31 March 2020, with a comparison against similar authorities.

CIPFA Financial Resilience Index Summary 2019/20

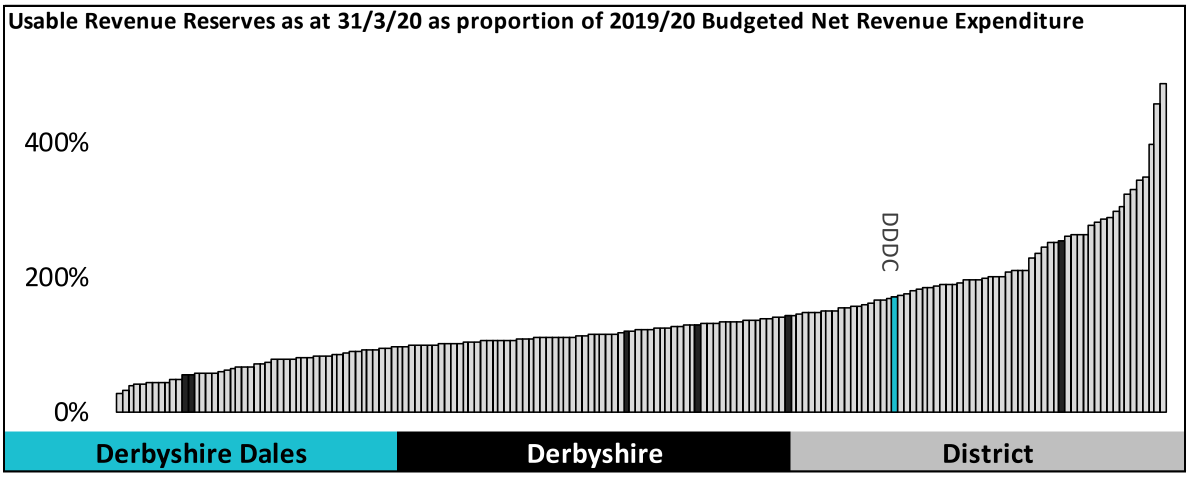


Indicator	Min	Indicator Value	Max
Reserves Sustainability Measure	14.33	100.00	100.00
Level of Reserves	65.64%	295.61%	300.00%
Change In Reserves	-17.32%	63.64%	265.23%
Interest Payable/ Net Revenue Expenditure	0.00%	3.33%	39.89%
Gross External Debt	£0k	£5,450k	£135,339k
Fees & Charges to Service Expenditure 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 earmarked 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.

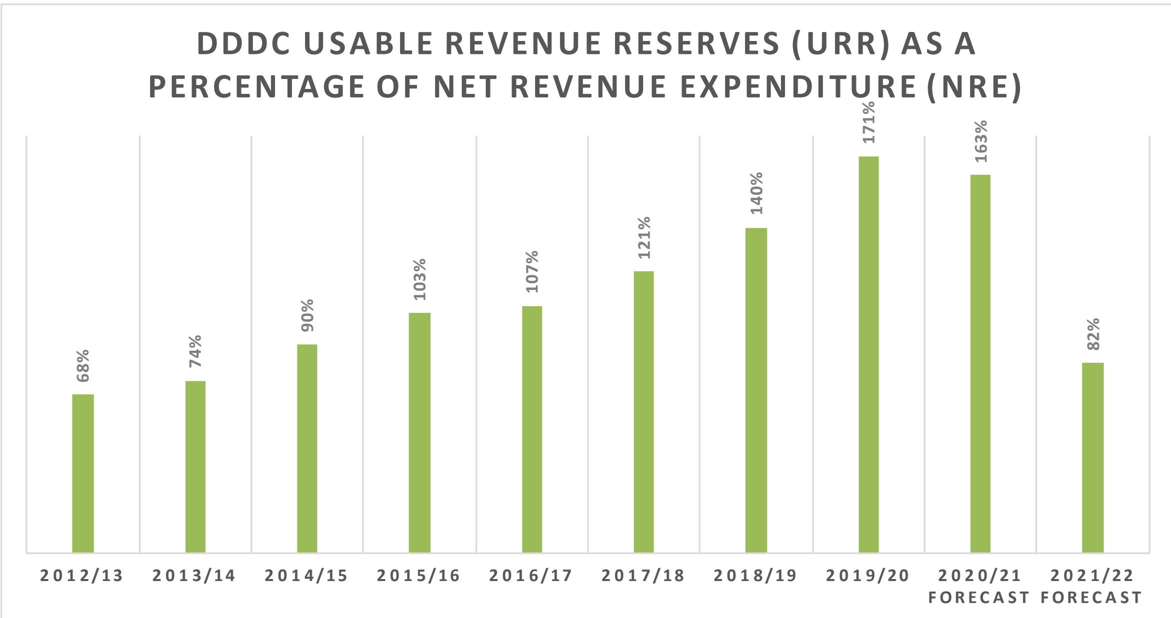
The chart below, produced by LG Improve, compares levels of Usable Revenue Reserves as a percentage of net revenue expenditure across all district councils at 31 March 2020. This is an indicator of financial resilience with the higher percentages indicating higher resilience. The result for Derbyshire 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%.

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



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, though it's forecast to improve slightly to 84% by 2025/26. 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



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. Should there be an under-spending or a significant increase in government funding, it is recommended that the first call on this should be to top up the general reserve and to increase reserve balances to provide adequate financial resilience.

3.3 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 impact of the coronavirus pandemic, especially on collection rates for council tax, business rates and income from fees and charges;
- 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 costs to improve or replace assets, such as waste collection vehicles;
- The impact of volatility in the markets 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	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

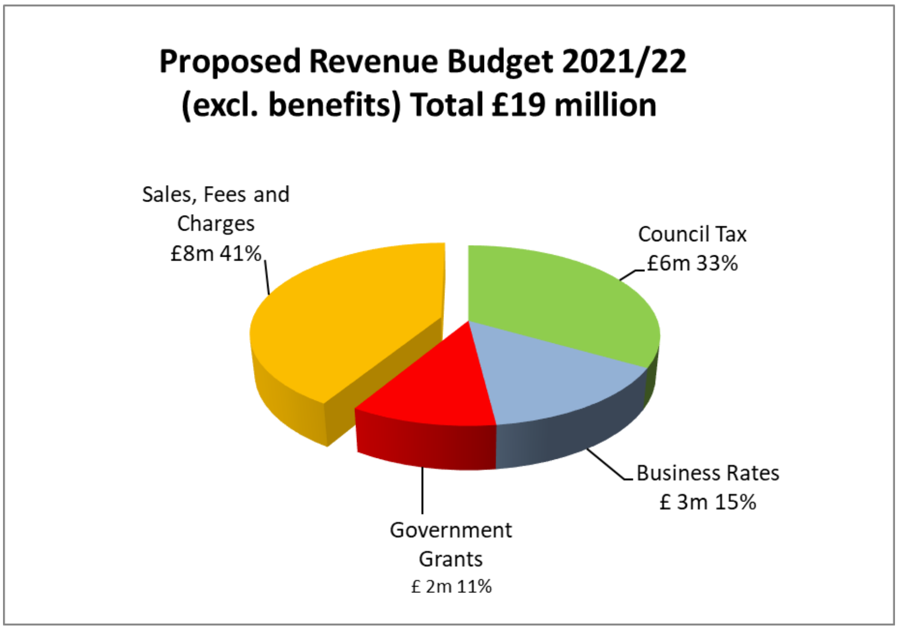
Faced with expected reductions government funding and a significant corporate savings target, the Council will have to become more self-sufficient and generate more income from fees and charges, local taxation and business rates, as well as critically reviewing its expenditure, if it is to continue to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

3.4 Income from fees and charges

Income from fees and charges plays an important and significant role in balancing the Council’s budget. The chart below shows that for 2021/22 forecast income from sales, fees and charges amounts to £8m and makes up 41% of all income, more than council tax.

Forecast revenue income



The main areas of income from fees and charges forecast for 2021/22 are car parking £2.6m, waste collection (including recycling credits) £2.3m and planning application fees £0.5m.

The Council will explore new revenue income streams as a tool to close the budget gap in future years. The MTFP includes new revenue income streams arising from 2022/23 from capital programme investments in climate change and regeneration.

3.5 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.

It should be noted that, at the current time, annual revenue contributions are not being made in respect of replacement waste collection vehicles. This should be addressed if there is an improvement in the council's revenue position. This will improve financial resilience, as well as reducing overall costs (compared to the cost of borrowing).

3.6 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 2021 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 £795,000 at 1st April 2021 and £738,000 at 31st March 2022. 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.

The revised budget for 2020/21 includes transfers of £205,000 from the General Reserve and £491,000 from the Funding Uncertainties Reserve to fund additional expenditure and lost income during the coronavirus pandemic, not fully offset by government grants. For improved financial resilience, the Council should aim to top up the General Reserve to around £1m (which would require approximately £250,000) as soon as it becomes affordable.

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 2022 and 31 March 2026:

ANNUAL REVIEW OF EARMARKED RESERVES (MARCH 2021)

Reserve / Balance	Purpose	Balance at 31st. March 2020 £	Estimated Balance at 31st. March 2021 £	Estimated Balance at 31st. March 2022 £	Estimated Balance at 31st. March 2026 £
Revenue Balances					
General Fund Working Balance		1,000,000	1,000,000	1,000,000	1,000,000
General Reserve		999,839	794,688	738,061	738,061
		1,999,839	**1,794,688**	**1,738,061**	**1,738,061**
Provisions					
Insurances	To meet excesses and other payments due on current claims	60,640	60,640	60,640	60,640
NNDR Appeals		1,087,624	1,087,624	1,087,624	1,087,624
		1,148,264	**1,148,264**	**1,148,264**	**1,148,264**
Earmarked Reserves					
Business Rates Volatility Rerserve	To provide funding towards potential future losses on Non-Domestic Rates	760,423	490,423	490,423	490,423
Capital Programme Reserve	To provide funding for capital expenditure	1,807,120	1,447,249	106,650	16,362
Carsington Improvements	To provide grants towards projects in Parishes bordering Carsington Reservoir.	33,452	13,382	6,692	- 0
Committed Expenditure	Contributions in respect of expenditure which has been committed, but service not received at the end of the financial year, therefore an accrual is not appropriate.	171,125	169,743	139,662	139,662
Corporate Plan Priority Reserve	Established to meet the priorities of the new Corporate Plan approved March 2020.	0	201,471	201,471	201,471
Customer Innovation Reserve	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 customers with an improved, user friendly and accessible means of accessing and paying for services electronically and promote a culture of 'digital by choice' for all customer interactions.	279,397	145,100	12,590	12,590
Economic Development	To provide funding for economic development initiatives.	297,845	243,858	191,619	191,619
Elections	Annual revenue contributions to smooth the cost of four-yearly District Council elections.	98,056	128,056	158,056	186,056
Funding Uncertainties Reserve	To provide finance for any future funding uncertainties.	490,533	0	0	0

Continued……

ANNUAL REVIEW OF EARMARKED RESERVES (MARCH 2021) (Continued)

Reserve / Balance	Purpose	Balance at 31st. March 2020 £	Estimated Balance at 31st. March 2021 £	Estimated Balance at 31st. March 2022 £	Estimated Balance at 31st. March 2026 £
ICT Renewals	To provide funding for renewal of the Council's information technology equipment, including telephony & central printing equipment.	421,879	353,041	159,791	72,541
Insurances	To provide funding for uninsured losses.	464,473	464,473	464,473	464,473
Investment Fund	To provide funding towards, for example, interim and temporary resources to provide additional capacity and skills to support the change agenda, subject to suitable business cases. To support the Council's Commercial Strategy.	564,950	564,950	0	-
Job Evaluation	To provide funding for potential additional costs of implementing job evaluation/single status.	150,000	150,000	150,000	150,000
Local Plan	Annual revenue contributions to smooth the cost of four-yearly review of the local plan.	208,422	191,385	140,553	340,553
Member / Officer Indemnity	To indemnify Members and officers against acts or omissions subsequently found to be ultra vires, and against defence costs of criminal proceedings.	25,000	25,000	25,000	25,000
Revenue Grants Unapplied	The balance of grants received but not yet spent, set aside to finance expenditure in future years.	8,089,604	11,344,018	4,155,811	4,155,811
Vehicle Renewals	To fund the replacement of the Council's vehicle fleet. The balance on this reserve has been re-examined based on the current fleet of vehicles and known requirements.	590,063	275,713	145,713	300,000
Ward Member Budget Reserve	To finance the Local Projects Fund for the four year period of office 2015-2019.	0	0	0	-
Waste contract fluctuations	To finance changes in disposal costs which will become part of the new waste contract.	712,000	712,000	712,000	712,000
Waste Vehicle Reserve	Funding transferred from other reserves in 2019/20 as approved at council meeting 18/12/19 for vehicles required for new waste contract	2,500,100	0	0	-
		17,664,442	**16,919,862**	**7,260,504**	**7,458,562**
TOTAL		**20,812,545**	**19,862,814**	**10,146,829**	**10,344,887**

3.7 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 the Director of Resources (in practice, mostly by the Financial Services Team on behalf of the Director)) and each relevant Service Directors (or their nominated Senior Managers). The Director of Resources then prepares a budget report for Council.

Each Service Director 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 Service Director concerned must, in consultation with the Director 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 Service Directors, after consultation with the Director 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 Director of Resources. Additional income and savings may be used to finance additional expenditure only after consultation with the Director 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, corporate and commercial investment strategies; 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
Corporate and Commercial Investment Strategies	Set 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 insurance arrangements in place to protect itself against claims. • Budgets have been balanced for 2021/22 and are due to be approved on 4 March 2021; • 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	Original Budget 2020/21	Revised Budget 2020/21	Proposed Budget 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
		£000s	£000s	£000s	£000s	£000s	£000s	£000s
Service Funding Requirement		**10,517**	**12,529**	**10,718**	**10,718**	**9,524**	**9,860**	**10,032**
Adjustment for Service Costs Funded from EM Reserves					(837)	55	(92)	0
Inflation								
Pay Awards					146	149	152	155
Contracts					129	132	135	138
Fees and Charges					(74)	(75)	(77)	(79)
General Inflation					67	68	69	70
Pressures / Savings - Recurring								
Increasing savings from Leisure review					(300)	(50)	0	0
Additional costs of new waste contract, net of income for charging for garden waste collections					(156)	0	0	0
Potential increase in pension contributions following revaluation					0	150	0	0
Vision Derbyshire Partnership Working					(20)	0	0	0
Ice Cream Electric Points					(8)	(14)	0	0
Ice Cream Income					(70)	0	0	0
Bakewell Road Development (cinema)					(48)	(15)	(15)	(2)
Climate Change					(23)	(65)	0	(198)
Net Cost of Services		**10,517**	**12,529**	**10,718**	**9,524**	**9,860**	**10,032**	**10,116**
Non Service Items		291	246	297	300	302	304	307
Net Revenue Expenditure		**10,808**	**12,775**	**11,015**	**9,824**	**10,161**	**10,336**	**10,422**
Trandfers to /(from) reserves relating to Collection Fund Accounting	7	0	3,958	(3,958)	0	0	0	
Transfers to/(from) reserves for current year		(981)	(1,937)	(874)	(37)	(92)	0	0
Contributions to reserves for future years costs								
Corporate Plan Priorities Reserve		202	202	0	0	0	0	0
Election reserve annual contribution		30	30	30	30	30	30	30
Local plan reserve		50	50	50	50	50	50	50
Revenue Grants Unapplied		0	615	183	0	0	0	0
Vehicle renewal fund		150	150	150	150	150	150	150
Total Net Spending Requirements		**10,259**	**15,843**	**6,596**	**10,017**	**10,299**	**10,566**	**10,652**
Funded By:								
Revenue Support Grant	1	0	0	0	390	400	410	420
Business Rates Baseline Funding	2	(1,675)	(1,675)	(1,675)	(1,709)	(1,743)	(1,778)	(1,814)
Settlement Funding Assessment		**(1,675)**	**(1,675)**	**(1,675)**	**(1,319)**	**(1,343)**	**(1,368)**	**(1,394)**
Other business rates income, net of payment to pool	3/7	(927)	(4,935)	(1,193)	(1,165)	(1,187)	(1,211)	(1,235)
NDR Collection Fund (surplus)/deficit	7	(131)	(131)	3,949	0	0	0	0
Rural Services Delivery Grant	4	(401)	(401)	(421)	(200)	(200)	(200)	(200)
Lower Tier Services Grant		0	0	(71)	(72)	(73)	(74)	(75)
New Homes Bonus	6	(631)	(631)	(398)	(218)	0	0	0
Covid 19 Grants & Contributions		0	(1,576)	(294)	0	0	0	0
Council Tax Collection Fund (surplus) / deficit		(103)	(103)	80	9	9	0	0
Financing from Council Tax	5	(6,391)	(6,391)	(6,573)	(6,734)	(6,921)	(7,114)	(7,311)
Total Income		**(10,259)**	**(15,843)**	**(6,596)**	**(9,699)**	**(9,715)**	**(9,967)**	**(10,215)**
Corporate Saving Target		**0**	**(0)**	**0**	**318**	**584**	**599**	**437**

Notes to Medium Term Financial Plan

1. Negative RSG removed in 2020/21 and 2021/22 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 up to 2021/22. Assumed reduction thereafter.
5. Council tax base growth assumed at 150 band D properties per year for 2022/23, rising to 250 per year for 2023/24, 2024/25 and 2025/26, plus 1.94% council tax increase from 2022/23 onwards.
6. New Homes Bonus calculated on current year methodology, no new allocations assumed, only legacy payments.

1 March 2021

NOT CONFIDENTIAL – For public release **Item No. 11**

COUNCIL
18 MARCH 2021

Report of the Director of Resources

CAPITAL STRATEGY REPORT FOR 2021/22

PURPOSE OF REPORT

This report seeks approval for the Council's Capital Strategy for 2021/22.

RECOMMENDATION

That the Capital Strategy Report for 2021/22 is approved.

WARDS AFFECTED

All

STRATEGIC LINK

The above recommendation contributes to all of the Council's Corporate Plan Priorities.

1 CAPITAL STRATEGY REPORT

1.1 This capital strategy report forms a key part of the Council's overall Corporate Planning Framework. It provides a mechanism by which capital expenditure is aligned over a medium term (5 year) planning period.

1.2 This strategy sets the framework for all aspects of the Council's capital expenditure including prioritisation, planning outcomes, management, funding and monitoring, and is linked to the Council's Asset Management Plan, Investment Strategy and the Medium Term Financial Strategy.

1.3 Capital Expenditure and Financing

Capital expenditure is any expenditure that results in the procurement, constrction and enhancement of an assets. For Derbyshire Dales District Council, this includes expenditure on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example at Derbyshire Dales District Council assets costing less than £10,000 are not capitalised and are charged to revenue in the year of purchase.

The Asset Management Plan identifies backlog maintenance issues across the District's property portfolio; improvement and transformation can progress within the resources that are available.

1.4 Sources of Capital Finance

Decisions on capital spending are made against the background of diminishing resources. The main sources of capital finance available to the Council are:

a) Capital Grants and Contributions

Grants are generally awarded to finance specific projects. Grants may be received from central government or other organisations. Some grants come with the expectation of "match funding" from the Council.

The Council will continue to bid for capital grants when the opportunity arises

Developer contributions, usually derived from Section 106 agreements, are awarded to mitigate the impact of developments on communities. These contributions are usually earmarked for specific purposes in planning agreements and often relate to infrastructure projects or affordable housing schemes.

The Council will continue to seek section 106 contributions when appropriate.

Another type of developer contribution is the Community Infrastructure Levy. The Community Infrastructure Levy is a planning charge, introduced by the Planning Act 2008 as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. Development may be liable for a charge under the Community Infrastructure Levy (CIL) if the local planning authority has chosen to set a charge in its area. Derbyshire Dales District Council has not set a Community Infrastructure Levy. Instead, a Developer Contributions Supplementary Planning Document (SPD) has been adopted by the Council.

Officers will periodically monitor the financial viability of development across the District and the Developer Contributions SPD.

The Council is committed to working with partners (e.g. housing associations) to provide assets. Various mechanisms provide opportunities to enhance the Council's investment potential with support and contributions from other organisations and partners. These may be through match funding, joint funding etc.

A report to Council in December 2018 pointed out that the funding environment is changing dramatically and new approaches need to be explored

The Council will continue to seek private sector investment. Should opportunities arise, officers will explore new approaches for capital contributions, such as joint ventures, and will prepare reports for Members' consideration.

b) Capital Receipts

Capital receipts are derived from the sales of assets. At Derbyshire Dales District Council this includes a share of receipts from the sale of former council houses, negotiated as part of the stock transfer in 2002, known as the Right to Buy Sharing Agreement. As the Council reviewed its assets some years ago, and disposed of surplus assets at that time, the scope for future capital receipts, other than those under the Right to Buy Sharing Agreement, is limited.

Sometimes a third party will approach the Council with a request to purchase a particular asset, usually land. Each of these opportunities will be explored to identify whether it is in the Council's best interests to agree to a disposal, which would generate a capital receipt.

> Subject to Members' approval, the Council will dispose of surplus capital assets to generate capital receipts where there is a sound business case taking into account issues such as financial implications (revenue and capital) and service delivery.

c) Prudential Borrowing

The Council's capital investment falls within, and needs to comply with, the "Prudential Code for Capital Finance in Local Authorities" (The Code). Under the Code local authorities are allowed to set their own limits on the amount that may be borrowed to finance capital expenditure, provided that it is, and can be shown to be, prudent, affordable and sustainable. This method of financing capital expenditure is called "prudential borrowing".

In order for borrowing to be prudent, affordable and sustainable, there must be an identifiable, long-term source of revenue funding for the associated revenue (debt financing) costs. In some cases this will come from revenue savings or additional income arising directly from the capital scheme. For example, building a new car park could generate income through charges. In other cases, there will be no direct additional income or cost saving (but the scheme meets a corporate priority) so the Council will need to ensure that the cost of borrowing will be affordable to the Council's revenue account in the long term.

There could be circumstances where the Council will consider borrowing to then provide loans to other organisations, such as for economic development. This is treated as capital expenditure and funded through borrowing. Officers will explore such schemes and seek Council approval.

The Council is required to make provision for the principal repayment of borrowing; this is known as a Minimum Revenue Provision (MRP). The Council has to prepare an annual statement of its policy on making MRP, and this is reported to Council for approval (elsewhere on the agenda for this meeting).

In future years, new borrowing could be a realistic way of funding capital expenditure. However, in order to meet the Prudential Code, the Council would have to identify sustainable income streams or re-examine its revenue spending priorities in order to generate sufficient revenue capacity to make new borrowing affordable.

Prudential borrowing will be considered as a method of capital financing provided that it is, and can be shown to be, prudent, affordable and sustainable.

d) Internal (self-funded) borrowing

Internal borrowing is a treasury management practice, whereby an authority delays the need to borrow externally, by temporarily using cash it holds for other purposes, such as funds held in earmarked reserves. This allows the authority to avoid paying interest costs until the original expenditure planned for the 'borrowed' cash falls due.

The estimated figure of gross internal borrowing is a cumulative measure of the potential liabilities from this form of financing at any point in time.

While there is an expectation that internal borrowing needs to be repaid, it does not represent a formal debt which necessarily needs to be settled in full in the same way as external borrowing.

Internal borrowing will be considered as a method of capital financing provided that it is, and can be shown to be, prudent, affordable and sustainable.

e) Revenue Contributions to Strategic Reserves

The Council has, in previous years and in the 2021/22 budget, made contributions to strategic reserves to provide capital funding. Such reserves include the Capital Programme Reserve, the Vehicle Renewals Reserve and the ICT Reserve. Until recently, such transfers to reserves have generally taken place when a revenue account underspend has been identified, rather than as part of a planned financial strategy. The 2021/22 budget includes £150,000 transfer to the Vehicle Renewals Reserve to fund future vehicle replacements. The Medium Term Financial Plan assumes that this will continue.

In order to provide a source of capital finance, especially for the life cycle (replacement) costs of certain key assets that have a limited life expectancy (such as vehicles and play equipment), the Council's Medium Term Financial Strategy includes the following statements:

I. the MTFP and future revenue budgets should include annual revenue contributions to capital reserves provided that they are affordable;

II. Any under-spending on the revenue account will be transferred to strategic reserves used to finance the Capital Programme or "Invest To Save" Initiatives, or to mitigate against future funding pressures.

Strategic capital reserves will be used as a method of financing, subject to availability, and (for some reserves) the relevant purpose.

f) Leasing

Due to a change in Accounting for Leases (IFRS16) all Leases both operating and finance leases from 1st April 2021 will be bought on to the balance sheet as a right of use asset if the asset has a lease term of greater than 12 months and is valued at greater than £5,000.

At the present time, leases are not recommended as a source of future capital funding unless there are exceptional circumstances. This is because other sources of finance usually offer greater benefits, especially in terms of cost.

> Finance leases will not be considered as a method of future capital financing unless there are exceptional circumstances and they can be shown to be cost effective (compared to other methods of finance that might be available), prudent, affordable and sustainable.

1.5 Capital Funding Strategy

The capital funding strategy is intended to set out the order that financing will be utilised. Financing will be allocated in the following order:

1. Capital grants and contributions that are linked directly to a specific capital project e.g. a HCA grant or Disabled Facilities Grants. These will be fully allocated to the relevant project. Projects funded by external grants and contributions will not commence until such funding is definitely secured.
2. Capital receipts that are linked directly to a specific capital project e.g. the proceeds from the sale of an asset that will be used as financing for its replacement. Projects funded by capital receipts will not commence until such funding is definitely secured.
3. Capital grants and contributions that are not linked to a particular project but are for a particular purpose e.g. Section 106 agreements for affordable housing - these will be used as funding for projects that meet the specified purpose ahead of other funding sources. Schemes funded by external grants and contributions will not commence until such funding is definitely secured.
4. Transfers from strategic reserves – these will be used to fund capital expenditure subject to availability, and (for some reserves) the relevant purpose.
5. Capital receipts not directly linked to a particular project, where expenditure is within rules set down by the Government. Schemes funded by capital receipts will not commence until such funding is definitely secured.
6. Internal (self-funded borrowing) - where the capital investment itself will produce revenue savings or additional income, which is sufficient to cover the cost of borrowing to fund the investment.
7. Prudential Borrowing will be used to fund capital investment if the cost of the borrowing is affordable within the overall General Fund revenue projections. This will be the funding source of last resort.

1.6 Governance of the Programme

The Council's Capital Programme is prepared annually in March by the Director of Resources in consultation with the Corporate Leadership Team, and reported to full Council for approval. The programme sets out the capital projects that will take place in the forthcoming financial year and the projects that are forecast for the following four financial years. The capital programme is updated in May (to reflect the outturn of the previous financial year and any slippage, as well as adding any new bids) and in October/November (reflecting progress on projects and adding any new bids).

Where expenditure is required or anticipated which has not been included in the Capital Programme, then a revision to the Capital Programme is required before that spending can proceed. Revisions to the Capital Programme must be approved firstly by the Corporate Leadership Team, then by Council. For projects over £25,000, or those of a political nature, a report is required to the relevant policy committee before the project is reported to Council. Revisions to the Capital Programme will generally be taken to Council only in June and October/November each year, unless there are exceptional circumstances.

All projects within the programme will be financed in accordance with the funding strategy set out above. Within the available resources, bids for new capital projects are to be identified by officers and raised at the capital programme working group. In turn these will be evaluated and prioritised by the Corporate Leadership Team prior to seeking Committee / Council approval.

Bids for inclusion are supported by business cases, which must demonstrate that the project provides an effective and value for money solution, and that all possible sources of external funding have been sought. The business cases also identify any implications for the revenue account, such as increased or reduced expenditure or increased income.

Once approved by Council, a project manager is identified to be responsible for the effective control and monitoring of each project, including financial monitoring. The Council has established a corporate property working group and a capital programme working group, which meet regularly to monitor the council's assets and capital programme. Any projects that might exceed the agreed budget must be reported to the Director of Resources. If appropriate corrective action cannot be taken to bring the project back within budget, the additional costs will be reflected in the next update of the capital programme. Changes which result in an increase in the amount of an accepted tender or estimate by 10% or £50,000, whichever is the lower, will be reported to the relevant Policy Committee as soon as possible with an estimate of the probable new cost, and subsequently to full Council for approval of any additional expenditure.

To assist with medium term financial planning, a list of potential future liabilities is reported regularly to Council. This shows possible future capital projects that have not yet been included in the capital programme.

1.7 Risk Management

Significant risks associated with individual capital projects are identified in the business case and in the policy committee report associated with the bid, as well as in departmental risk registers.

The most significant risks to the achievement of the overall capital programme are:

- Forecast capital receipts may not be achieved;
- The danger of overspending on capital schemes with no available finance to meet the overspending;
- Budgets for individual projects may be insufficient when tenders are received;
- Availability of funding for future capital projects (though the current programme is fully financed) means that the Council's future ability to finance mandatory Capital expenditure, such as Disabled Facility Grants, will need to be kept under review and the amount available might be insufficient to deal with unforeseen capital expenditure, for example, if there was a requirement similar to the costs of addressing structural damage at the Memorial Gardens Toilets.

1.8 Capital Prudential Indicators

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the indicators that must be set and monitored each year. These prudential indicators are set out in the Treasury Management report (elsewhere on the agenda for this Council meeting).

2 RISK ASSESSMENT

2.1 Legal

The report complies with best practice and government guidance on the preparation of the Capital & Treasury Monitoring Statement. The legal risk is therefore low.

2.2 Financial

Financial Information is contained within the report. The financial risk of this report is assessed as low.

3 OTHER CONSIDERATIONS

3.1 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.

4 CONTACT INFORMATION

4.1 For further information contact:

Karen Henriksen - Direct or Resources
Tel:01629 761284
Email: karen.henriksen@derbyshiredales.gov.uk

5 BACKGROUND PAPERS

5.1 None

6 ATTACHMENTS

6.1 None

NOT CONFIDENTIAL – For public release **Item No. 12**

COUNCIL
18 MARCH 2021

Report of the Director of Resources

TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22

PURPOSE OF REPORT

This report determines the Treasury Management Strategy and Annual Treasury Management Investment Strategy for 2021/22.

RECOMMENDATIONS

1. That the Treasury Management Strategy Statement for 2021/22 be approved;
2. That the Annual Treasury Management Investment Strategy for 2021/22 be approved;
3. That the MRP policy and Prudential indicators (as set out in Appendix 1) for 2021/22 be approved.

WARDS AFFECTED

All

STRATEGIC LINK

The above recommendations contribute to all of the Council's Corporate Plan Priorities

1 REPORT

1.1 TREASURY MANAGEMENT ANNUAL REPORT

The Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) requires the Council to approve a treasury management strategy before the start of each financial year.

In addition, the ministry for Housing, Communities and Local Government (MHCLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

The Council invests substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

Revised strategy: In accordance with the MHCLG Guidance, the Council is asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Council's capital programme or in the level of its investment balance.

1.2 REPORTING REQUIREMENTS

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

a) **The Treasury Management Strategy** (this report) – The first, and most important, report covers:
- The treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- A treasury management investment strategy (the parameters on how investments are to be managed).

b) **A mid-year treasury management report –** This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c) **An annual treasury report –** This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny
The above reports are adequately scrutinised by the Corporate Leadership Team before being recommended to the Council.

1.3 EXTERNAL CONTEXT

1.3.1. Economic background

The impact on the UK from Coronavirus is likely to have a major influence on the Authority's treasury management strategy for 2021/22

Outlook

- The medium-term global economic outlook has improved with the distribution of vaccines, but the recent upsurge in coronavirus cases has worsened economic prospects over the short term.
- Restrictive measures and further lockdowns are likely to continue in the UK and Europe until the majority of the population is vaccinated by the second half of 2021. The recovery period will be strong thereafter, but potentially longer than previously envisaged.
- Signs of a slowing UK economic recovery were already evident in UK monthly GDP and PMI data, even before the second lockdown and Tier 4 restrictions. Employment is falling despite an extension to support packages.
- The need to support economic recoveries and use up spare capacity will result in central banks maintaining low interest rates for the medium term.

- Brexit will weigh on UK activity. The combined effect of Brexit and the after-effects of the pandemic will dampen growth relative to peers, maintain spare capacity and limit domestically generated inflation. The Bank of England will therefore maintain loose monetary conditions for the foreseeable future.
- Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid longer-term inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or the deployment of vaccines.

Forecast:

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out, especially with likely emergency action in response to a no-deal Brexit.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain, and indeed appear heightened, in the near term, as the government reacts to the escalation in infection rates and the Brexit transition period fter spiking in late March as coronavirus became a global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainly around COVID-19 related loan defaults lead to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 is likely to be significantly lower than in previous years.

Local Context
On 28Th February 2021, the Council held £5.5m of borrowing and £31m of investments. This is set out in further detail at ***Appendix B***. Forecast changes in the balance sheet analysis are shown in table 1 below:

Table 1: Balance Sheet Summary and Forecast

	31.3.20 Estimate £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m
General Fund CFR	5.7	5.5	5.5	5.3	5.2
Less: External borrowing **	5.5	5.5	5.5	5.5	5.5
Internal (over) borrowing	0.2	0.0	0.0	-0.2	-0.3

** shows only loans to which the Council is committed and excludes optional refinancing.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Council's capital expenditure plans do not currently imply any need to borrow over the forecast period. Investments are forecast to fall to £16m as capital receipts are used to finance capital expenditure and reserves are used to finance the revenue budget.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2021/22.

1.3.2. Borrowing Strategy

The Council currently holds £5.5 million of loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 shows that the Council does not expect to need to borrow in 2021/22. The Council may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £12 million.

Objectives: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Authority has previously raised all of its long-term borrowing form the PWLB but will consider long term loans from any sources including banks, pensions and local authorities and will reduce over reliance on one source of funding in line with the CIPFA code. PWLB loans are no longer available to Local Authorities planning to buy investment assets primarily for yield; the Authority intends to avoid this activity in order to retain its access to PWLB loans.

Alternatively the authority may arrange forward starting loans during 2021/22, where the interest rate is fixed in advance, but the cash is received in later years.

In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

Sources:
The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except our own Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Council has previously raised all of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, which may be available at more favourable rates.

1.3.3. Municipal Bond Agency:

UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lend the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Council.

1.3.4. Short-term and Variable Rate loans:

These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

1.3.5. Debt Rescheduling:

The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

1.4 ANNUAL TREASURY MANAGEMENT INVESTMENT STRATEGY

1.4.1 The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's treasury investment balance has ranged between £24 million and £58 million, largely due to the substantial funds received from central government for covid business grants. Previous years investment levels are expected for 2021/22 of between £11 million and £25 million.

1.4.2 **Objectives:** The CIPFA code requires the Council to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

1.4.3 **Negative Interest Rates:** The covid 19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

1.4.4 **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to further diversify into more secure and/or higher yielding asset classes during 2021/22. This is especially the case for the estimated £2.0m that is available for longer-term investment. The majority of the Authority's surplus cash remains invested in short-term unsecured bank deposit, certificates of deposits and money market firms. This diversification will represent a continuation of the new strategy adopted in 2017.

1.4.5 **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

1.4.6 **Approved Counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved Investment Counterparties and Limits for 2021/22

Sector	Time Limit	Counterparty Limit	Sector Limit
UK Gov't	50 years	Unlimited	n/a
Local Authorities & other government entities	25 years	£4m	unlimited
Secured Investments*	25 years	£4m	unlimited
Banks (unsecured)*	13 months	£2m	unlimited
Building Societies (unsecured)*	13 months	£2m	£4 million
Registered Providers (unsecured) *	5 years	£2m	£10 million
Strategic Pooled Funds	n/a	£4m	£20 million
Money Market funds	n/a	£4m	unlimited
Real estate investment trusts	n/a	£4m	£10 million
Other investments*	5 years	£2m	£4 million
Pooled funds			

This table must be read in conjunction with the notes below:

1.4.7 **Minimum Credit Rating:** Treasury Investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than (A-) where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality or (b) to a maximum of £2 million per counterparty

1.4.8 **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency, although they are not zero risk. Investments with the UK Central Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

1.4.9 **Secured Investments:** These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

1.4.10 **Banks and building societies Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

1.4.11 **Registered Providers: (unsecured)** Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

1.4.12 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

1.4.13 **Strategic pooled funds**: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

1.4.14 **Real estate investment trusts**: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand on the shares as well as changes in the underlying properties

1.4.15 **Other Investments**: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

1.4.16 **Operational Bank Accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £7 million per bank (the practicalities of making large payments, such as precept payments, on any one day mean that funds of that magnitude will be required in the Council's current account). The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

1.4.17 **Risk Assessment and Credit Ratings**: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

1.4.18 **Other Information on the Security of Investments**: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from Arlingclose. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

1.4.19 **Investment Limits**: The Council's revenue reserves available to cover investment losses are forecast to be £2 million on 31st March 2020. A group of entities under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment Limits

	Cash limit
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£4m per country

1.4.19 **Liquidity Management**: The Council uses cash flow forecasting spreadsheets to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

1.5 TREASURY MANAGEMENT INDICATORS

The Council measures and manages its exposures to treasury management risks using the following indicators.

1.5.1 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit	A

1.5.2 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

	Target
Total cash available within 3 months	£7m

1.5.3 **Interest Rate Exposures**: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% rise in interest rates	85,000
Upper limit on one-year revenue impact of a 1%fall in interest rates	105,000

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

1.5.4 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	35%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	65%	0%
5 years and within 10 years	80%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

1.5.5 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2021/22	2022/23	2023/24
Limit on principal invested beyond year end	£5m	£5m	£5m

1.6 OTHER ITEMS

There are a number of additional items that the Council is obliged by CIPFA or MHCLG to include in its Treasury Management Strategy.

1.6.1 **Policy on Use of Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

1.6.2 **Markets in Financial Instruments Directive:** The Authority has opted up to professional client status with its providers of financial services, allowing it access to a greater range of service but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Head of Resources believes this to be the most appropriate status.

1.6.3 **Investment Training:** The needs of the Council's treasury management staff for training in investment management are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Council employees involved in Treasury Management regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant employees are also encouraged to study for professional qualifications from CIPFA and other appropriate organisations.

1.6.4 **Investment Advisers:** The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues.

1.6.5 **Investment of Money Borrowed in Advance of Need**: The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £12 million. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

1.7 OTHER OPTIONS CONSIDERED

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Head of Resources believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

2 RISK ASSESSMENT

2.1 Legal

The report complies with best practice and government guidance on the preparation of the treasury management strategy statement. The legal risk is therefore low.

2.2 Financial

The budget for investment income in 2021/22 is £37,000. The budget for debt interest paid in 2020/21 is £225,000 based on an average debt portfolio of £5.5 million at an average interest rate of 4.1%. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different. The financial risk is assessed as medium.

2.3 Corporate

This strategy sets in place a proposed structure and systems that place security of investments above yield. The risk is therefore assessed as low.

3 OTHER CONSIDERATIONS

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

4 CONTACT INFORMATION

For further information contact:

Karen Henriksen – Director of Resources
Tel: 01629 761284
Email: karen.henriksen@derbyshiredales.gov.uk

5 BACKGROUND PAPERS

None

6 ATTACHMENTS

Appendix 1 – Prudential Indicators & MRP Policy

Appendix 1: Prudential Indicators and Minimum Revenue Provision Policy

Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure. For example, at Derbyshire Dales District Council assets costing below £10,000 are not capitalised and are charged to revenue in year.

In 2021/22, the Council is planning capital expenditure of £8m.

Table 1 Prudential Indicator: Estimates of Capital Expenditure in £'000

	2019/20 Actual	2020/21 Forecast	2021/22 Budget	2022/23 Budget	2023/24 Budget
Debt	5,898	5,650	5,701	6,068	5,957
Capital Investments	2,035	7,791	7,578	1,354	377
Total	**7,933**	**13,441**	**13,279**	**7,422**	**6,334**

Table 2: Capital Financing in £'000

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

	2019/20 Actual	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget
External sources	515	1,952	691	491	0
Own resources	1,520	5,839	6,887	863	377
Debt	5,898	5,650	5,701	6,068	5,957
TOTAL	**7,933**	**13,441**	**13,279**	**7,422**	**6,334**

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP repayments and use of capital receipts are as follows:

Table 3: Replacement of debt finance in £‘000

	2019/20 Actual	2020/21 budget	2021/22 budget	2022/23 budget	2023/24
Own resources	248	99	101	110	131

The Council’s cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. Based on the above figures for expenditure and financing, the Council’s estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £’000

	31.3.2020 forecast	31.3.2021 budget	31.3.2022 budget	31.3.2023 budget	31.3.2024 budget
Closing CFR	**5,650**	**5,551**	**5,600**	**5,957**	**5,826**

Asset disposals: When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts. The Council expects to receive £150,000 of capital receipts in the coming financial year as follows:

Table 5: Capital Receipts in £’000

	2019/20 actual	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget
Asset sales	558	250	150	100	50
Loans repaid	0	0	0	0	0
TOTAL	**558**	**250**	**150**	**100**	**50**

Treasury Management

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Borrowing strategy: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Projected levels of the Council's total outstanding debt (which comprises borrowing and finance leases) are shown below, compared with the capital financing requirement (see above).

T**able 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £'000**

	31.3.2020 actual	**31.3.2021 budget**	**31.3.2022 budget**	**31.3.2023 budget**	**31.03.2024 budget**
Debt (incl. finance leases)	5,450	5,450	5,450	5,450	5,450
Capital Financing Requirement	5,650	5,551	5,600	5,957	5,826

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term

Affordable borrowing limit:* The Council is legally obliged to set an affordable borrowing limit (also termed the "authorised limit for external debt") each year In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the limit.

*Due to a change in accounting for Leases (IFRS16), all leases (both operating and finance leases) from 1st April 2022 will be bought onto the balance sheet as a "right of use asset" if the asset has a lease term of greater than 12 months and is valued at more than £5,000 The council currently has a number of operating leases of significant value which will increase the amount of debt liability. This will have an impact on the Affordable Borrowing Limits from 2022 onwards. Once the effect is known a new report will be bought for Members' approval.

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £'000

	2019/20 limit	2020/21 limit	2021/22 limit	2022/23 limit	2023/24 limit
Authorised limit – borrowing	11,000	11,000	11,000	11,000	11,000
Authorised limit – Finance leases	1,000	1,000	1,000	1,000	1,000
Authorised limit – total external debt	12,000	12,000	12,000	12,000	12,000
Operational boundary – borrowing	8,000	8,000	8,000	8,000	8,000
Operational boundary – Finance leases	1,000	1,000	1,000	1,000	1,000
Operational boundary – total external debt	9,000	9,000	9,000	9,000	9,000

Treasury Investments

Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is, to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Table 8: Treasury management investments in £‘000

	31.3.2020 actual	31.3.2021 forecast	31.3.2022 budget	31.3.2023 budget	31.3.2024 budget
Near-term investments	19,000	23,000	15,000	15,000	15,000
Longer-term investments	931	931	2,000	2,000	2,000
TOTAL	**19,931**	**23,931**	**17,000**	**17,000**	**17,000**

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Resources and staff, who must act in line with the treasury management strategy approved by council. A mid-year report as well as an annual treasury report on treasury management activity is presented to Council. Council are responsible for scrutinising treasury management decisions.

Commercial Activities

With central government financial support for local public services declining, the Council invests in commercial property mainly for financial gain. Total commercial investments are currently valued at £1.58m providing a net return after all costs of 6.39%.

With financial return being the main objective, the Council accepts higher risk on commercial Investment than with treasury investments. The principal risk exposures include vacancies, and fall in capital value, currently the impact of these risks is considered low. The council does not currently have a limit on its commercial limit as investments have remained stable, however this may need to be reviewed in the future.

Governance: Decisions on commercial investments are made by the Council in line with the criteria set out in the Commercial Investment Strategy (elsewhere on the agenda) Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved by Council as part of the capital programme.

Liabilities

In addition to debt of £6m of borrowing debt detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £18m at 31st March 2020).

Governance: Decisions on incurring new discretional liabilities are taken by the Corporate Leadership Team in consultation with the Director of Resources. The risk of liabilities crystallising and requiring payment is monitored by the Financial Services Team and reported quarterly to Corporate Leadership Team.

Revenue Budget Implications

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

	2019/20 actual	2020/21 forecast	2021/22 budget	2022/23 budget	2023/24 budget
Financing costs (£'000)	515	404	462	467	467
Proportion of net revenue stream	4.93%	3.74%	4.38%	4.45%	4.44%

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Director of Resources is satisfied that the proposed capital programme is prudent, affordable and sustainable.

Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Resources is a qualified accountant with over 30 years' experience, the Financial Services Manager is a qualified accountant and the Principal Accountant has 6 years' experience of treasury management with the Council. The Council pays for staff to study towards relevant professional qualifications including CIPFA, and AAT.

Where Council staff members do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite

Minimum Revenue Provision Statement 2021/22

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* the CLG Guidance) most recently issued in 2018.

The broad aim of the CLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant. The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP.

The following statements incorporate options recommended in the Guidance:

- For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset in equal instalments *or* as the principal repayment on an annuity with an annual interest rate equal to the average relevant PWLB rate for the year of expenditure starting in the year after the asset becomes operational.

- For assets acquired by finance, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

- Capital expenditure incurred during 2021/22 will not be subject to a MRP charge until 2022/23

- Based on the Authority's latest estimate of its Capital Financing Requirement on 31st March 2021, the budget for MRP has been set as follows:

	31.03.2022 Estimated CFR £'000	2021/22 Estimated MRP £'000
Capital expenditure before 01.04.2008		
Supported capital expenditure after 31.03.2008	5,551	101
Unsupported capital expenditure after 31.03.2008		
Finance leases and Private Finance Initiative		
Transferred debt		
Loans to other bodies repaid in instalments		
Voluntary overpayment (or use of prior year overpayments)		
Total General Fund	**5,551**	**101**

*Due to a change in accounting for Leases (IFRS16), all leases both operating and finance leases from 1st April 2022 will be bought on to the balance sheet as a right of use asset if the asset has a lease term of greater than 12 months and is valued at more than £5,000.

The council currently has a number of operating leases of significant value which will increase the amount of debt liability. The change will not have an impact on the budget overall.

Currently Operating lease payments are charged to net cost of services. From 1st April 2022 a charge for depreciation and interest which will be the equivalent to the former lease payment will be charged to net cost of services. The depreciation charge will then be reversed through the movement of reserves and replaced with a minimum revenue provision.

Once the impact of the change is known, a further report stating the Minimum Revenue Provision will be presented for Members' approval.

NOT CONFIDENTIAL – For public release **Item No. 13**

COUNCIL
18 MARCH 2021

Report of the Director of Resources

CORPORATE INVESTMENT STRATEGY AND COMMERCIAL INVESTMENT STRATEGY FOR 2021/22

PURPOSE OF REPORT

This report seeks approval for the Corporate Investment Strategy and Commercial Investment Strategy for 2021/22.

RECOMMENDATION

1. That the Corporate Investment Strategy for 2021/22 be approved.

2. That the Commercial Investment Strategy for 2021/22 be approved.

WARDS AFFECTED

None

STRATEGIC LINK

Income from investments will contribute to the achievement of all of the Council's Corporate Plan Priorities.

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1 BACKGROUND

1.1 Elsewhere on the agenda for this Council meeting is a report on the Medium Term Financial Strategy (MTFS) that indicates that the Council has to make significant savings in the medium term, unless government funding levels turn out much better than expected. At the Council meeting on 5 March 2018, the Council considered a report on the potential for operating on a more commercial basis to help achieve a sustainable financial future. The report set out an approach for the Council to explore commercial opportunities. Property Investment is now commonly undertaken by local authorities, acquiring assets both within and outside of their governance boundaries. Property investment is capable of generating returns above the usual treasury investment rates, creating positive income. It was agreed that a Commercial Investment Strategy would be required and that the primary purpose of the Strategy would be to create additional revenue streams for the Council to enable the Council to sustain its long-term financial future enabling it to maintain its current services and to add value to the communities of the Derbyshire Dales.

1.2 It was also agreed that the Council's preferred approach in meeting this primary purpose is to consider any future commercial opportunities that can be assessed using the following guiding principles where projects should:-

- meet the Council's Corporate Priorities;
- deliver community benefit;
- require minimum investment for maximum return;
- are primarily within the District boundaries, consideration will be given to opportunities outside these boundaries if the benefit to the Council or Derbyshire Dales is significant:
- grow the business base;
- deliver a diversified portfolio of projects that balance risk and return.
- be in accordance with statutory guidance and best practice issued by CIPFA.

1.3 When investing in property, local authorities must comply with statutory guidance. This includes the Ministry for Housing Communities and Local Government (MHCLG) February 2018 publication, providing updated statutory guidance on capital finance (on local government investments and on minimum revenue provision (MRP)). Two codes of practice (Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and The Prudential Code for Capital Finance in Local Authorities) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) contain additional investment guidance, which complements the MHCLG guidance.

1.4 This guidance includes requirements for councils to prepare an annual investment strategy which must be approved before the start of the forthcoming financial year. This document must include:

1. details of the processes used to ensure effective due diligence, defining the authority's risk appetite, including proportionality in respect of overall resources.
2. an explanation of arrangements for independent and expert advice and scrutiny.
3. disclosure of the contribution that investments make *"towards the service delivery objectives and / or place making role of the local authority".*
4. indicators that enable councillors and the public to assess the authority's investments and the decisions taken.

The investment guidance is clear that Councils may not "borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed". The definition of investment has recently been extended to include investment in property and the granting of loans to third parties.

In recognition of the importance of commercial income to councils at a time when government funding has been in decline, a council can choose to disregard the Prudential Code and this part of the guidance. In this case its investment strategy should set out why this is the case and what the council's relevant policies are.

1.5 For Derbyshire Dales District Council there are three separate elements to the Strategy:

i. The annual treasury management investment strategy, which covers all cash investments;
ii. The annual Corporate Investment Strategy, which meets the guidance issued by central government in 2018 and focuses on service investments and commercial investments;

iii. The annual Commercial Investment Strategy, which covers the Council's approach to commercial investments (especially property in more detail).

1.6 The Council currently has several other statements and strategies that relate to Capital and Investments, including:

- a Treasury Management Strategy for 2020/21, which includes the Annual Investment Strategy for 2020/21 (approved March 2020 – the draft strategy for 2021/22 is elsewhere on the agenda for this Council meeting),

- a Capital Strategy (approved in March 2020; a revised version for 2021/22 is included elsewhere on the agenda for this meeting for Members' consideration), and

- a Minimum Revenue Provision (MRP) Statement (the statement for 2020/21 was approved in March 2020; the statement for 2021/22 is included elsewhere on the agenda for this meeting for Members' consideration); and

- an Asset Management Plan (approved in January 2019).

1.7 During 2020/21, the Council used the Commercial Investment Strategy when considering a commercial opportunity for the redevelopment of the Market Hall site on Bakewell Road, Matlock.

2 REPORT

2.1 The current Commercial Investments Strategy and Corporate Investments Strategy were approved on 5 March 2020. These strategies have been reviewed, and no significant changes are recommended for 2021/22.

2.2 The proposed Corporate Investment Strategy for 2021/22 is included at Appendix 2 to this report. It reflects the governance arrangements, guiding principles and assessment criteria already approved by Council, the CIPFA Prudential Code for Capital Finance in Local Authorities, the CIPFA Code of Practice on Treasury Management, as well as the government guidance issued in February 2018.

2.3 The proposed Commercial Investment Strategy for 2021/22 is included at Appendix 3 to this report. The objective of the Commercial Investment Strategy is to establish a framework for the identification of commercial investments which, if made, would provide the Authority with an income stream and potential business growth, regeneration or housing opportunities.

2.4 The proposed strategies:

- should ensure that the Council does not expose itself to too much financial risk through borrowing and investment decisions by placing security and liquidity of investments above yield;

- ensure that the council does not borrow more than or in advance of its needs purely in order to profit from the investment of the sums borrowed;

- provide transparency and accountability in investment decisions;

- disclose the steps taken to ensure that those elected members and statutory officers involved in the investments decision-making process have appropriate capacity, skills and information to enable them to take informed decisions;
- include an investment evaluation process. Commercial Investment projects will be considered by the relevant policy committee or Council, using the assessment criteria approved by Council and the risk matrix shown as Appendix B to the Commercial Investment Strategy

3 RISK ASSESSMENT

3.1 Legal

Statutory guidance issued under S15(1)(a) of the Local Government Act 2003 regulates local government Investments. An ‘investment’ covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations. The Strategy has been prepared in compliance with the Guidance and all accounting procedures which follow. The legal risk is therefore low.

3.2 Financial

The financial risks and rewards of individual projects will be assessed as they are considered by the relevant policy committee or Council. The financial risk of this report is assessed as low.

3.3 Corporate Risk

By their nature, it is expected that commercial investments might involve more risk than the Council has previously been exposed to; on the other hand, the rewards could be greater. The framework set out in the proposed Investment Strategies provides transparency and should ensure that the Council does not expose itself to too much financial risk through its commercial investment decisions. The risk is therefore assessed as medium.

4 OTHER CONSIDERATIONS

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

5 CONTACT INFORMATION

Karen Henriksen - Director of Resources
Telephone: 01629 761284
Email: karen.henriksen@derbyshiredales.gov.uk

6 BACKGROUND PAPERS

None

7 ATTACHMENTS

Appendix 1: Investment Assessment Criteria Approved May 2018

Appendix 2: Draft Corporate Investment Strategy 2021/22

Appendix 3: Draft Commercial Investment Strategy 2021/22

Appendix 1

ASSESSMENT CRITERIA FOR INVESTMENT PROJECTS

Overriding Requirement

- Any project to be considered for investment must be presented with a full Business Case and Risk Assessment.
- Council or a relevant policy committee can allocate funds (within Scheme of Delegation) for feasibility studies to help deliver a Business Case if the proposed project has the potential to deliver significant value to the Derbyshire Dales' community.

Proposed Criteria for Individual Projects

1.	Council has necessary legal powers to support the project.
2.	Project / opportunities supports Council priorities and the main aim of the Commercial Investment Strategy.
3.	Project / opportunity provides community benefit.
4.	Financial return and risk is balanced against social and economic return.
5.	Projects / opportunities arising outside Authority boundaries will be considered where rates of return justify the investment.
6.	Projects / opportunities make best use of Council assets / resources.
7.	Rates of return better than investing through Treasury Management processes.
8.	Invest to Save projects that lead to a reduction in costs in service delivery for the Council, e.g. introduction of new technologies.
9.	Priority given to investments that contribute to the growth of Council business rate income.
10.	Projects where it is considered that the relationship would have a negative impact on the Council will not be considered. Examples of specific exclusions – Projects linked with the promotion:- □ Alcohol products where over 25% of those attending or using the services are under 18 □ Tobacco products □ Unhealthy food or unhealthy lifestyles □ Weaponry □ Gambling □ Racism □ Messages of a sexual nature □ Political parties
11.	State Aid implications should be assessed before any investment in a project is agreed.

Derbyshire DALES District Council

CORPORATE INVESTMENT STRATEGY 2021/22
(To be approved 4 March 2021)

1. Background and Introduction

1.1 This strategy outlines the Authority's Corporate & Commercial Investment Strategy for 2021/22 for consideration and approval by Council before the start of the financial year.

1.2 The Authority's Treasury Management Strategy, Capital Programme, Capital Strategy and Minimum Revenue Provision (MRP) Policy are addressed in other reports.

1.3 The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

1.4 This Corporate Investment Strategy meets the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

2. Treasury Management Investments

2.1 The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and to suppliers, benefit claimants etc.). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The balance of treasury management investments is expected to fluctuate between £11m and £25m during the 2021/22 financial year.

Contribution: The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities and to generate income while having regard to security and liquidity.

Further details: Full details of the Authority's policies and its plan for 2021/22 for treasury management investments are covered in a separate document, the Treasury Management Strategy, available on the Authority's website.

3. Service Investments

3.1 Service Investments: Loans

3.1.1 **Contribution:** The Authority has powers to lend money to any subsidiaries, its suppliers, business partners, parish and town councils, local charities, housing associations, its employees and to community groups to support local public services and stimulate local economic growth. For example, the Authority may give a loan to a local community group who are undertaking a project to deliver affordable housing. The capital programme that is to be approved in March 2020 includes one service loan in 2021/22 for £110,000.

3.1.2 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Authority, upper limits on the outstanding loans to each category of borrower have been set as follows:

Table 1: Loans for service purposes

Category of borrower	31.3.2020 Actual			2021/22
	Balance owing	Loss allowance	Net figure in accounts	Approved Limit
Subsidiaries	0	0	0	£500,000
Town and parish councils	0	0	0	£500,000
Business partners	0	0	0	£1m
Local charities	0	0	0	£500,000
Local community groups	0	0	0	£500,000
Housing associations	0	0	0	£1m
TOTAL	**0**	**0**	**0**	**£4m**

3.1.3 Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. Should Council approve the service loan that has been included in the draft Capital Programme for 2020/21 or make other service investments in 2021/22, the figures for loans in the Authority's statement of accounts from 2021/22 onwards will be shown net of this loss allowance. However, officers will makes every reasonable effort to collect the full sum lent and will put in place appropriate credit control arrangements in place to monitor payments and to recover overdue payments.

3.1.4 **Risk assessment:** The Authority will assess the risk of loss before entering into and whilst holding service loans, using the following approach:

1. The Authority will consider a comprehensive business case and business plan for each individual potential investment opportunity. This will include a market analysis focussing on competition, demand and current market trends.

2. To ensure that it has access to quality advice and expertise in specialist areas, the Authority will use external advisers where appropriate. This may include an assessment of the particular market that the Authority will be competing in, the nature and level of competition, an assessment of how the market/customer needs will evolve over time, barriers to entry and exit, legal and taxation issues and any ongoing investment requirements (such as a credit reference check). Each potential investment will undergo qualitative and quantitative appraisal to establish its relevance to the Authority's Corporate Plan priorities and the legal and financial implications of the purchase.

3.2 Service Investments: Shares

3.2.1 **Contribution:** The Authority currently has an equal share in the Derbyshire Building Control Partnership, along with 5 other local authorities, to support local development by delivering a local service. The Authority has powers to invest in the shares of any subsidiaries, its suppliers, and business partners to support local public services and stimulate local economic growth.

3.2.2 **Security:** One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recovered. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Table 2: Shares held for service purposes

Category of company	31.3.2020 Actual			2021/22
	Amount invested	Gains or losses	Value in accounts	Approved Limit
Derbyshire Building Control Partnership	£1	0	£1	£1
Business Partners	0	0	0	£500,000
TOTAL	**£1**	**0**	**£1**	**£500,001**

3.2.3 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding shares by using the following approach:

1. The Authority will consider a comprehensive business case and business plan for each individual potential investment opportunity. This will include a market analysis focussing on competition, demand and current market trends.

2. To ensure that it has access to quality advice and expertise in specialist areas, the Authority will use external advisers where appropriate. This may include an assessment of the particular market that the Authority will be competing in, the nature and level of competition, an assessment of how

the market/customer needs will evolve over time, barriers to entry and exit, legal and taxation issues and any ongoing investment requirements (such as a credit reference check). Each potential investment will undergo qualitative and quantitative appraisal to establish its relevance to the Authority's core values and the legal and financial implications of the purchase.

3.2.4 **Liquidity:** Based on the approved limit in Table 2 the funds will not be required in the short term and may prudently be committed for the periods covered by this strategy.

3.3 **Non-specified Investments:** Shares are the only investment type that the Authority has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Authority's upper limits on non-specified investments. The Authority has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

4. Commercial Investments: Property

4.1 The MHCLG defines property to be an investment if it is held primarily or partially to generate a profit.

4.2 **Contribution:** The Authority currently invests in three retail sites with the intention of generating income that will be spent on local public services. The main property investments that are held are shown in the table below:

Table 3: Property held for investment purposes

Property	Actual	Actual 31.03.20		Expected 31.03.21	
	Purchase cost	Gains or (losses)	Value in accounts	Gains or (losses)	Value in accounts
Retail Site 1	n/a*		£1,337,000		£1,337,000
Retail Site 2	n/a*		£121,000		£121,000
Retail Site 3	n/a*		£128,000		£128,000
Bakewell road site					**£10,000**
TOTAL			**£1,586,000**		**£1,596,000**

*The council acquired ground leases for both investment properties in 1974.

4.3 The Authority has a Commercial Investment Strategy to set a framework for the expansion of the existing commercial investment portfolio with the intention of making a profit, wherever possible, that will be spent on local public services. The table below shows the total exposure forecast for 2021/22.

Table 4: Expected exposure: property held for investment purposes

Property	31.03.20 Actual	31.03.21 Forecast	31.03.22 Forecast
Retail site 1	£1,337,000	£1,337,000	£1,337,000
Retail site 2	£121,000	£121,000	£121,000
Retail Site 3	£128,000	£128,000	£128,000
Other Commercial investments: Potential Property (investments 2021/22)	0	10,000	£801,000
TOTAL EXPOSURE	£1,586,000	£1,596,000	£2,387,000

4.4 **Security:** In accordance with government guidance, the Authority considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

Where the value in accounts is at or above purchase cost a fair value assessment of the Authority's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2020/21 year end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

4.5 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding property investments by using the Commercial Investment Strategy and the following approach:

1. The Authority will consider a comprehensive business case and business plan for each individual potential investment opportunity. This will include a market analysis focussing on competition, demand and current market trends.

2. To ensure that it has access to quality advice and expertise in specialist areas, the Authority will use external advisers where appropriate. This may include advice from the Authority’s retained Commercial Development Advisor, an assessment of the particular market that the Authority will be competing in, the nature and level of competition, an assessment of how the market/customer needs will evolve over time, barriers to entry and exit, legal and taxation issues and any ongoing investment requirements (such as a credit reference check). Each potential investment will undergo qualitative and quantitative appraisal to establish its relevance to the Authority’s core values and the legal and financial implications of the purchase.

4.5 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority will only invest cash that is not needed in the short term based on current cash flow predictions. In addition to this a well-diversified property portfolio will be held, spread across different property sectors.

5. Other Categories of Commercial Investment

5.1 The Authority had an investment reserve, from which Council could approve other types of investment, e.g. loans for commercial purposes. In 2021/22 the balance on this reserve has been fully committed to the investment property project at Bakewell Road, Matlock.

5.2 **Contribution:** The Authority does not currently have any non-property commercial investments. The Authority has a Commercial Investment Strategy which provides a framework to expand its existing commercial investment portfolio with the intention of making a profit wherever possible that will be spent on local public services. The table below shows the total exposure forecast for 2021/22.

Table 5: Expected exposure: Other commercial investments

	31.03.20 Actual	31.03.21 Forecast	31.03.22 Forecast
Other Commercial investments: (investments 2021/22)	0	0	£500,000
TOTAL EXPOSURE	0	0	£500,000

5.3 **Security:** In accordance with government guidance, the Authority considers a commercial investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

Where accounts preparation and audit process value these investments below their purchase cost, then an updated investment strategy will be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

5.4 **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding property investments by using the by using the Commercial Investment Strategy and the following approach:

1. The Authority will consider a comprehensive business case and business plan for each individual potential investment opportunity. This will include a market analysis focussing on competition, demand and current market trends.

2. To ensure that it has access to quality advice and expertise in specialist areas, the Authority will use external advisers where appropriate. This may

include advice from the Authority's retained Commercial Development Advisor, an assessment of the particular market that the Authority will be competing in, the nature and level of competition, an assessment of how the market/customer needs will evolve over time, barriers to entry and exit, legal and taxation issues and any ongoing investment requirements (such as a credit reference check). Each potential investment will undergo qualitative and quantitative appraisal to establish its relevance to the Authority's core values and the legal and financial implications of the purchase.

5.5 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed, the Authority will only invest cash that is not needed in the short term based on current cash flow predictions. In addition to this a well-diversified property portfolio will be held, spread across different property sectors.

6 Loan Commitments and Financial Guarantees

6.1 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Authority and, therefore, are included in this Strategy for completeness.

6.2 The Authority has contractually committed to make a Loan of £110,000 to Hurst farm Social Club in 2021/22 to support regeneration of the building, this will be repaid to the council by March 2022.

7 Proportionality

7.1 For 2021/22 the Authority's revenue budget includes some income arising from profit-generating investment activity. Table 6 below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Authority is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Plan. Should it fail to achieve the expected net profit, the Authority's contingency plan for continuing to provide these services is to use the General Reserve, which is forecast to have a balance of £738,000 at 31 March 2022.

Table 6: Proportionality of Investments

	2019/20 Actual £'000	2020/21 Forecast £'000	2021/22 Budget £'000	2022/23 MTFP £'000	2023/24 MTFP £'000
Gross service expenditure	31,196	31,726	30,264	30,849	31,466
Investment income	101	101	101	149	164
Proportion	0.32%	0.32%	0.34%	0.48%	0.52%

8 Borrowing in Advance of Need

Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

9 Capacity, skills and culture

9.1 This Authority recognises the importance of ensuring that all Elected Members and Officers involved in investment decisions are fully equipped to undertake the duties and responsibilities allocated to them and have the appropriate capacity, skills and information to enable them to make informed decisions e.g. as to whether to enter into a specific investment. There is a requirement to understand:

- the context the Authority's corporate objectives
- the Authority's risk appetite and risk assessment framework
- the prudential framework
- the regulatory regime in which the council operates.

9.2 Officers: The Authority will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The following measures are in place:

- Identification of officer training needs on commercial investment related issues through the Performance Development and Review process;
- Attendance at relevant training events, seminars and workshops; and
- Support from the Authority's treasury management advisors, Arlingclose.

9.3 Elected Members: Elected members' training needs are assessed through the Member Development Group. The Authority will also specifically address this important issue by:

- Periodically facilitating workshops or other training for members on commercial investment issues;
- Interim reporting and advice to members.

9.4 Where necessary the Authority will engage external advisers for investment advice, property surveys and due diligence checks. The cost of any such advice will be taken into account when developing business cases and when assessing the overall viability of projects.

9.5 It is important that the Authority has sound arrangements in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the Authority's values. In terms of governance, all new commercial investment proposals will be considered by Full Council. Full Council is responsible for the approval of the Corporate Investment Strategy and for monitoring performance against it.

9.6 The Authority's values include transparency in decision-making. To facilitate that, the following arrangements are in place:

- This Corporate Investment Strategy will be made available on the Authority's website;
- Meetings of Policy Committees and Full Council will be open to the public and the agendas and minutes from such meetings will be shown on the Authority's website.

10 Commercial deals

10.1 The Authority has a decision making framework which is aligned to the requirements of the Statutory Guidance Relating to Local Authority Investments. Any future commercial investment opportunities will be considered by Full Council. The Council is not able to borrow from PWLB for projects

The guiding principles that will be used will require future commercial projects to:

- meet the Authority's Corporate Priorities;
- deliver community benefit;
- require minimum investment for maximum return;
- be primarily within the District boundaries, consideration will be given to opportunities outside these boundaries if the benefit to the Council or Derbyshire Dales is significant:
- grow the business base;
- deliver a diversified portfolio of projects that balance risk and return.

The Council will assess future commercial investment against the Commercial Investment Strategy. All investments will be subject to rigorous scrutiny and successful schemes will result in the provision of a report to Council for approval. Schemes will be considered for investment against the following criteria;

i. Economic Impact – in particular; jobs, business growth and new housing.
ii. Impact on Market Towns– in terms of vibrancy, footfall and heritage.
iii. Financial Implications - value for money, affordability (note impact on PWLB borrowing (see 11.2 below) and return of investment.
iv. Deliverability – the ability to deliver the proposals and the associated risks.

Successful applications will require appropriate legal agreements in accordance including the provision of appropriate security where required.

11 Investment Indicators

The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

11.1 **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses. This includes amounts the Authority is contractually committed to lend but have yet to be drawn down and guarantees the Authority has issued over third party loans.

Table 7: Total investment exposure £ Millions

Type of investment	31.03.20 Actual *£ Millions*	31.03.21 Forecast *£ Millions*	31.03.22 Forecast *£ Millions*
Treasury management investments	19	24	15
Service investments: Loans	0	0	4
Service investments: Shares	0	0	0.5
Commercial investments: Property	1.51	1.60	2.38
Commercial investments: Other	0	0	0.5
TOTAL INVESTMENTS	20.51	25.6	22.38
Commitments to lend	0	0	0
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	20.51	25.6	22.38

11.2 How investments are funded

Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. All of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

Guidance on the use of borrowing to fund commercial investments was issued by PWLB in November 2020. Under the new rules, councils seeking to borrow from the PWLB will now have to provide a three year capital plan, confirming it does not intend to borrow primarily for yield at any point over the period or from any source. The new guidance appears to prevent local authorities from borrowing from the PWLB if the intention of the borrowing is primarily for the generation of yield. Capital spending plans will have to be submitted in advance, and if a local authority intends to buy commercial assets primarily for yield (even using reserves) then they will be prevented from taking any PWLB borrowing in that financial year.

The Authority does not currently have any investments which are funded by borrowing.

11.3 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 9: Investment rate of return (net of all costs)

Type of investment	31.03.20 Actual	31.03.21 Forecast	31.03.22 Forecast
Treasury management investments	0.70%	0.28%	0.11%
Service investments: Loans	N/A	N/A	At least 0.60%
Service investments: Shares	N/A	N/A	At least 0.60%
Commercial investments: Property	6.4%	6.3%	4.2%
Commercial investments: Other	N/A	N/A	At least 0.60%

COMMERCIAL INVESTMENT STRATEGY 2021/22
(To be approved 4 March 2021)

1. Purpose

1.1. The objective of the Commercial Investment Strategy is to establish a framework for the identification of commercial investments which, if made, would provide the Authority with an income stream and potential business growth, regeneration, housing or other opportunities that align with Corporate Priorities.

2. Introduction

2.1. The Authority aims to become financially self-sufficient as central government funding reduces. This includes ensuring that the Authority maximises any income from existing assets and, where there is a robust business case, invests in assets where there is a commercial return. The Authority has limited resources (held in reserves) which may mean that borrowing might not be required for some investments. These reserves are invested with various financial institutions in line with the Authority's Treasury Management Strategy. However, other investments may represent an opportunity to generate higher returns on these funds. Where the Authority does not have resources available from reserves, any borrowing for investment purposes would need to be prudent, sustainable and comply with government guidance and the CIPFA Prudential Code.

2.2. The Authority's Corporate Investment Strategy sets out the overall strategy for investments, along with an overview of the arrangements and financial limits (and total exposure) that apply to each type of investment, including commercial investments for 2021/22. The tables below show the expected exposure and limits that apply to commercial investments, as set out in the Corporate Investment Strategy:

Expected exposure: property held for investment purposes

Property	31.03.20 Actual	31.03.21 Forecast	31.03.22 Forecast
Retail site 1	£1,337,000	£1,337,000	£1,337,000
Retail site 2	£121,000	£121,000	£121,000
Retail Site 3	£128,000	£128,000	£128,000
Other Commercial investments: Potential Property (investments 2021/22)	0	10,000	£801,000
TOTAL EXPOSURE	£1,586,000	£1,596,000	£2,387,000

2.3 This Commercial Investment Strategy aims to provide a robust and viable framework for the acquisition of commercial investments. The key underlying objectives are:

- **Governance Arrangements** – to provide a decision making framework aligned to the requirements of the Statutory Guidance Relating to Local Authority Investments (Appendix A);

- **Investment Criteria** – to identify suitable investment opportunities;

- **Risk Management** – to balance the requirement for income return with an acceptable level of managed risk;

- **Financial Viability** – each potential investment will have a comprehensive business case and business plan, which will be evaluated to ensure the income received is sufficient to provide an acceptable rate of return on the repayment of any borrowing costs, management fees and any running costs.

2.4 The management of the Council's existing property portfolio (comprising operational and commercial investment properties) is managed by the Corporate Property Group. This Group will ensure that all property investments acquired under this Strategy continue to be appropriately managed.

3. Principles

3.1 Any commercial investment will reflect the following principles:

- meet the Authority's Corporate Priorities;
- deliver community benefit;
- require minimum investment for maximum return;
- be primarily within the District boundaries, consideration will be given to opportunities outside these boundaries if the benefit to the Council or Derbyshire Dales is significant:

- grow the business base;
- deliver a diversified portfolio of projects that balance risk and return;
- be in accordance with statutory guidance and best practice issued by CIPFA.

4. Governance Arrangements

4.1 **Council**

4.1.1 The Authority has a decision making framework that is aligned to the requirements of the Statutory Guidance Relating to Local Authority Investments. Any decisions that relate to commercial investments, particularly if borrowing is required, will be referred to full Council for approval.

4.1.2 The (full) Council will assess future commercial investment against the criteria set out in this Commercial Investment Strategy. All investments will be subject to rigorous scrutiny.

4.1.3 For a potential investment to be considered by the (full) Council, it must:-

- achieve a score of excellent, good or satisfactory in at least 50% of the <u>applicable</u> criteria set out in the investment criteria matrix; and

- be accompanied by a full and comprehensive business case and business plan.

4.1.4 The business case will be prepared by the a core team of Officers comprising the Chief Executive, the Director of Customer and Corporate Services (Monitoring Officer) and the Director of Resources (Chief Financial Officer), together with other relevant Officers e.g. Legal Services Manager, Financial Services Manager, Estates and Facilities Manager, Economic Development Manager. Each potential investment will undergo qualitative and quantitative appraisal to establish portfolio suitability. The legal and financial implications of the investment will be assessed. The core team will seek external investment and/or technical expertise where specialist knowledge is required that is not available in-house (see the section on risk management below).

4.1.5 All investments in property, where relevant, will be subject to building survey, purchase report and valuation. Occasionally, opportunities will arise that do not score highly on the matrix criteria and in these circumstances, low scoring properties will be considered by the Council on their own individual regeneration, economic development, employment, housing and community benefit merits, in accordance with the decision making process outlined below.

4.2 Decision Making Process

4.2.1 It is acknowledged that commercial investment opportunities may require agile and quick decision making. However, in order to ensure appropriate governance arrangements are maintained, investment decisions will be made in accordance with the Council’s existing decision making process, limits of authority and Scheme of Delegation contained within the Council’s Constitution. Where it is not possible to wait until the next Council meeting, an extra-ordinary meeting will be arranged as soon as practicably possible.

5. Investment Criteria

5.1 All investments must reflect the requirements within the **Statutory Guidance on Local Government Investments** issued under Section 15(1) (a) of the Local Government Act 2003’, which came into force April 2018. Further details of this statutory guidance are available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/678866/Guidance_on_local_government_investments.pdf

A copy of this guidance is also attached at **Appendix A**

5.2 Guidance on the use of borrowing was issued by PWLB in November 2020. Under the new rules, councils seeking to borrow from the PWLB will now have to provide a three year capital plan, confirming it does not intend to borrow primarily for yield at any point over the period or from any source. The new guidance appears to prevent local authorities from borrowing from the PWLB if the intention of the borrowing is primarily for the generation of yield. Capital spending plans will have to be submitted in advance, and if a local authority intends to buy commercial assets primarily for yield (even using reserves) then they will be prevented from taking any PWLB borrowing in that financial year.

Each local authority that wishes to borrow from the PWLB will in future have to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB. Local authorities will be able to revise these plans in-year as required.

The section 151 officer will have to provide an assurance that the local authority is not borrowing in advance of need and does not intend to buy investment assets primarily for yield.

5.3 Table 1 below sets out a summary of the statutory guidance & PWLB requirements:

Requirement	Considerations
Clearly show how investments contribute to Council’s objectives	• Need to align with Corporate Plan priorities • Clarify purpose and extent to which it supports deficit reduction and /or economic regeneration in the District
Strategy must include indicators to show how councillors have assessed the total risk exposure on decision	• How is it funded? • Rate of return expected and why (benchmarked) • Show additional debt costs • Risks over the repayment period • Extent of support for deficit gap • Mitigation if returns fail and / or borrowing increases • Assessment of capital depreciation
Clearly show how the investment is proportionate?	• Loan corresponds in size or degree (terms/rate/returns) • Risk exposure is reasonable and accepted • Within agreed and defined ‘affordability ‘ limit
Risk assessment should be robust	• Market assessment (competition, demand, trends) • Proper quality external advice and expertise • Credit ratings
Contingency	• Loss of investment return / Increase in loan repayments • Capital depreciation • Extra costs and budget impact • Loss of revenue stream - service delivery impact
Sources of funding	• Borrowing from PWLB is not allowed where it is intended to buy investment assets primarily for yield (even using reserves for the commercial investment and the borrowing is for other schemes)

5.3 Consideration must also be given to a number of essential elements which will inform acceptable investment choices, specifically:

- Ethical investment (for instance, prohibiting investment in
  - ❖ Alcohol products where over 25% of those attending or using the services are under 18
  - ❖ Tobacco products

- ❖ Unhealthy food or unhealthy lifestyles
- ❖ Weaponry or Arms Trading
- ❖ Gambling
- ❖ Racism
- ❖ Sex Establishments
- ❖ Political parties
- ❖ Any other relationship that would have a negative impact on the Council

- Legal issues, such as:
  - ❖ Does the Council have the necessary legal powers to support the project?
  - ❖ Have State Aid issues been assessed?

5.4 Schemes will be considered for investment against the following criteria;

i. Economic Impact – in particular; jobs, business growth and new housing. This also includes wider economic benefits e.g. local supply chain.
ii. Impact on Market Towns– in terms of vibrancy, footfall and heritage.
iii. Financial Implications - value for money, affordability and return of investment, limits of individual and cumulative risk, the level of losses that can be tolerated, and the degree to which the Council can realistically become reliant on the income stream to provide services.
iv. Deliverability – the ability to deliver the proposals within required timescales and the associated risks.

5.5 Successful applications will require appropriate legal agreements with the provision of appropriate security where required.

5.6 Commercial investment is a trade-off between risk and return. A traditional well diversified property portfolio (spread across different property sectors and geographical regions) will deliver a balanced long term return with minimal risk.

5.7 This strategy adopts the same underlying principles of diversification in acquiring property investments. Five main property sectors will be included (housing, industrial, office, leisure and retail) and in turn, these will be diversified on criteria including location, the tenant's financial (covenant) strength, lease term (income duration) and investment lot size. This will assist in protecting the Authority portfolio's return should a property investment cease to be income producing (for example, it is undergoing refurbishment or awaiting a new tenant).

5.8 A Commercial Investment Criteria Scoring Matrix (Matrix) allows the relative merits of an investment opportunity to be measured and assessed against a target threshold. The Matrix is attached at **Appendix B** and includes the following criteria (not all will be relevant to all projects):

- **Meeting the Council's Priorities** – it is important that the investment supports the Council's priorities as set out in its Corporate Plan.

- **Providing community benefit** – what level of community benefit will the scheme deliver?

- **Rate of Return -** % rent against capital or interest repayments. Rates of return must be better than investing through Treasury Management processes.

- **Proximity to Derbyshire Dales -** Projects / opportunities arising outside Authority boundaries will be considered where rates of return justify the investment.

- **Location** - the location of the property is critical to ensure it is an attractive position, so that in the long term it optimises its ability to re-let/re-sell if capital is required, or is strategically located for re-development. The location of the property will affect the ability of the Council to undertake inspections and to deal with management issues without the need to employ specialist agents. It will also affect income to the Council from Business rates, Council Tax and New Homes Bonus, depending on the type of investment.

- **Reduction in costs of service delivery for the Council, e.g. Investment in new technologies** – Will the project result in efficiency savings for the Council? If so, the level will be assessed.

- **Jobs created / safeguarded** - Business growth and job creation is the Council's top priority. The council may wish to prioritise schemes that create or safeguard jobs.

- **Increase in business rate or council tax income for DDDC –** As well as an investment return, will the council benefit from additional council tax or business rates income?

- **Tenancy strength -** the quality of the tenant and, more importantly, their ability to pay the rent on time and in full is essential. This is particularly important where the Council has borrowed against the investment, and minimum acceptable financial strength for any given tenant will be determined through a financial appraisal of company accounts and the use of appropriate methods of risk assessment and credit scoring. It is however worth noting that the Council, as a public body, may not wish to invest in properties where the occupiers are generally seen to be undertaking business which is contrary to its corporate values.

- **Lease length and break (for main tenants/income) –** the lease term will determine the duration of the tenant's contractual obligation to pay rent. The most attractive investments offer a long lease with a strong tenant covenant. The lease term will reflect any tenant break clauses. The unexpired length of the term of the lease is of key importance in ensuring that the revenue stream is secure and uninterrupted. The Council will take into consideration the risks associated with a tenant vacating and the potential to attract good quality replacements tenants at acceptable rental levels.

- **Portfolio mix** - The Council can minimise its exposure to risk by spreading investments across sectors and by avoiding single large scale investments. Generally there is a spread of investment across sectors. Property investments will be expected to provide a balance over five main property sectors (housing, employment use, office, leisure and retail).

- **Voids** – Is there a past history of voids? A high level of voids would make the project unviable.

- **Tenure –** anything less than a freehold acquisition will need to be appropriately reflected in the price. The length of the lease will affect the sustainability of the project.

- **Tenant Repair obligations –** under a Full Repairing & Insuring Lease (FRI), the tenant is responsible for the building's interior and exterior maintenance / repair. The obligation is limited to the building's interior under an Internal Repairing & Insuring Lease (IRI). The preference will be to favour FRI terms (or FRI by way of service charge i.e. all costs relating to occupation and repairs are borne by the tenants and administered through a service charge).

- **Building Quality –** a brand new or recently refurbished building will not usually require capital expenditure for at least 15 years. This is attractive for income; the aim is for a long term rental income with the minimum of ongoing capital expenditure.
- **Rental Growth Prospects** – Is there potential to grow income in future years? This will make the project more financially sustainable.

- **Level of investment** – Does the Council have the resources to meet the level of investment in the required timescale?

- **Energy Rating** - An A rated property is superior in terms of environmental protection. 2018 legislation states that properties with F or G ratings can't be let so these would not be permitted under this Strategy.

5.9 The Commercial Investment Criteria Scoring Matrix is supplemented by additional contextual information and by:

a) additional contextual information
b) due diligence checks and financial checks, including building surveys, legal title checks, credit references etc. where relevant.
c) a SWOT Analysis

6. Risk Management

6.1 This will include a market analysis focussing on competition, demand and current market trends.

6.2 To ensure that it has access to quality advice and expertise in specialist areas, the Authority will use external advisers where appropriate. This may include advice from the Authority's retained Commercial Development Advisor, an assessment of the particular market that the Authority will be competing in, the nature and level of competition, an assessment of how the market/customer needs will evolve over time, barriers to entry and exit, legal and taxation issues and any ongoing investment requirements (such as a credit reference checks). Each potential investment will undergo qualitative and quantitative appraisal to establish its relevance to the Authority's core values and the legal and financial implications of the purchase.

6.3 **Market forces**

As with all investments, there are risks that capital values and rental values can fall as well as rise. To mitigate against future unfavourable market forces, acquisitions will be made on the basis that the Council is willing and capable of:-

- Holding property investments for the long term i.e. 25 years +. This will ensure income and capital returns are considered over the long term thereby smoothing out any cyclical economic/property downturns.

- Fixing borrowing liabilities. The Council can borrow from the Public Works Loan Board at historically low levels thus protecting the Council from future Increases in financing rates.

- Effective partnership working to share risk where appropriate, for example, joint venture arrangements or limited liability partnerships.

6.4 **Portfolio Management**

To mitigate the risk of void periods where the property is either partially or fully vacant, or a tenant has defaulted on its rental obligations, the investment portfolio will be actively managed.

In addition, the investment criteria specified in the scoring matrix favours secure property investments i.e. high quality buildings in prime locations, thus mitigating the risk of void periods on re-letting.

6.5 **Resources**

Property investment markets are, in general, controlled by national and regional commercial property agencies and establishing links and relationships with a number of such property agents is the best method of sourcing suitable properties for acquisition.

Staffing resources will be made available in order to source suitable property assets for acquisition that match the criteria set under the Strategy. If additional resources are required for specific projects, this can be done either by recruitment into the existing Estates and Facilities Team or by engaging suitable and appropriate external expertise as required. It is recognised that expertise is essential to enable informed decision making.

7. Financial Viability

7.1 The financial viability of each individual potential investment opportunity will be fully assessed within a comprehensive business case and business plan. In order to reflect the potential risk that may arise as a consequence of undertaking commercial investment and provide a sufficient financial contribution to the Council's General Fund, a positive Internal Rate of Return (IRR) is required. However, the Council may still consider pursuing an investment if the IRR is positive but low if it meets the Council's Corporate Priorities. Rates of return must be better than investing through Treasury Management processes.

7.2 The level of return will be heavily influenced by two factors: (a) the cost of capital and (b) the regulatory requirements of the minimum revenue provision (MRP).

Annex A

STATUTORY GUIDANCE ON LOCAL GOVERNMENT INVESTMENTS

(3rd Edition) - Issued under section 15(1)(a) of the Local Government Act 2003 and effective for financial years commencing on or after 1 April 2018

POWER UNDER WHICH THE GUIDANCE IS ISSUED

1. The following Guidance is issued by the Secretary of State under section 15(1)(a) of the *Local Government Act 2003.* Under that section local authorities are required to "have regard" to "such guidance as the Secretary of State may issue".

DEFINITION OF TERMS

2. In this guidance the ***2003 Act*** means the *Local Government Act 2003.*

3. **Local authority** has the meaning given in section 23 of the *2003 Act.* To the extent that this guidance applies to parish councils and charter trustees (see paragraph 11) a reference to a local authority includes those councils and trustees.

4. The definition of an **investment** covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.

5. For the avoidance of doubt, the definition of an investment also covers loans made by a local authority to one of its wholly-owned companies or associates, to a joint venture, or to a third party. The term does not include *pension funds* or *trust fund investments,* which are subject to separate regulatory regimes and therefore are not covered by this guidance.

6. A **credit rating agency** is one of the following three companies:
   - Standard and Poor's;
   - Moody's Investors Service Ltd; and
   - Fitch Ratings Ltd.

7. For the purposes of this guidance a **loan** is a written or oral agreement where a local authority temporarily transfers cash to a third party, joint venture, subsidiary or associate who promises to return it according to the terms of the agreement, normally with interest. This definition does not include a loan to another local authority, which is classified as a specified investment.

8. The **Treasury Management Code** means the statutory code of practice issued by CIPFA: *"Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, 2017 Edition".*

9. The **Prudential Code** means the statutory code of practice, issued by CIPFA: *"The Prudential Code for Capital Finance in Local Authorities, 2017 Edition".*

10. The **Capital Strategy** is the strategy required by the updates to the Prudential Code and Treasury Management Code.

APPLICATION

Effective date

11. This guidance applies for financial years commencing on or after 1 April 2018. It supersedes all previous editions of the Statutory Guidance on Local Authority Investments.

12. Strategies presented to Council or equivalent before 1 April 2018 but relating to 2018-19 and future financial years do not need to include all of the additional disclosures required by this edition of the guidance should it not prove practical or cost effective to do so. If a local authority chooses not to include the new disclosures in its 2018-19 Strategy, it must include the disclosures in full in the first Strategy presented to full Council or equivalent after 1 April 2018.

Local authorities

13. This guidance applies to all local authorities in England.

14. This guidance applies to parish councils and charter trustees, providing their total investments exceed or are expected to exceed £100,000 at any time during the financial year. Where a parish council or charter trustee expects its total investments to be between £10,000 and £100,000, it is encouraged to adopt the principles in this guidance.

KEY PRINCIPLES

Transparency and democratic accountability

15. For each financial year, a local authority should prepare at least one Investment Strategy ("the Strategy"). The Strategy should contain the disclosures and reporting requirements specified in this guidance.

16. The Strategy should be approved by the full council. For authorities without a full Council, the Strategy should be approved at the closest equivalent level. The Secretary of State recommends that the Strategy should be presented for approval prior to the start of the financial year.

17. Where a local authority proposes to make a material change to its Strategy during the year a revised Strategy should be presented to full council or equivalent for approval before the change is implemented.

18. The Strategy should be publicly available on a local authority's website. Where a parish council or charter trustee does not maintain its own website, they should post a public notice detailing how local residents can obtain a copy of the Strategy, free of charge.

19. Where a local authority prepares a Capital Strategy in line with the requirements of the Prudential Code, a Treasury Management Strategy in line with the requirements of the Treasury Management Code, or any other publicly available document, the disclosures required to be included in the Strategy can be published in those documents instead of in the Strategy.

Contribution

20. Investments made by local authorities can be classified into one of two main categories:
    - Investments held for treasury management purposes; and
    - Other investments.

21. Where local authorities hold treasury management investments, they should apply the principles set out in the Treasury Management Code. They should disclose that the contribution that these investments make to the objectives of the local authority is to support effective treasury management activities. The only other element of this Guidance that applies to treasury management investments is the requirement to prioritise Security, Liquidity and Yield in that order of importance.

22. Local authorities should disclose the contribution that all other investments make towards the service delivery objectives and/or place making role of that local authority. It is for each local authority to define the types of contribution that investments can make and a single investment can make more than one type of contribution.

Use of indicators

23. The Strategy should include quantitative indicators that allow Councillors and the public to assess a local authority's total risk exposure as a result of its investment decisions. This should include how investments are funded and the rate of return received. Where investment decisions are funded by borrowing the indicators used should reflect the additional debt servicing costs taken on.

24. Local authorities should consider the most appropriate indicators to use, given their risk appetite and capital and investment strategies. Whilst this guidance does not prescribe specific indicators or thresholds, the indicators used should be consistent from year to year and should be presented in a way that allows elected members and the general public to understand a local authorities' total risk exposure from treasury management and other types of investment.

25. Where a local authority has entered into a long term investment or has taken out long term debt to finance an investment the indicators used should allow Councillors and the general public to assess the risks and opportunities of the investment over both its payback period and over the repayment period of any debt taken out.

Security, Liquidity and Yield

26. A prudent investment policy will have two underlying objectives:
    - **Security** – protecting the capital sum invested from loss; and
    - **Liquidity** – ensuring the funds invested are available for expenditure when needed.

27. The generation of **yield** is distinct from these prudential objectives. However, this does not mean that local authorities are recommended to ignore potential revenues. Once proper levels of security and liquidity are determined, it will then be reasonable to consider what yield can be obtained consistent with these priorities.

28. When entering into treasury management investments, local authorities should consider security, liquidity and yield in that order of importance.

29. When entering into other types of investments local authorities should consider the balance between security, liquidity and yield based on their risk appetite and the contribution(s) of that investment activity.

Security

Financial Investments

30. Financial investments can fall into one of three categories:

• **Specified investments**;
• **Loans**; and
• **Other Non-specified investments**.

Specified Investments

31. An investment is a specified investment if all of the following apply:
    - The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling.
    - The investment is not a long term investment. This means that the local authority has contractual right to repayment within 12 months, either because that is the expiry term of the investment or through a non-conditional option.
    - The making of the investment is not defined as capital expenditure by virtue of Regulation 25(1)(d) of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended].*
    - The investment is made with a body or in an investment scheme described as high quality (see paragraph 33 or with one of the following bodies:
        i. The United Kingdom Government;
        ii. A local authority in England or Wales (as defined in section 23 of *the 2003 Act*) or a similar body in Scotland or Northern Ireland; or
        iii. A parish council or community council.

32. For the purposes of paragraph 32 the Strategy should define high credit quality. Where this definition incorporates ratings provided by credit rating agencies paragraph 42 is relevant.

Loans

33. A local authority may choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth even though those loans may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity.

34. Local authorities can make such loans whilst continuing to have regard to this guidance if they can demonstrate in their Strategy that:
    - Total financial exposure to these type of loans is proportionate;
    - They have used an allowed "expected credit loss" model for loans and receivables as set out in International Financial Reporting Standard (IFRS) 9 *Financial Instruments* as adopted by proper practices to measure the credit risk of their loan portfolio;
    - They have appropriate credit control arrangements to recover overdue repayments in place; and
    - The local authority has formally agreed the total level of loans by type that it is willing to make and their total loan book is within their self-assessed limit.

Non-specified investments

35. A non-specified investment is any financial investment that is not a loan and does not meet the criteria to be treated as a specified investment.

36. For non-specified investments (i.e. those not meeting the criteria in paragraph 31), the Strategy should:
    - Set out procedures for determining which categories of investments may be prudently used (and where these procedures involve the use of credit ratings, paragraph 32 is relevant).
    - Identify which categories of investments have been defined as suitable for use.

- State the upper limits for the maximum amounts both individually and cumulatively that may be held in each identified category and for the overall amount held in non-specified investments and confirm that investments made have remained within those limits.

Non-financial investments

37. As defined in paragraph 4 of this guidance non-financial investments are non-financial assets that the organisation holds primarily or partially to generate a profit. Where a local authority holds a non-financial investment, it will normally have a physical asset that can be realised to recoup the capital invested. Local authorities should consider whether the asset retains sufficient value to provide security of investment using the fair value model in *International Accounting Standard 40: Investment Property* as adapted by proper practices.

38. Where the fair value of non-financial investments is sufficient to provide security against loss, the Strategy should include a statement that a fair value assessment has been made within the past twelve months, and that the underlying assets provide security for capital investment.

39. Where the fair value of non-financial investments is no longer sufficient to provide security against loss, the Strategy should provide detail of the mitigating actions that the local authority is taking or proposes to take to protect the capital invested.

40. Where a local authority recognises a loss in the fair value of a non-financial investment as part of the year end accounts preparation and audit process, an updated Strategy should be presented to full council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

Risk Assessment

41. The Strategy should state the local authority's approach to assessing risk of loss before entering into and whilst holding an investment, making clear in particular:
    - How it has assessed the market that it is/will be competing in, the nature and level of competition, how it thinks that the market/customer needs will evolve over time, barriers to entry and exit and any ongoing investment requirements.
    - Whether and, if so how, a local authority uses external advisors be they treasury management advisors, property investment advisors or any other relevant persons.
    - How the local authority monitors and maintains the quality of advice provided by external advisors.
    - To what extent, if at all, any risk assessment is based on credit ratings issued by credit ratings agencies.
    - Where credit ratings are used, how frequently they are monitored and the procedures for taking action if credit ratings change.
    - What other sources of information are used to assess and monitor risk.

Liquidity

42. For financial investments that are not treasury management investments or loans the Strategy should set out the procedures for determining the maximum periods for which funds may prudently be committed and state what those maximum periods are and how the local authority will stay within its stated investment limits.

43. For non-financial investments the Strategy should set out the procedures for ensuring that the funds can be accessed when they are needed, for example to repay capital borrowed. It should also state the local authority's view of the liquidity of the investments that it holds, recognising that assets can take a considerable period to

sell in certain market conditions. Where local authorities hold non-financial investment portfolios they can choose to assess liquidity by class of asset or at a portfolio level if appropriate.

Proportionality

44. Where a local authority is or plans to become dependent on profit generating investment activity to achieve a balanced revenue budget, the Strategy should detail the extent to which funding expenditure to meet the service delivery objectives and/or place making role of that local authority is dependent on achieving the expected net profit. In addition, the Strategy should detail the local authority's contingency plans should it fail to achieve the expected net profit.

45. The assessment of dependence on profit generating investments and borrowing capacity allocated to funding these should be disclosed as a minimum over the life-cycle of the Medium Term Financial Plan. However, an assessment of longer term risks and opportunities is recommended.

Borrowing in advance of need

46. Authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

47. Where a local authority chooses to disregard the Prudential Code and this Guidance and borrows or has borrowed purely to profit from the investment of the extra sums borrowed the Strategy should explain:

- Why the local authority has decided not to have regard to this Guidance or to the Prudential Code in this instance; and
- The local authority's policies in investing the money borrowed, including management of the risks, for example, of not achieving the desired profit or borrowing costs increasing.

Capacity, skills and culture

48. The Strategy should disclose the steps taken to ensure that those elected members and statutory officers involved in the investments decision making process have appropriate capacity, skills and information to enable them to take informed decisions as to whether to enter into a specific investment, to assess individual assessments in the context of the strategic objectives and risk profile of the local authority and to enable them to understand how the quantum of these decisions have changed the overall risk exposure of the local authority.

49. The Strategy should disclose the steps taken to ensure that those negotiating commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate.

50. Where appropriate the Strategy should comment on the corporate governance arrangements that have been put in place to ensure accountability, responsibility and authority for decision making on investment activities within the context of the local authority's corporate values.

ANNEX B

COMMERCIAL INVESTMENT CRITERIA SCORING MATRIX

a) Pass / Fail Assessments:

Requirement	Pass / Fail	Comment
Does the Council have the necessary legal powers to support the project?		If fail, consider setting up an alternative delivery model?
Does the Council have the necessary sources of funding for the investment?		Note that PWLB borrowing cannot be used for commercial investments and that if a local authority intends to buy commercial assets primarily for yield (even using reserves) then they will be prevented from taking any PWLB borrowing in that financial year.
Is the project linked with any of the following? ☐ Alcohol products where over 25% of those attending or using the services are under 18 ☐ Tobacco products ☐ Unhealthy food or unhealthy lifestyles ☐ Weaponry or Arms Trading ☐ Gambling ☐ Racism ☐ Sex Establishments ☐ Political parties ☐ Any other relationship that would have a negative impact on the Council		
Have state aid issues been fully assessed?		

A project must pass <u>all</u> the tests set out above.

b) Risk Assessment

Individual commercial investment proposals must be supported by detailed business cases and business plans. As well as considering the Net Present Value, Internal Rate of Return and impact on the General Fund of any commercial investment proposals, the decision to invest also takes into account the following assessment matrix:

ASSESSMENT CRITERIA	Excellent / very good	Good	Satisfactory	Marginal	Uncertain	N / A
Meeting the Council's Priorities	Fully supports one or more of the Council's corporate priorities	Mostly	Adequately	Partially	No direct link to corporate priorities	
Providing community benefit	Fully	Mostly	Adequately	Partially	Limited	
Rate of Return* - % rent against capital or interest repayments	>8%	7%-8%	5%-7%	3%-5%	<3%	
Proximity to Derbyshire Dales**	within District	within Derbyshire	England	National	Outside UK	
Location	Prime	Not prime but in established location	Secondary	Remote from other developments	Isolated, undeveloped area, limited infrastructure links	
Reduction in costs of service delivery for the Council, e.g. Investment in new technologies	Savings > £20k p.a.	Savings £10k to £20k p.a.	Savings £3k to £10k p.a.	Savings up to £3k p.a.	No savings	
Jobs created / safeguarded	>50	26 - 50	6 - 25	1 - 5	None	
Increase in business rate or council tax income for DDDC	Extra £20k p.a.	Extra £10k to £20k p.a.	Extra £3k to £10k p.a.	Extra £3k p.a.	No business rate income	
Tenancy strength	Multiple tenants with strong financial covenant	Single tenant with strong financial covenant	Single or multiple tenants with good financial covenant	Tenants with average financial covenant	Tenants with poor financial covenant strength	
Lease length and break (for main tenants/income)	>15 years	11 - 15 years	10 - 8 years (10 year lease)	7 - 5 years (5 year break)	<5 years or vacant	
Portfolio mix (asset type is balanced in portfolio - no more than x% of portfolio	<50%	50%-60%	60%-70%	70%-80%	>80% of portfolio	
Voids (after Lease end including marketing, fit out and rent free)	0-9 months	9-12 months	12-18 months	18-24 months	>24 months	
Tenure	Freehold	Lease >99 years	Lease 25 - 99 years	Lease 5 - 25 years	Lease <5 years	
Tenant Repair Obligations	Full repairing & insuring	Internal repairing 100% recoverable	Internal repairing partially recoverable	Internal repairing non recoverable	Landlord	
Building Quality/Age	<10 years	10-20 years	< 21-30 years	31-35 years	>35 years	
Rental Growth Prospects	within 1 year	within 2-5 years	within 5-7 years	within 7-10 years	>10 years	

Level of investment	<£0.5m	Between £0.5m and £1m	Between £1m and £2m	Between £2m and £3m	>£3m	
Energy Rating (2018 legislation can't let with F/G assessment)	A/B	C	D	E	F/G	

* Rates of return must be better than investing through Treasury Management processes.

** Projects / opportunities arising outside Authority boundaries will be considered where rates of return justify the investment.

To be considered for investment 50% of the applicable criteria above must be excellent, good or satisfactory.

The matrix above is supplemented by:

c) **additional contextual information**

d) **due diligence checks and financial checks,** including building surveys, legal title checks, credit references etc. where relevant**.**

e) **a SWOT Analysis**

Project Name
Strengths
Weaknesses
Opportunities
Threats

NOT CONFIDENTIAL – For public release **Item No. 14**

COUNCIL
18 MARCH 2021

Report of the Director of Corporate and Customer Services

CHANGES IN POLITICAL BALANCE AND POLITICAL GROUP MEMBERSHIP

PURPOSE OF REPORT

To update the membership of political groups on the Council and report on the change to the political balance of the authority.

RECOMMENDATION

1. That the operation of four political groups on the Council and the detail of their designated Leaders be noted:

   (a) Conservative Group and Councillors Richard Bright and Graham Elliott – Councillor Garry Purdy (Leader of the Council)
   (b) Green and Independent Group – Councillor Neil Buttle
   (c) Labour Group – Councillor Mike Ratcliffe
   (d) Liberal Democrat Group – Councillor Steve Flitter

2. That the following special responsibility allowances be paid:

   (a) Councillor Purdy - £11,793 (effective from 19 January 2021)
   (b) Councillor Flitter - £1,617
   (c) Councillor Buttle - £1,115
   (d) Councillor Hobson - £5,897 (effective from 19 January 2021)

WARDS AFFECTED

District-wide

STRATEGIC LINK

The strategic leadership provided by councillors in discharging the functions of the Council through committees and other bodies is critical to the delivery of all priorities in the Corporate Plan.

1 BACKGROUND

1.1 The Proper Officer is required to notify the Council of any change in the political balance of the authority or the operation of new political groups under the Local Government (Committees and Political Groups) Regulations 1990. Since the last Council meeting, the Proper Officer has received notification of changes in the membership of political groups.

1.2 On 19 January 2021, Councillors Richard Bright and Graham Elliott confirmed that they had formed a group with the existing Conservative Group, made up of 19 councillors. The new group is the ‘Conservative Group and Councillors Richard Bright and Graham Elliott’. This group is made up of 21 Members, which means that it is the majority group on the Council.

1.3 On 27 February 2021, Councillor Joyce Pawley sadly died and the Council paid silent tribute to the memory of Councillor Mrs Pawley at its meeting on 4 March 2021. It was also verbally reported to that meeting that Councillor Elisa McDonagh had resigned as a councillor on 3 March 2021. The arising two vacancies has reduced the Labour Group to 3 Members.

1.4 Given that there are two vacant seats on the Council and the relative proximity to the Annual Meeting of the Council, it is not recommended that the Council review the entitlement to seats on committees at this meeting. A report will be presented to the Annual Meeting, following the by-elections to fill the vacancies, which will invite the Council to agree a new seat entitlement for each political group.

2 POLITICAL GROUPS

2.1 The Proper Officer has received formal notifications, under the provisions of the Local Government (Committees and Political Groups) Regulations 1990, of changes in the membership of the Council’s political groups.

2.2 On 19 January 2021, Councillors Bright and Elliott formed an alliance with the Conservative Group of 19 Members to form a new group – known as the Conservative Group and Councillors Richard Bright and Graham Elliott – with the total membership of the group being 21 Members.

2.3 Following the death of Councillor Mrs Pawley and the resignation of Councillor McDonagh, the Labour Group now has 3 Members.

2.4 The effect of these changes means that no political group is in overall control of the authority and the political balance of the Council is now:

Name of Group	Designated Leader	Number of Members
Conservative and Councillors Richard Bright and Graham Elliott	Councillor Purdy	21
Green and Independent	Councillor Buttle	5
Labour	Councillor Ratcliffe	3
Liberal Democrat	Councillor Flitter	7

2.5 Councillor Swindell does not belong to a political group and for the purposes of this report he is described as a non-aligned Member.

2.6 Under the Members’ Allowances Scheme, special responsibility allowances are paid to the two largest minority group leaders. The special responsibility allowance for a minority group leader is £231 per Member, which equals £1,155 for a group leader.

With the Labour Group now having 3 Members, Councillor Ratcliffe is no longer in receipt of a special responsibility allowance as a minority group leader.

2.7 The change in group membership arising from Councillor Bright and Elliott's decision to form an alliance with the Conservative Group to become a single political group also had the effect of increasing the allowance paid to Councillor Purdy from £11,331 from £11,793, and consequently the allowance paid to Councillor Hobson from £5,781 to £5,897.

3 ASSESSMENT

Legal

3.1 The legislative requirements in respect of considering the new political balance and political group membership are covered earlier in the report. On this basis, the legal risks associated with this report are considered to be low.

Financial

3.2 The proposed allowances can be contained within the existing revenue budget. There are no financial risks arising from this report.

4 OTHER CONSIDERATIONS

4.1 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.

5 CONTACT INFORMATION

5.1 James McLaughlin - Director of Corporate and Customer Services & Monitoring Officer
Tel: 01629 761281
Email: james.mclaughlin@derbyshiredales.gov.uk

6 BACKGROUND PAPERS

6.1 Report to Council – Appointment of Committees and Review of Political Proportionality – 22 July 2020

6.2 Report to Council – Political Balance, Political Groups and Entitlement to Seats on Committees – 26 November 2020

7 ATTACHMENTS

7.1 None

NOT CONFIDENTIAL – For public release **Item No. 15**

COUNCIL
18 MARCH 2021

Report of the Director of Corporate and Customer Services

DELEGATION OF AUTHORITY – TEMPORARY APPOINTMENTS TO PARISH COUNCILS

PURPOSE OF REPORT

To delegate authority to the Director of Corporate and Customer Services to make temporary appointments to Birchover and Mappleton parish councils, which are currently inquorate and unable to act.

RECOMMENDATION

That authority be delegated to the Director of Corporate and Customer Services to make the necessary order to appoint temporary parish councillors to serves on Birchover Parish Council and Mappleton Parish Council that are inquorate and unable to act until such time as an election or co-option can be held and those elected or co-opted have taken up office;

WARDS AFFECTED

Dovedale and Parwich
Stanton

STRATEGIC LINK

Not applicable

1 BACKGROUND

1.1 In order for a Town and Parish Council to operate they have to be quorate. There are occasions where due to resignations or a lack of applications for vacancies at election, a town or parish council is not able to operate for this reason.

1.2 Section 91(1) of the Local Government Act 1972 provides that the principal authority, in this case the District Council, can make an order to appoint to the town or parish council until such time as the vacancies on the council have been filled by election.

2 REPORT

2.1 There are currently two Councils that have indicated that they are unable to operate – Birchover Parish Council and Mappleton Parish Council. The situation at Birchover Parish Council has arisen from all councillors failing to attend a meeting during a six month period, which is a requirement under Section 85 of the Local Government Act 1972. Mappleton Parish Council has become inquorate following a resignation. As both Councils are presently inquorate and cannot make a decision to co-opt, a request has been made to the District Council to make temporary appointments until vacancies can be filled. By-elections for these vacancies cannot take place until 6 May 2021 at the earliest.

2.2 The quorum for any meeting of either Birchover or Mappleton Parish Council is three. Birchover Parish Council therefore requires three temporary councillors to be appointed, whereas Mappleton Parish Council is in need of one temporary councillor to become quorate again.

2.3 Given that the Birchover Parish Council has not yet signed off its Statement of Accounts for the previous financial year, there is a risk of a Public Interest Report being published if the Parish Council is not able to act. Similarly, Mappleton Parish Council has financial matters that need to be transacted by a quorate council. On this basis, it is necessary for the District Council to consider delegating authority to the Director of Corporate and Customer Services to make temporary appointments to the parishes until the vacancies can be filled under the power it has under Section 91 of the Local Government Act 1972. The use of this power is a function reserved to Council, which has not been delegated to an officer. The decision to delegate authority must therefore be made by the Council.

2.4 Consultation has taken place with the relevant Ward Members and political group leaders in the preparation of this report. All are supportive of the recommendation to delegate authority in this instance to enable temporary appointments to be made in a timely manner.

3 RISK ASSESSMENT

Legal

3.1 Section 91(1) of the Local Government Act 1972 provides that the principal authority, in this case Derbyshire Dales District Council, can make an order to appoint to town or parish councils until such time as vacancies have been filled by election. The Council could choose not to appoint anyone to either parish council. However both parish councils would not be unable to make any decisions due to being inquorate. Without the District Council appointing to the parish councils, they would remain inquorate until the by-elections can be held.

Financial

3.2 There are no financial risks associated with the proposal.

4 OTHER CONSIDERATIONS

4.1 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.

5 CONTACT INFORMATION

5.1 James McLaughlin - Director of Corporate & Customer Services & Monitoring Officer
Tel: 01629 761281
Email: james.mclaughlin@derbyshiredales.gov.uk

NOT CONFIDENTIAL – For public release **Item No. 16**

COUNCIL
18 MARCH 2021

Report of the Director of Corporate and Customer Services

LOCAL GOVERNMENT BOUNDARY COMMISSSION FOR ENGLAND'S RECOMMENDATIONS FOR NEW ELECTORAL ARRANGEMENTS AND WARD BOUNDARIES IN THE DERBYSHIRE DALES

PURPOSE OF REPORT

To submit for information the draft recommendations of the Local Government Boundary Commission for England's (LGBCE) in respect of proposed electoral arrangements for Derbyshire Dales District Council.

RECOMMENDATION

That the draft recommendations of the Local Government Boundary Commission for England in respect proposed electoral arrangements for Derbyshire Dales District Council be noted.

WARDS AFFECTED

District-wide

STRATEGIC LINK

Not applicable

1 BACKGROUND

1.1 On 18 August 2020, the LGBCE published its decision that Derbyshire Dales District Council would consist of 34 councillors from May 2023 and began consultation one week later, on 25 August 2020, to seek views in respect of the ward arrangements for the district. The consultation period ended on 2 November 2020. Whilst the Council did not agree a submission to the LGBCE, all of the political groups of the Council, either individually or as part of a collective, made submissions to the Commission.

1.2 On 2 February 2021, the LGBCE commenced the consultation on its draft recommendations for electoral arrangements in the Derbyshire Dales. The consultation is due to cease on 12 April 2021, after which the LGBCE will analyse submissions and begin to form its final recommendations, which will then be published formally on 29 June 2021.

2 REPORT

2.1 The LGBCE has reported that it received 51 submissions in response to the consultation on ward boundaries. In making its recommendations, the LGBCE has stated that it had taken into account local evidence received, as well as individual and collective submissions from political groups and parties.

2.2 The draft recommendations are for four three-councillor wards, five two-councillor wards and 12 one-councillor wards, and the Commission considers that its recommendations will provide for good electoral equality whilst reflecting community identities and interests based on the evidence received during the consultation.

2.3 Attached at Appendix 1 is the LGBCE's draft recommendations summary report.

2.4 Officers have reviewed the draft recommendations and have not identified any implications which would impact negatively upon service delivery.

2.5 It is understood that the political groups of the Council have different views in respect of the draft recommendations and it is therefore unlikely that agreement will be possible in developing a single response on behalf of the authority. Political groups, parties and individual councillors may consider submitting their own responses to the LGBCE consultation which concludes on 12 April 2021.

3 RISK ASSESSMENT

Legal

3.1 There are no specific legal implications associated with this report. The Electoral Review is a statutory process governed by the Local Democracy, Economic Development and Construction Act 2009. The LGBCE's final recommendations for Derbyshire Dales will be laid in Parliament after 29 June 2021.

Finance

3.2 There are no specific financial implications associated with this report. However a reduction from 39 Members to 34 Members will result in a saving in the budget for basic allowances, which would presently save £23,140 per annum.

4 OTHER CONSIDERATIONS

4.1 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.

4.2 The outcome of the review will deliver a different warding pattern and potentially a different number of councillors. The representational role of councillors and their relationship with the communities they serve is fundamental to LGBCE considerations in undertaking the review.

4.3 There are no environmental concerns as a result of the LGBCE's review of ward boundaries, however, a reduction to 34 councillors in 2023 from the present number of 39 councillors should lead to a reduction in the carbon footprint associated with committee meetings.

5 CONTACT INFORMATION

5.1 James McLaughlin - Director of Corporate & Customer Services & Monitoring Officer
Tel: 01629 761281
Email: james.mclaughlin@derbyshiredales.gov.uk

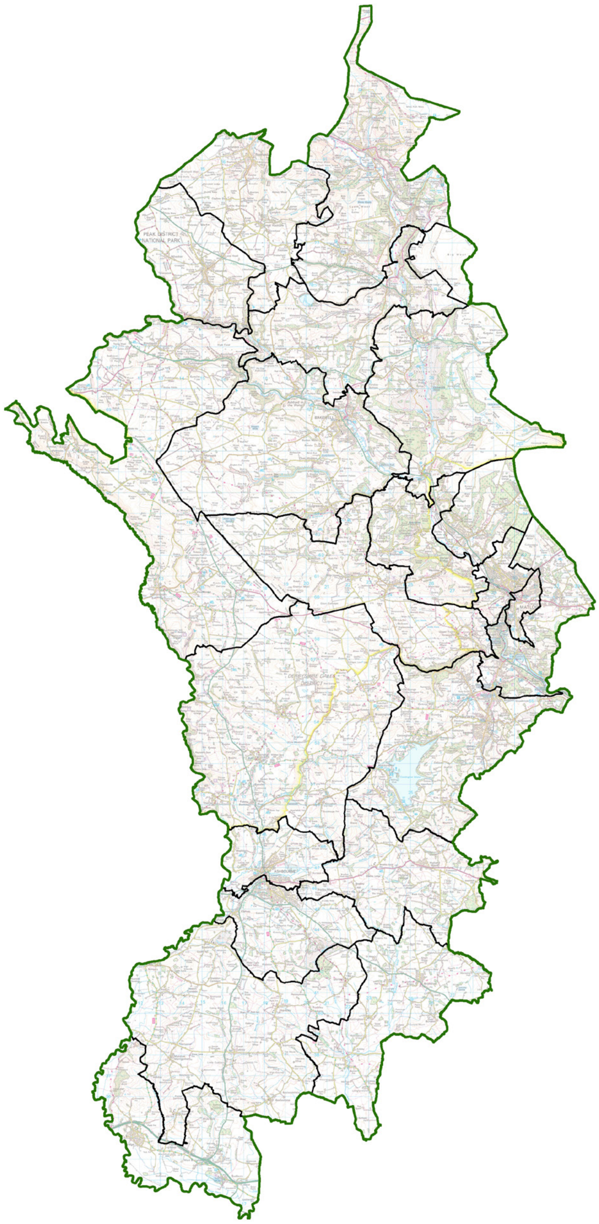
6 BACKGROUND PAPERS

6.1 Local Government Boundary Commission for England – Derbyshire Dales - https://www.lgbce.org.uk/all-reviews/east-midlands/derbyshire/derbyshire-dales

7 ATTACHMENTS

7.1 Appendix 1 – LGBCE Draft recommendations for Derbyshire Dales – 2 February 2020

The Local Government Boundary Commission for England



New electoral arrangements for Derbyshire Dales District Council

Draft Recommendations

February 2021

Translations and other formats:

To get this report in another language or in a large-print or Braille version, please contact the Local Government Boundary Commission for England at:

Tel: 0330 500 1525

Email: reviews@lgbce.org.uk

Licensing:

A note on our mapping:

The maps shown in this report are for illustrative purposes only. Whilst best efforts have been made by our staff to ensure that the maps included in this report are representative of the boundaries described by the text, there may be slight variations between these maps and the large pdf map that accompanies this report, or the digital mapping supplied on our consultation portal. This is due to the way in which the final mapped products are produced. The reader should therefore refer to either the large pdf supplied with this report or the digital mapping for the true likeness of the boundaries intended. The boundaries as shown on either the large pdf map or the digital mapping should always appear identical.

Contents

Introduction

Who we are and what we do

1 The Local Government Boundary Commission for England (LGBCE) is an independent body set up by Parliament.[1] We are not part of government or any political party. We are accountable to Parliament through a committee of MPs chaired by the Speaker of the House of Commons. Our main role is to carry out electoral reviews of local authorities throughout England.

2 The members of the Commission are:

- Professor Colin Mellors OBE (Chair)
- Andrew Scallan CBE (Deputy Chair)
- Susan Johnson OBE
- Peter Maddison QPM
- Amanda Nobbs OBE
- Steve Robinson

- Jolyon Jackson CBE (Chief Executive)

What is an electoral review?

3 An electoral review examines and proposes new electoral arrangements for a local authority. A local authority's electoral arrangements decide:

- How many councillors are needed.
- How many wards or electoral divisions there should be, where their boundaries are and what they should be called.
- How many councillors should represent each ward or division.

4 When carrying out an electoral review the Commission has three main considerations:

- Improving electoral equality by equalising the number of electors that each councillor represents.
- Ensuring that the recommendations reflect community identity.
- Providing arrangements that support effective and convenient local government.

5 Our task is to strike the best balance between these three considerations when making our recommendations.

[1] Under the Local Democracy, Economic Development and Construction Act 2009.

6 More detail regarding the powers that we have, as well as the further guidance and information about electoral reviews and review process in general, can be found on our website at www.lgbce.org.uk.

Why Derbyshire Dales?

7 We are conducting a review of Derbyshire Dales District Council ('the Council') as the value of each vote in district elections varies depending on where you live in Derbyshire Dales. Some councillors currently represent many more or fewer voters than others. This is 'electoral inequality'. Our aim is to create 'electoral equality', where votes are as equal as possible, ideally within 10% of being exactly equal.

8 This electoral review is being carried out to ensure that:

- The wards in Derbyshire Dales are in the best possible places to help the Council carry out its responsibilities effectively.
- The number of voters represented by each councillor is approximately the same across the district.

Our proposals for Derbyshire Dales

9 Derbyshire Dales should be represented by 34 councillors, five fewer than there are now.

10 Derbyshire Dales should have 21 wards, four fewer there are now.

11 The boundaries of all but two wards should change.

How will the recommendations affect you?

12 The recommendations will determine how many councillors will serve on the Council. They will also decide which ward you vote in, which other communities are in that ward, and, in some cases, which parish council ward you vote in. Your ward name may also change.

13 Our recommendations cannot affect the external boundaries of the district or result in changes to postcodes. They do not take into account parliamentary constituency boundaries. The recommendations will not have an effect on local taxes, house prices, or car and house insurance premiums and we are not able to consider any representations which are based on these issues.

Have your say

14 We will consult on the draft recommendations for a 10-week period, from 2 February 2021 to 12 April 2021. We encourage everyone to use this opportunity to comment on these proposed wards as the more public views we hear, the more informed our decisions will be in making our final recommendations.

15 We ask everyone wishing to contribute ideas for the new wards to first read this report and look at the accompanying map before responding to us.

16 You have until 12 April 2021 to have your say on the draft recommendations. See page 26 for how to send us your response.

Review timetable

17 We wrote to the Council to ask its views on the appropriate number of councillors for Derbyshire Dales. We then held a period of consultation with the public on warding patterns for the district. The submissions received during consultation have informed our draft recommendations.

18 The review is being conducted as follows:

Stage starts	Description
18 August 2020	Number of councillors decided
25 August 2020	Start of consultation seeking views on new wards
2 November 2020	End of consultation; we began analysing submissions and forming draft recommendations
2 February 2021	Publication of draft recommendations; start of second consultation
12 April 2021	End of consultation; we begin analysing submissions and forming final recommendations
29 June 2021	Publication of final recommendations

Analysis and draft recommendations

19 Legislation[2] states that our recommendations should not be based only on how many electors[3] there are now, but also on how many there are likely to be in the five years after the publication of our final recommendations. We must also try to recommend strong, clearly identifiable boundaries for our wards.

20 In reality, we are unlikely to be able to create wards with exactly the same number of electors in each; we have to be flexible. However, we try to keep the number of electors represented by each councillor as close to the average for the council as possible.

21 We work out the average number of electors per councillor for each individual local authority by dividing the electorate by the number of councillors, as shown on the table below.

	2020	2026
Electorate of Derbyshire Dales	58,108	61,392
Number of councillors	39	34
Average number of electors per councillor	1,490	1,806

22 When the number of electors per councillor in a ward is within 10% of the average for the authority, we refer to the ward as having 'good electoral equality'. All of our proposed wards for Derbyshire Dales will have good electoral equality by 2026.

Submissions received

23 See Appendix C for details of the submissions received. All submissions may be viewed on our website at www.lgbce.org.uk

Electorate figures

24 The Council submitted electorate forecasts for 2026, a period five years on from the scheduled publication of our final recommendations in 2021. These forecasts were broken down to polling district level and predicted an increase in the electorate of around 6% by 2026.

25 We considered the information provided by the Council and are satisfied that the projected figures are the best available at the present time. We have used these figures to produce our draft recommendations.

[2] Schedule 2 to the Local Democracy, Economic Development and Construction Act 2009.
[3] Electors refers to the number of people registered to vote, not the whole adult population.

Number of councillors

26 Derbyshire Dales District Council currently has 39 councillors. We have looked at evidence provided by the Council, Councillor Clare Gamble, and Councillor Peter O'Brien, and have concluded that decreasing the number of councillors by five will ensure the Council can carry out its roles and responsibilities effectively.

27 Councillors Gamble and O'Brien both proposed a council size of 37, disputing the Council's assumptions about member workload and arguing that significant planned developments in the Peak District National Park had been omitted from the Council's forecast. However, the alleged omissions principally concerned developments of fewer than 10 dwellings and, as stated above, we are content that the Council's figures represent the best information available at this time.

28 We therefore invited proposals for new patterns of wards that would be represented by 34 councillors: for example, 34 one-councillor wards, 17 two-councillor wards, or a mix of one-, two- and three-councillor wards.

29 We received eight submissions about the number of councillors in response to our consultation on ward patterns. However, we were not persuaded that sufficient evidence was provided to justify an alternative number. We have therefore based our draft recommendations on a 34-councillor council.

Ward boundaries consultation

30 We received 51 submissions in response to our consultation on ward boundaries. These included district-wide proposals from the Derbyshire Dales Conservative Group ('the Conservatives') and the Derbyshire Dales Constituency Labour Party ('Labour'). We also received a district-wide scheme that was supported by the Derbyshire Dales Liberal Democrats, four Liberal Democrat councillors, two residents and Labour councillor Peter O'Brien. Green councillor Clare Gamble submitted a variation of this scheme in which Brushfield parish and its 14 electors were moved from one ward to another. She claimed it had the support of the scheme's other backers. It is therefore considered the definitive revision to this scheme for the purposes of this report. Given that this scheme was supported by a range of local political representatives, for the purposes of this report, we have referred to it as the 'multi-party scheme'. The remainder of the submissions provided localised comments for ward arrangements in particular areas of the district.

31 The three district-wide schemes provided a mixed pattern of one-, two- and three-councillor wards for Derbyshire Dales. The Conservative scheme, while ostensibly providing for good electoral equality, had a number of issues. Each proposed ward contained two descriptions: one of polling districts, the other of parishes. However, in several places, these descriptions did not match and, in one

case, the same parish had been assigned to two wards. Furthermore, the Conservatives' proposed Hathersage ward contained an exclave (being made up of Hathersage and Abney & Abney Grange parishes), which is irreconcilable with our statutory criteria for community identity and effective and convenient local government. In addition, one polling district was not included in the scheme at all. We have therefore not adopted this scheme, although we have incorporated some elements into our proposals. The Labour scheme submitted was very similar to the multi-party scheme, differing only slightly in the central and southern areas of the district, but contained one ward with a 26% electoral variance. We have therefore not adopted this scheme. We considered that the multi-party scheme contained excellent levels of electoral equality in most areas and generally used clearly identifiable boundaries. It therefore formed the basis of our draft recommendations.

32 Our draft recommendations also take into account local evidence that we received, which provided further evidence of community links and locally recognised boundaries. In some areas we considered that the multi-party scheme did not provide for the best balance between our statutory criteria and so we identified alternative boundaries.

33 Given the travel restrictions, and the social distancing, arising from the Covid-19 outbreak, there was a detailed virtual tour of Derbyshire Dales. This helped to clarify issues raised in submissions and assisted in the construction of the proposed draft boundary recommendations.

Draft recommendations

34 Our draft recommendations are for four three-councillor wards, five two-councillor wards and 12 one-councillor wards. We consider that our draft recommendations will provide for good electoral equality while reflecting community identities and interests where we received such evidence during consultation.

35 The tables and maps on pages 8–22 detail our draft recommendations for each area of Derbyshire Dales. They detail how the proposed warding arrangements reflect the three statutory[4] criteria of:

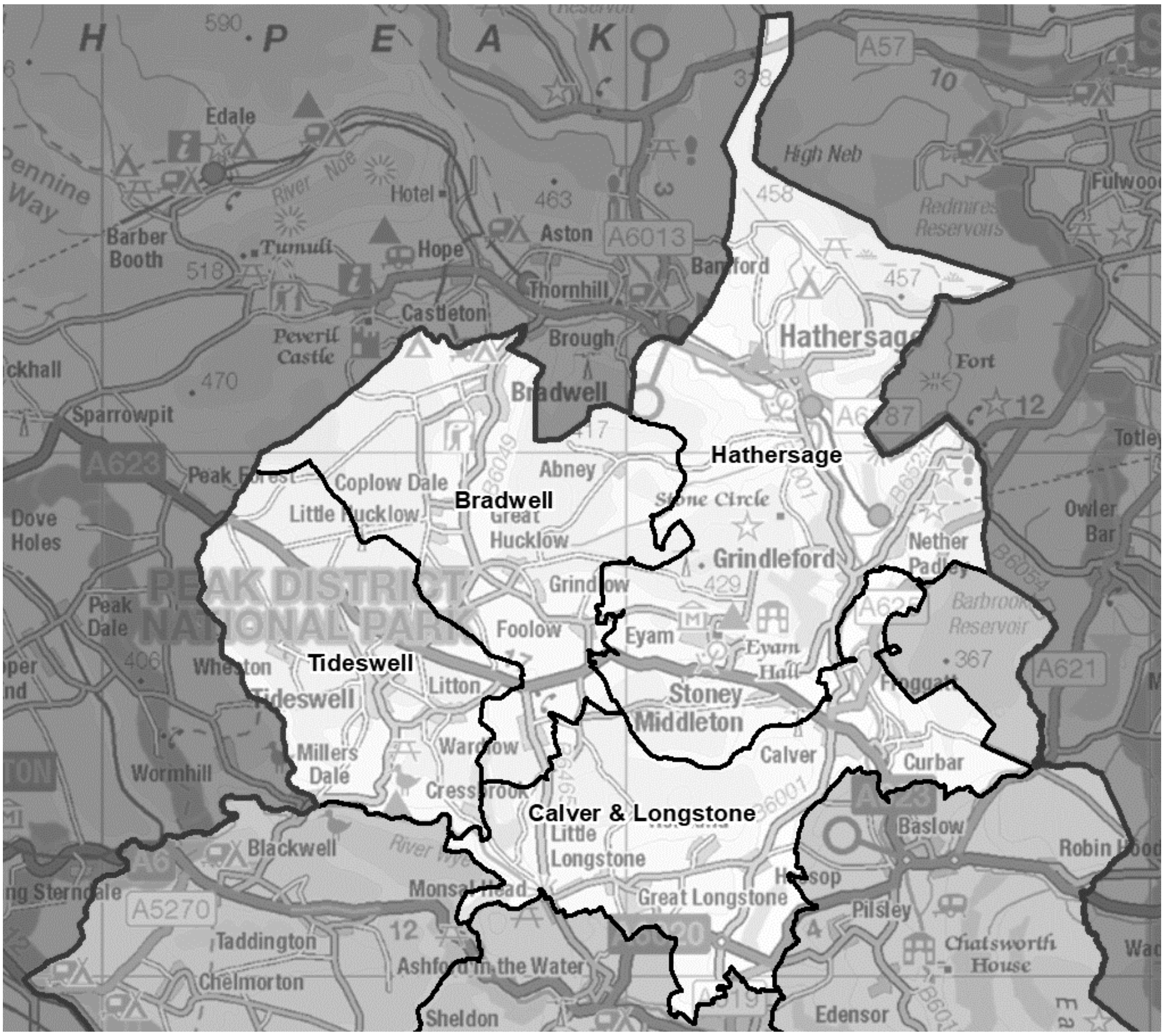
- Equality of representation.
- Reflecting community interests and identities.
- Providing for effective and convenient local government.

36 A summary of our proposed new wards is set out in the table starting on page 30 and on the large map accompanying this report.

[4] Local Democracy, Economic Development and Construction Act 2009.

37 We welcome all comments on these draft recommendations, particularly on the location of the ward boundaries, and the names of our proposed wards.

North Derbyshire Dales



Ward name	Number of councillors	Variance 2026
Bradwell	1	-8%
Calver & Longstone	1	2%
Hathersage	2	0%
Tideswell	1	6%

Bradwell

38 Both the Labour and multi-party proposals for Bradwell were based on the boundaries of the existing ward with the addition of Wardlow parish, resulting in a -10% variance. The Conservative scheme added parts of Litton parish to the existing ward but excluded Foolow parish, resulting in a 2% variance. However, it was unclear which parts of Litton parish were to be added to the proposed ward and this proposal appeared incompatible with the description of the group's proposed Tideswell ward. No evidence was presented to support either of the proposals and we received no submissions from the public concerning Bradwell. For the reasons

given above, we did not adopt the Conservative scheme in this area and have therefore adopted the multi-party proposal for Bradwell with the addition of Abney & Abney Grange parish, to reduce the electoral variance in the ward.

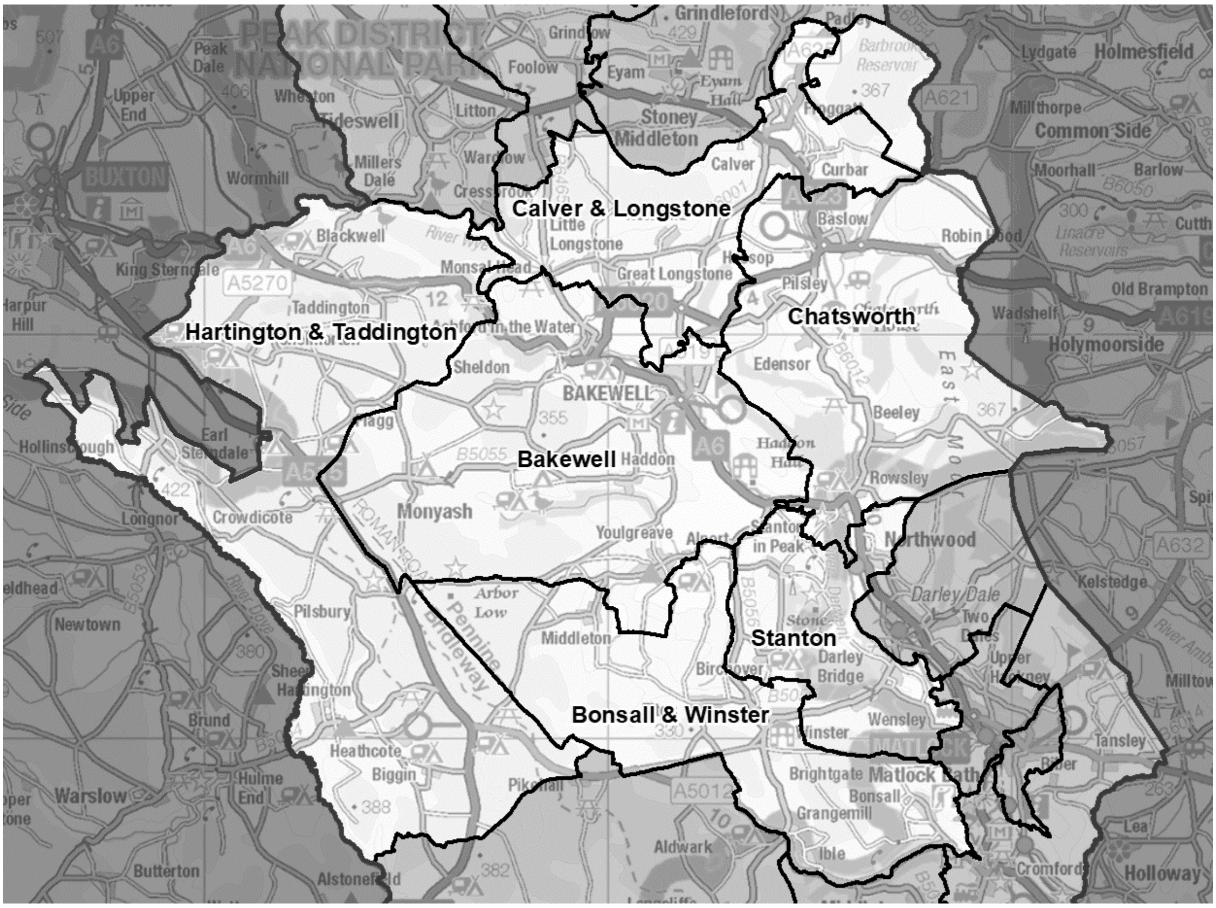
Calver & Longstone, Hathersage and Tideswell

39 The multi-party scheme grouped Great Longstone and Little Longstone parishes in a ward with Calver, Curbar, and Froggatt parishes, as well as Rowland and Hassop parishes. The submission is candid about there being little linking these groups of parishes together, but makes clear there are close links within the groups. The Labour proposal is identical. Brushfield parish, with its 14 electors, was included in Calver & Longstone in the original multi-party submission, but moved to Hartington in Councillor Clare Gamble's submission in the interests of continuity.

40 The Conservative proposals in this area appear to create a ward, Tideswell, with an exclave, Little Longstone parish. Great Longstone was included in the group's proposals for Bakewell ward. We are not persuaded that creating a detached ward will ensure effective and convenient local government and have therefore decided not to adopt this proposal as part of our draft recommendations. Based on the evidence received in the multi-party submission about the shared resources and community links between Little Longstone and Great Longstone, we have concluded that splitting these parishes is not reflective of community interests and identities, nor conducive to effective and convenient local government. The multi-party proposal for Tideswell groups Litton, Tideswell, and Wheston parishes. This proposal has similar boundaries to the existing ward with the addition of Litton. The submission gives strong evidence for the inclusion of Litton in the ward, including the listing of Litton amenities in the Tideswell parish welcome pack, both Litton and Tideswell being included in the village magazine, and Tideswell Environmental Group limiting membership to residents of Tideswell and Litton. We have therefore adopted this proposal in our draft recommendations.

41 The Conservative proposals for Hathersage grouped Hathersage and Abney & Abney Grange parishes. However, these parishes are separated by Offerton parish, which was included in the Conservatives' proposed Calver & Eyam ward. As mentioned previously, creating detached wards is incompatible with two of our three statutory criteria, and we have therefore not adopted this proposal. We received no submissions from members of the public in this area.

Mid Derbyshire Dales



Ward name	Number of councillors	Variance 2026
Bakewell	3	-10%
Bonsall & Winster	1	-7%
Chatsworth	1	0%
Hartington & Taddington	1	-3%
Stanton	1	-7%

Bakewell

42 In addition to the three complete schemes, we received three submissions concerning Bakewell: one from Bakewell Town Council and two from residents. The Town Council's submission requested that Bakewell remain a three-councillor ward. A resident from Great Longstone stated that the village ought to be included in Bakewell ward due to its shared amenities, and separated from Litton, with which it had little in common. A resident from Monyash submitted that the village's greatest affinity was with Bakewell, but that it also has close ties with Hartington, Flagg, Chelmorton, and Sheldon.

43 The multi-party proposal for Bakewell was for a two-councillor ward incorporating Ashford in the Water, Bakewell, and Sheldon parishes, with an

electoral variance of -2%. No evidence was offered for this proposal other than that all three are presently within the existing Bakewell ward. The Conservative proposal expanded the existing three-councillor ward to include Youlgrave parish to the south and Hassop, Great Longstone, and Rowland parishes to the north. This proposal would also result in an electoral variance of -2% by 2026.

44 Based on the evidence received, we have adopted the Conservative proposal for Bakewell ward, with some modification. As detailed above, we did not consider it proper to separate the parishes of Great Longstone and Little Longstone, which form the majority of our proposed Calver & Longstone ward. They have therefore been excluded from our proposed ward, which includes Monyash parish, based on locally submitted evidence. We are content that our draft recommendations for this ward will reflect community links while ensuring good electoral equality.

Bonsall & Winster

45 The Conservative and Labour/multi-party submissions differed considerably in this area, with the Conservatives proposing a one-councillor Winster ward incorporating the parishes of Birchover, Elton, Gratton, Harthill, Ivonbrook Grange, Stanton in Peak, and South Darley, with an electoral variance of 4%. However, based on community evidence received, we have included Birchover, Stanton in Peak, and South Darley parishes within a separate Stanton ward in our draft recommendations (see paragraph 49). We have therefore not adopted this proposal.

46 The Labour and multi-party schemes grouped the parishes of Birchover, Bonsall, Elton, Gratton, and Winster in a one-councillor Bonsall ward with an electoral variance of -3%. This has formed the basis of our proposal for a Bonsall & Winster ward. With the inclusion of Birchover in our proposed Stanton ward, we have added the parishes of Harthill, Ible, Ivonbrook Grange, and Middleton & Smerrill. The inclusion of Ible and Ivonbrook Grange was also influenced by a number of submissions, including that from Middleton & Smerrill Parish Council, which requested that parishes within the Peak District National Park not be included with those without, due to the differing characters of the settlements and a separate planning process. Our proposed Bonsall & Winster ward will have an electoral variance of -7% by 2026.

Chatsworth

47 The three complete schemes made identical proposals for a one-councillor Chatsworth ward with a 0% electoral variance. The proposed ward is based on the existing arrangements, subject to the inclusion of Rowsley parish. While the multi-party submission is frank about this being “a numbers and geography addition”, the Conservative submission claims that “The village already considers itself part of Chatsworth with ties to the Duke of Devonshire Estate.” Based on the community evidence received, we considered including Rowsley in our proposed Stanton ward. However, this created a -22% variance for Chatsworth, and 14% for Stanton. We

considered including Curbar parish within Chatsworth ward to minimise electoral variances and to even out the peculiar shape of Big Moor. However, it became evident on closer inspection that Curbar should not be separated from Calver and Froggatt parishes as this would not reflect community identity or provide for effective and convenient local government. We have therefore adopted the submitted proposal as part of our draft recommendations.

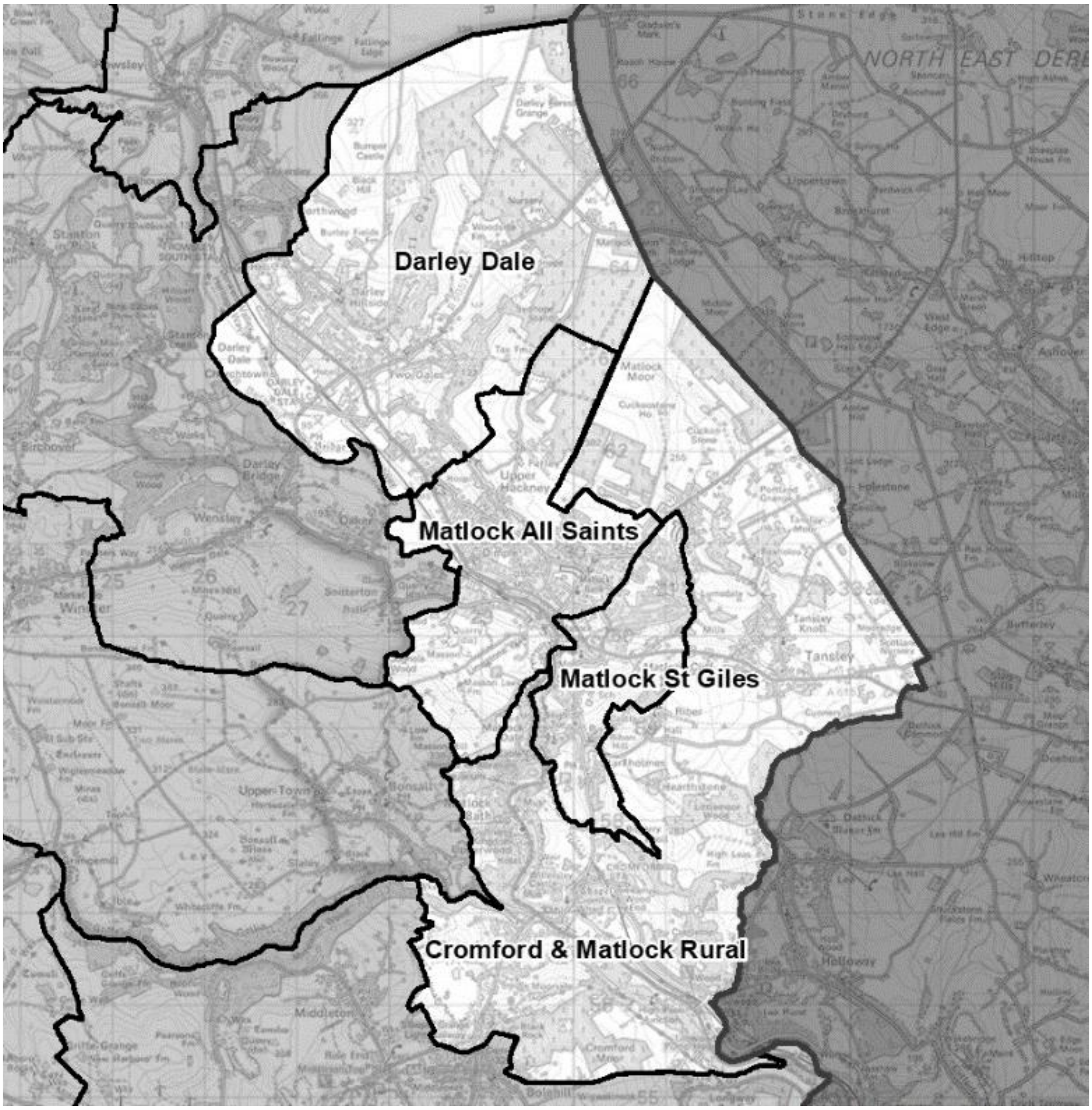
Hartington & Taddington

48 In addition to the three complete schemes, we received one submission, from Taddington Parish Council, for this area. This requested that any enlargement of the existing Hartington & Taddington ward be done south of the River Wye rather than to the north. The Parish Council argued that it had little in common with communities situated to the north. The Conservative, Labour and multi-party proposals were consistent with this request. The Conservative scheme enlarged the existing ward with the inclusion of Monyash parish, creating a one-councillor ward with an electoral variance of -7%. The Labour and multi-party schemes, by contrast, enlarged the existing ward with the addition of Hartington Nether Quarter, forming a one-councillor ward with an electoral variance of -3%. Due to the better electoral variance, and the inclusion of Monyash parish in our proposed Bakewell ward, we have adopted the Labour/multi-party proposal for Hartington & Taddington ward.

Stanton

49 We received a submission from Stanton in Peak Parish Council proposing a ward based around the local quarry and foundry industries. It proposed that this ward include the parishes of Birchover, Northwood & Tinkersley, Rowsley, Stanton in Peak, and South Darley. As mentioned above, we were unable to include Rowsley in the ward, and it would have resulted in an electoral variance of 14%. Our one-councillor ward, based on the parish council’s proposal, will have an electoral variance of -7% by 2026.

Cromford, Darley Dale and Matlock



Ward name	Number of councillors	Variance 2026
Cromford & Matlock Rural	2	-6%
Darley Dale	2	-1%
Matlock All Saints	3	8%
Matlock St Giles	2	-2%

Cromford & Matlock Rural, Darley Dale, Matlock All Saints and Matlock St Giles

50 The three complete schemes we received were broadly similar for Cromford, Darley Dale and Matlock. All the schemes retained the existing boundaries of the three-councillor Matlock St Giles ward, created a one-councillor ward out of the parishes of Cromford and Matlock Bath (this was named ‘Masson’ in the

Conservative scheme and ‘Cromford & Matlock Bath’ in the Labour and multi-party schemes), and a three-councillor Darley Dale ward made up of the parishes of Darley Dale and Northwood & Tinkersley. The three schemes differed only in the extent of their three-councillor Matlock All Saints wards. In the Labour and multi-party schemes, this was made up of the existing ward plus South Darley parish in its entirety, while the Conservative Group’s ward added only about half of South Darley to the existing ward. These proposed wards all had good electoral equality.

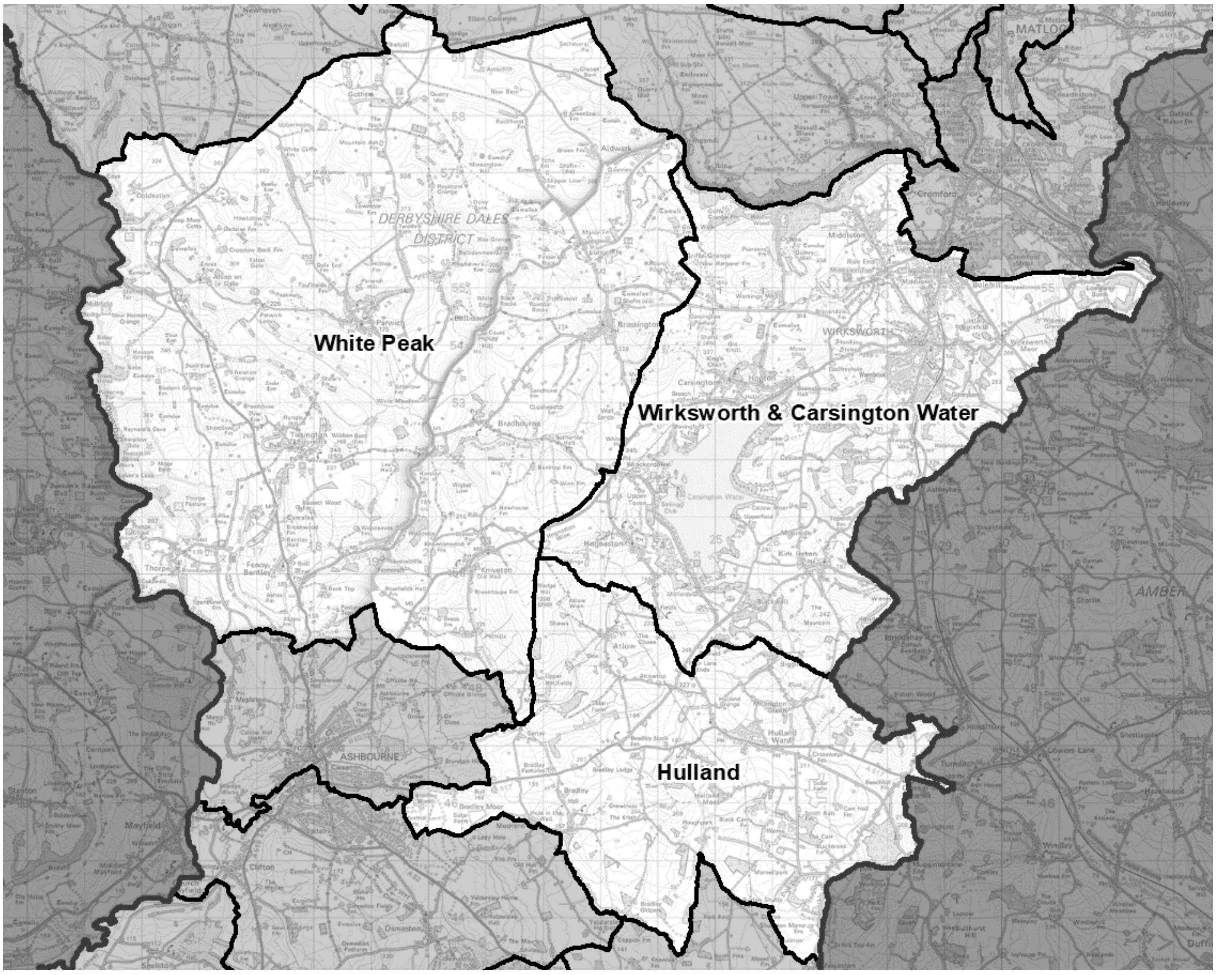
51 As mentioned above, we received submissions requesting that parishes within the Peak District National Park not be included in wards with parishes outside of the park. More generally, a number of parish councils in the district requested that we avoid grouping rural parishes with urban areas. We received a submission from a resident of Old Hackney Lane in Darley Dale parish proposing that this area be included in a Matlock ward, due to its close proximity and the amenities available in Matlock. We also received a submission from Northwood & Tinkersley Parish Council requesting that it remain in a ward with the parishes of Rowsley and Stanton in Peak.

52 We did not consider the grouping of South Darley, in whole or in part, with Matlock All Saints to be desirable. Not only would this group one rural community of 584 electors with an urban community of 4,607, but the Peak District National Park covers about two-thirds of the former, creating potential issues relating to effective and convenient local government. Furthermore, we included South Darley in our Stanton ward. Based on the local evidence received, we therefore expanded the existing Matlock All Saints ward northwards to include the Upper Hackney and Farley areas of Darley Dale parish up to the far edge of the Darley House Estate and Farley Lane. This three-councillor ward will have an electoral variance of 8% by 2026.

53 We received a submission from a resident suggesting that Tansley parish be separated from Matlock St Giles ward and form its own ward. While this would not be possible, because a one-councillor ward with these boundaries would have an electoral variance of -42%, we appreciated that Tansley has a separate community identity from that of neighbouring Matlock. We therefore explored the possibility of placing the remaining urban area of Matlock parish (i.e. that area not in Matlock All Saints ward) in a two-councillor ward, while uniting the rural areas of Matlock parish with Tansley, Cromford, and Matlock Bath parishes. This created a Matlock St Giles ward with an electoral variance of -2% by 2026 and a two-councillor Cromford & Matlock Rural ward with a variance of -6%. We are content that our draft recommendations reflect the pattern of communities in this area but would be particularly interested to receive feedback from residents on this arrangement.

54 Under our draft recommendations, the remaining area of Darley Dale parish (i.e. that not included in Matlock All Saints ward) will form a two-councillor ward that will have a -1% electoral variance by 2026.

Hulland, White Peak and Wirksworth & Carsington Water



Ward name	Number of councillors	Variance 2026
Hulland	1	-7%
White Peak	1	6%
Wirksworth & Carsington Water	3	8%

Hulland, White Peak and Wirksworth & Carsington Water

55 We received three very different proposals for this area and our draft recommendations have been broadly based on the multi-party scheme, albeit with significant amendments. Our proposals were informed first by the principal of uniting Peak District National Park areas and avoiding grouping these with non-National Park areas. We were also persuaded by a submission from a local resident who proposed that all the parishes around the Carsington Water reservoir be brought within the same ward. The reservoir is presently split between the existing Carsington Water and Hulland wards, and would be split between three wards under the Labour and multi-party schemes, and two wards under the Conservative scheme. We are persuaded that the reservoir should be included in one ward because, as a sports, leisure, and learning facility, it provides a focus for the

communities around it, and because it is desirable in the interests of effective and convenient local government for one set of councillors to be able to deal with any issues arising.

56 The Labour scheme proposed a three-councillor Wirksworth ward made up of Callow, Middleton, and Wirksworth parishes. It also proposed a one-councillor Hulland ward based on the existing ward, but with the addition of Mercaston and Atlow parishes and the exclusion of Callow parish. Finally, it proposed a one-councillor White Peak ward made up of the existing Dovedale & Parwich and Carsington Water wards, minus the parishes of Hartington Nether Quarter, Thorpe, Fenny Bentley, Mapleton, Kniveton, and Atlow. All of the proposed wards would have electoral variances of less than 10% by 2026.

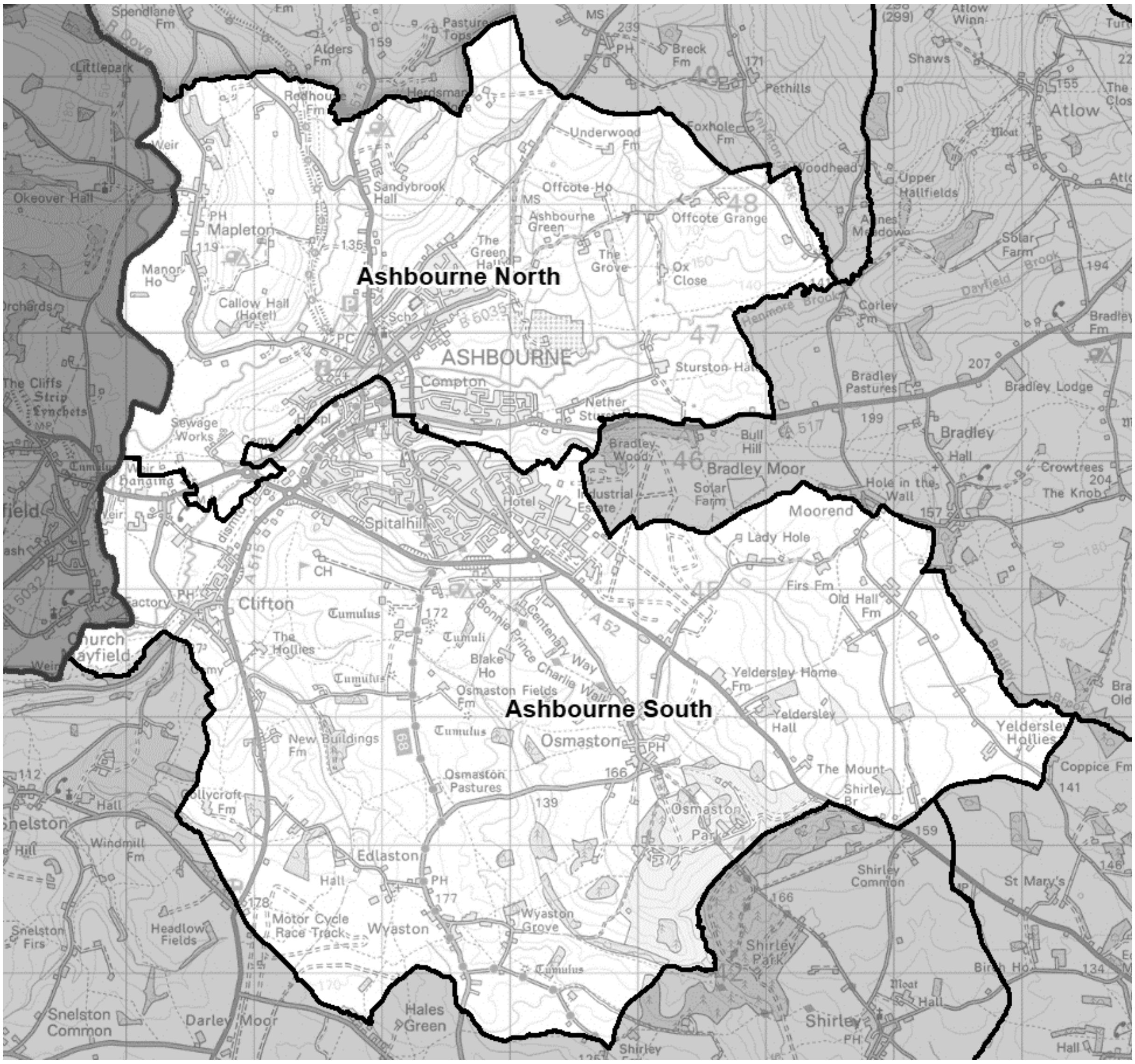
57 The multi-party proposal for White Peak ward is similar to the Labour proposal, but with the addition of Kniveton parish, and would have an electoral variance of 4% by 2026. Likewise, the proposed Wirksworth ward is similar to the Labour proposal but would include Hopton and Carsington parishes. The proposal for Hulland ward is identical to the Labour scheme.

58 The Conservative proposal includes a three-councillor Wirksworth ward made up of the parishes of Wirksworth, Middleton, Hopton, Ible, Brassington, and Aldwark; a one-councillor Dovedale & Parwich ward based on the existing ward with the addition of Ballidon, Bradbourne, and Hognaston parishes; and a one-councillor Hulland ward based on the existing ward, but with the addition of Carsington parish. While all of the proposed wards would have good electoral equality, the proposed Wirksworth and Dovedale & Parwich wards would combine National Park areas with non-National Park areas, including the very odd protrusion of Hognaston parish from the proposed Dovedale & Parwich ward. Furthermore, we are not persuaded that the proposed Wirksworth ward would be conducive to effective and convenient local government as two of the main arterial roads across the proposed ward – Manystones Lane and the B5035 – run out of the ward and then back in, because of Carsington parish's inclusion in the proposed Hulland ward.

59 While we have based our draft recommendations on the multi-party scheme, we have added the parishes of Hognaston and Kirk Ireton to the proposed Wirksworth ward, renaming it Wirksworth & Carsington Water to reflect the inclusion of the communities around the reservoir. We have added Fenny Bentley and Thorpe parishes to the proposed White Peak ward and removed the parish of Ivonbrook Grange. We have also added the parish of Bradley to the proposed Hulland ward while removing Mercaston parish. The addition of Bradley parish to the proposed Hulland ward not only deals with the odd protrusion of Atlow parish from the ward, but also creates a 'spine', allowing the A517 to run from one end of the ward to the other. We believe these proposals better reflect the communities in the area while

ensuring effective and convenient local government. All three wards will have good electoral equality by 2026.

Ashbourne



Ward name	Number of councillors	Variance 2026
Ashbourne North	2	-1%
Ashbourne South	3	-1%

Ashbourne North

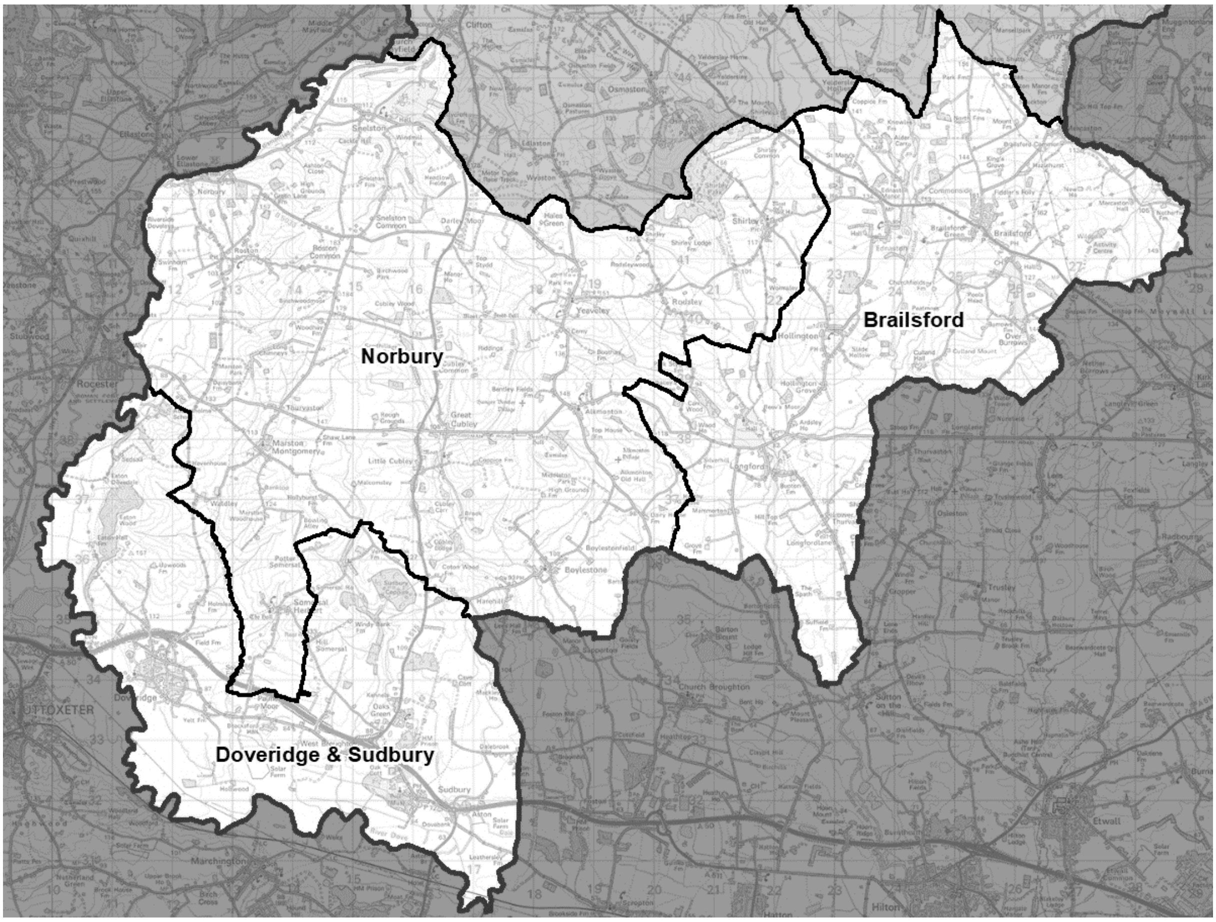
60 The three complete schemes differed considerably in Ashbourne. The Conservative proposal for Ashbourne North was based on the existing ward, subject to the addition of Kniveton parish. It was not clear from the submission in which ward Clifton & Compton parish should be placed. The Labour proposal was similar to this ward but with the addition of Fenny Bentley, Mapleton, and Thorpe parishes, and would have a variance of 5% by 2026. The multi-party proposal was similar to the Labour ward but with the addition of Bradley parish, with a variance of 3%. As detailed above, many of these parishes have been assigned to other wards in our

draft recommendations. Therefore, based on the evidence received, our proposed ward includes Mapleton parish as well as 394 electors from the area between Sturston Road, Park Road, Compton, and the Shawcroft Centre car park. These electors were added to prevent a -12% electoral variance. Our proposed two-councillor ward will therefore have an electoral variance of -1% by 2026.

Ashbourne South

61 All three proposals for Ashbourne South added a councillor to the existing two-councillor ward. The Conservative proposal enlarges the existing ward with the addition of the parishes of Bradley, Osmaston, Shirley, and Yeldersley, and will have an electoral variance of 2%. (Edlaston & Wyaston parish was not included at all in the Conservative scheme but, for the purposes of this report, we have included it in Ashbourne South). The Labour proposal is similar to this but includes Clifton & Compton parish and excludes Shirley parish. This proposed ward would have a variance of 8% by 2026. The multi-party scheme, on which our proposals are based, enlarges the existing ward with the addition of Clifton & Compton, Edlaston & Wyaston, and Osmaston & Yeldersley parishes. The proposed ward will have an electoral variance of 7% by 2026. Our draft recommendations for this ward are identical to this, save for the 394 electors mentioned above, which we have placed in Ashbourne North ward. Under our draft recommendations, Ashbourne South ward will have an electoral variance of -1% by 2026. We are content that our proposed ward follows clearly defined boundaries and reflects local community identities.

South Derbyshire Dales



Ward name	Number of councillors	Variance 2026
Brailsford	1	8%
Doveridge & Sudbury	1	8%
Norbury	1	4%

Brailsford, Doveridge & Sudbury and Norbury

62 The three complete schemes we received from this area were broadly similar, making only minor changes to the existing wards. The only change in the Conservative scheme is Longford parish being moved into Norbury ward. This creates electoral variances of -9% for Brailsford, 8% for Doveridge & Sudbury, and 1% for Norbury. The Labour scheme enlarges Norbury slightly to include Snelston parish, while adding Edlaston & Wyaston to Brailsford and removing Mercaston. This creates electoral variances of 26% for Brailsford, 8% for Doveridge & Sudbury, and -7% for Norbury. Apart from the very high electoral variance, we were not persuaded by the proposed addition to Brailsford of Edlaston & Wyaston parish. In particular, we noted that it is not possible to travel to the parish without leaving the ward, thus it is not conducive to effective and convenient local government, nor likely to be reflective of the local community.

63 The multi-party scheme, which formed the basis of our proposals in this area, added Snelston parish to Norbury ward and removed Mercaston parish from Brailsford ward, creating variances of 4% for Brailsford, 8% for Doveridge & Sudbury, and 4% for Norbury. Our only change to this scheme is the retention of Mercaston parish in Brailsford ward. While this creates poorer electoral equality, with a variance of 8% by 2026, we believe it will better reflect community identities and ensure effective and convenient local government, owing to Mercaston's significant distance from the nearest major settlement in Hulland ward and its close proximity to Brailsford village.

Conclusions

64 The table below provides a summary as to the impact of our draft recommendations on electoral equality in Derbyshire Dales, referencing the 2020 and 2026 electorate figures against the proposed number of councillors and wards. A full list of wards, names and their corresponding electoral variances can be found at Appendix A to the back of this report. An outline map of the wards is provided at Appendix B.

Summary of electoral arrangements

	Draft recommendations	
	2020	2026
Number of councillors	34	34
Number of electoral wards	21	21
Average number of electors per councillor	1,709	1,806
Number of wards with a variance more than 10% from the average	3	0
Number of wards with a variance more than 20% from the average	0	0

Draft recommendations
Derbyshire Dales District Council should be made up of 34 councillors serving 21 wards representing 12 single-councillor wards, five two-councillor wards and four three-councillor wards. The details and names are shown in Appendix A and illustrated on the large maps accompanying this report.

Mapping
Sheet 1, Map 1 shows the proposed wards for Derbyshire Dales District Council. You can also view our draft recommendations for Derbyshire Dales District Council on our interactive maps at www.consultation.lgbce.org.uk

Parish electoral arrangements

65 As part of an electoral review, we are required to have regard to the statutory criteria set out in Schedule 2 to the Local Democracy, Economic Development and Construction Act 2009 (‘the 2009 Act’). The Schedule provides that if a parish is to be divided between different wards it must also be divided into parish wards, so that each parish ward lies wholly within a single ward. We cannot recommend changes to the external boundaries of parishes as part of an electoral review.

66 Under the 2009 Act we only have the power to make changes to parish electoral arrangements where these are as a direct consequence of our recommendations for principal authority warding arrangements. However, Derbyshire Dales District Council has powers under the Local Government and Public Involvement in Health Act 2007 to conduct community governance reviews to effect changes to parish electoral arrangements.

67 As a result of our proposed ward boundaries and having regard to the statutory criteria set out in schedule 2 to the 2009 Act, we are providing revised parish electoral arrangements for Ashbourne, Darley Dale, and Matlock town councils.

68 We are providing revised parish electoral arrangements for Ashbourne parish.

Draft recommendations	
Ashbourne Town Council should comprise 13 councillors, as at present, representing five wards:	
Parish ward	Number of parish councillors
Belle Vue	3
Compton	1
Hilltop	2
Parkside	4
St Oswalds	3

69 We are providing revised parish electoral arrangements for Darley Dale parish.

Draft recommendations	
Darley Dale Town Council should comprise 11 councillors, as at present, representing three wards:	
Parish ward	Number of parish councillors
Greenaway	1
North	7
South	3

70 We are providing revised parish electoral arrangements for Matlock parish.

Draft recommendations	
Matlock Town Council should comprise 12 councillors, as at present, representing 10 wards:	
Parish ward	Number of parish councillors
Chesterfield Road East	1
Cuckoostone	1

Highfields	1
Hurst Farm	2
Jackson Tor	1
Lumsdale	1
Matlock Green	1
Riber	1
Smedley Street	2
Starkholmes	1

Have your say

71 The Commission has an open mind about its draft recommendations. Every representation we receive will be considered, regardless of who it is from or whether it relates to the whole district or just a part of it.

72 If you agree with our recommendations, please let us know. If you don't think our recommendations are right for Derbyshire Dales, we want to hear alternative proposals for a different pattern of wards.

73 Our website has a special consultation area where you can explore the maps and draw your own proposed boundaries. You can find it at www.consultation.lgbce.org.uk

74 Submissions can also be made by emailing reviews@lgbce.org.uk or by writing to:

Review Officer (Derbyshire Dales)
The Local Government Boundary Commission for England
LGBCE
PO Box 133
Blyth
NE24 9FE

75 The Commission aims to propose a pattern of wards for Derbyshire Dales District Council which delivers:

- Electoral equality: each local councillor represents a similar number of voters.
- Community identity: reflects the identity and interests of local communities.
- Effective and convenient local government: helping your council discharge its responsibilities effectively.

76 A good pattern of wards should:

- Provide good electoral equality, with each councillor representing, as closely as possible, the same number of voters.
- Reflect community interests and identities and include evidence of community links.
- Be based on strong, easily identifiable boundaries.
- Help the council deliver effective and convenient local government.

77 Electoral equality:

- Does your proposal mean that councillors would represent roughly the same number of voters as elsewhere in Derbyshire Dales?

78 Community identity:

- Community groups: is there a parish council, residents' association or other group that represents the area?
- Interests: what issues bind the community together or separate it from other parts of your area?
- Identifiable boundaries: are there natural or constructed features which make strong boundaries for your proposals?

79 Effective local government:

- Are any of the proposed wards too large or small to be represented effectively?
- Are the proposed names of the wards appropriate?
- Are there good links across your proposed wards? Is there any form of public transport?

80 Please note that the consultation stages of an electoral review are public consultations. In the interests of openness and transparency, we make available for public inspection full copies of all representations the Commission takes into account as part of a review. Accordingly, copies of all representations will be placed on deposit at our offices and on our website at www.lgbce.org.uk. A list of respondents will be available from us on request after the end of the consultation period.

81 If you are a member of the public and not writing on behalf of a council or organisation we will remove any personal identifiers. This includes your name, postal or email addresses, signatures or phone numbers from your submission before it is made public. We will remove signatures from all letters, no matter who they are from.

82 In the light of representations received, we will review our draft recommendations and consider whether they should be altered. As indicated earlier, it is therefore important that all interested parties let us have their views and evidence, **whether or not** they agree with the draft recommendations. We will then publish our final recommendations.

83 After the publication of our final recommendations, the changes we have proposed must be approved by Parliament. An Order – the legal document which brings into force our recommendations – will be laid in draft in Parliament. The draft

Order will provide for new electoral arrangements to be implemented at the all-out elections for Derbyshire Dales in 2023.

Equalities

84 The Commission has looked at how it carries out reviews under the guidelines set out in Section 149 of the Equality Act 2010. It has made best endeavours to ensure that people with protected characteristics can participate in the review process and is sufficiently satisfied that no adverse equality impacts will arise as a result of the outcome of the review

Appendices

Appendix A

Draft recommendations for Derbyshire Dales District Council

	Ward name	Number of councillors	Electorate (2020)	Number of electors per councillor	Variance from average %	Electorate (2026)	Number of electors per councillor	Variance from average %
1	Ashbourne North	2	3,382	3,382	-1%	3,559	1,780	-1%
2	Ashbourne South	3	4,755	4,755	-7%	5,377	1,792	-1%
3	Bakewell	3	4,782	4,782	-7%	4,894	1,631	-10%
4	Bonsall & Winster	1	1,661	1,661	-3%	1,680	1,680	-7%
5	Bradwell	1	1,651	1,651	-3%	1,669	1,669	-8%
6	Brailsford	1	1,539	1,539	-10%	1,950	1,950	8%
7	Calver & Longstone	1	1,817	1,817	6%	1,839	1,839	2%
8	Chatsworth	1	1,777	1,777	4%	1,799	1,799	0%
9	Cromford & Matlock Rural	2	3,205	3,205	-6%	3,409	1,705	-6%
10	Darley Dale	2	3,334	3,334	-2%	3,576	1,788	-1%
11	Doveridge & Sudbury	1	1,634	1,634	-4%	1,948	1,948	8%
12	Hartington & Taddington	1	1,734	1,734	1%	1,754	1,754	-3%

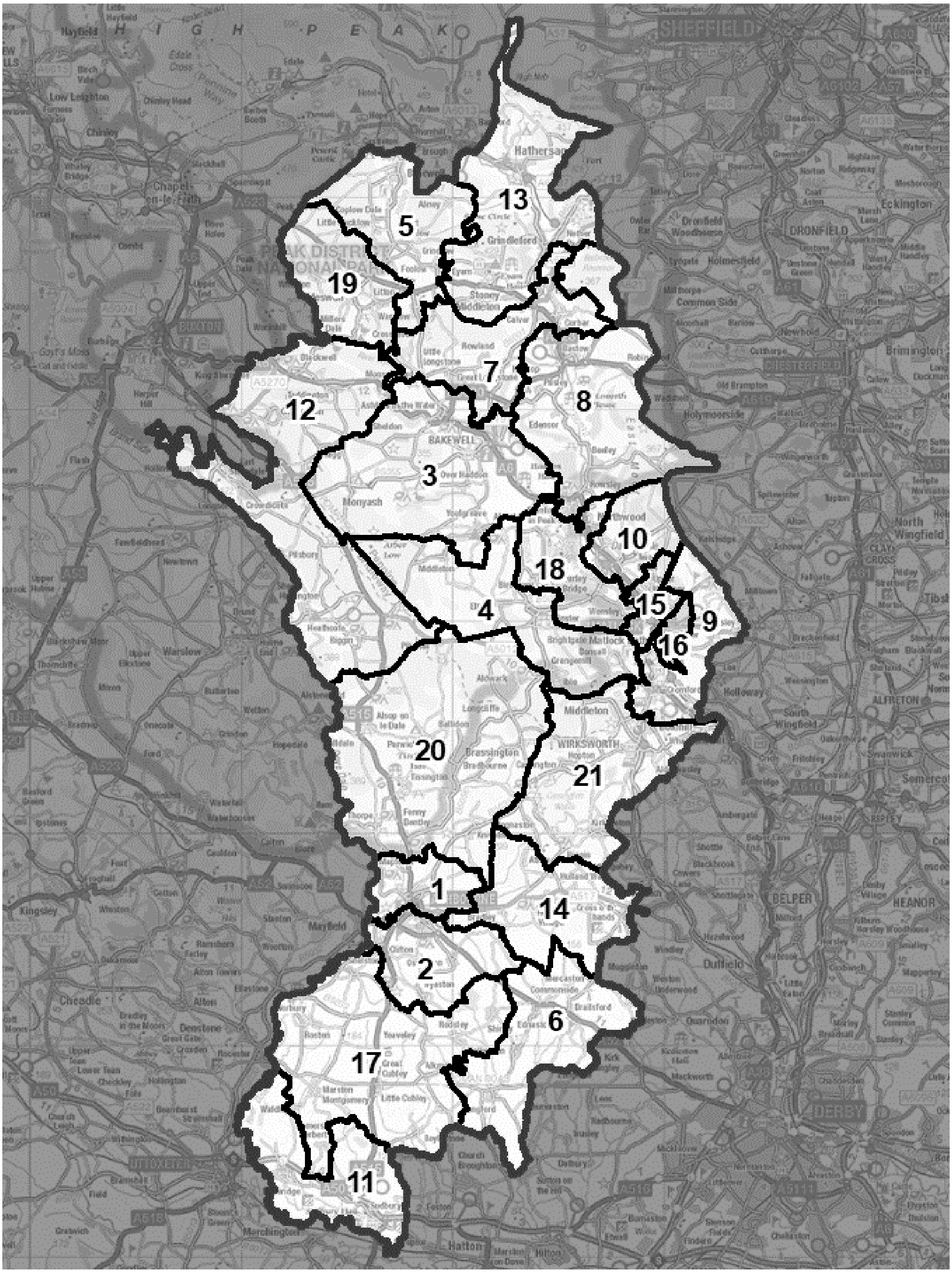
	Ward name	Number of councillors	Electorate (2020)	Number of electors per councillor	Variance from average %	Electorate (2026)	Number of electors per councillor	Variance from average %
13	Hathersage	2	3,578	3,578	5%	3,621	1,811	0%
14	Hulland	1	1,456	1,456	-15%	1,675	1,675	-7%
15	Matlock All Saints	3	5,647	5,647	10%	5,877	1,959	8%
16	Matlock St Giles	2	3,223	3,223	-6%	3,539	1,770	-2%
17	Norbury	1	1,795	1,795	5%	1,886	1,886	4%
18	Stanton	1	1,652	1,652	-3%	1,672	1,672	-7%
19	Tideswell	1	1,894	1,894	11%	1,916	1,916	6%
20	White Peak	1	1,888	1,888	10%	1,912	1,912	6%
21	Wirksworth & Carsington Water	3	5,704	5,704	11%	5,840	1,947	8%
	Totals	**34**	**58,108**	**–**	**–**	**61,392**	**–**	**–**
	Averages	**–**	**–**	**1,709**	**–**	**–**	**1,806**	**–**

Source: Electorate figures are based on information provided by Derbyshire Dales District Council.

Note: The ‘variance from average’ column shows by how far, in percentage terms, the number of electors per councillor in each electoral ward varies from the average for the district. The minus symbol (-) denotes a lower than average number of electors. Figures have been rounded to the nearest whole number.

Appendix B

Outline map



Number	Ward name
1	Ashbourne North
2	Ashbourne South
3	Bakewell
4	Bonsall & Winster
5	Bradwell
6	Brailsford
7	Calver & Longstone
8	Chatsworth
9	Cromford & Matlock Rural
10	Darley Dale
11	Doveridge & Sudbury
12	Hartington & Taddington
13	Hathersage
14	Hulland
15	Matlock All Saints
16	Matlock St Giles
17	Norbury
18	Stanton
19	Tideswell
20	White Peak
21	Wirksworth & Carsington Water

A more detailed version of this map can be seen on the large map accompanying this report, or on our website: www.lgbce.org.uk/all-reviews/east-midlands/derbyshire/derbyshire-dales

Appendix C

Submissions received

All submissions received can also be viewed on our website at:
www.lgbce.org.uk/all-reviews/east-midlands/derbyshire/derbyshire-dales

Political Groups

- Derbyshire Dales Conservative Group
- Derbyshire Dales Constituency Labour Party
- Derbyshire Dales Liberal Democrats

Councillors

- Councillor M. Burfoot (Derbyshire Dales District Council)
- Councillor C. Gamble (Derbyshire Dales District Council)
- Councillor D. Hughes (Derbyshire Dales District Council)
- Councillor P. O'Brien (Derbyshire Dales District Council)
- Councillor S. Wain (Derbyshire Dales District Council)

Local Organisations

- Matlock Civic Association

Parish and Town Councils

- Bakewell Town Council
- Bonsall Parish Council
- Cromford Parish Council
- Hathersage Parish Council
- Middleton & Smerrill Parish Council
- Northwood & Tinkersley Parish Council
- Over Haddon Parish Council
- Stanton in Peak Parish Council
- Taddington Parish Council
- Youlgrave Parish Council

Local Residents

- 32 local residents

Appendix D

Glossary and abbreviations

Council size	The number of councillors elected to serve on a council
Electoral Change Order (or Order)	A legal document which implements changes to the electoral arrangements of a local authority
Division	A specific area of a county, defined for electoral, administrative and representational purposes. Eligible electors can vote in whichever division they are registered for the candidate or candidates they wish to represent them on the county council
Electoral fairness	When one elector's vote is worth the same as another's
Electoral inequality	Where there is a difference between the number of electors represented by a councillor and the average for the local authority
Electorate	People in the authority who are registered to vote in elections. For the purposes of this report, we refer specifically to the electorate for local government elections
Number of electors per councillor	The total number of electors in a local authority divided by the number of councillors
Over-represented	Where there are fewer electors per councillor in a ward or division than the average
Parish	A specific and defined area of land within a single local authority enclosed within a parish boundary. There are over 10,000 parishes in England, which provide the first tier of representation to their local residents

Parish council	A body elected by electors in the parish which serves and represents the area defined by the parish boundaries. See also 'Town council'
Parish (or town) council electoral arrangements	The total number of councillors on any one parish or town council; the number, names and boundaries of parish wards; and the number of councillors for each ward
Parish ward	A particular area of a parish, defined for electoral, administrative and representational purposes. Eligible electors vote in whichever parish ward they live for candidate or candidates they wish to represent them on the parish council
Town council	A parish council which has been given ceremonial 'town' status. More information on achieving such status can be found at www.nalc.gov.uk
Under-represented	Where there are more electors per councillor in a ward or division than the average
Variance (or electoral variance)	How far the number of electors per councillor in a ward or division varies in percentage terms from the average
Ward	A specific area of a district or borough, defined for electoral, administrative and representational purposes. Eligible electors can vote in whichever ward they are registered for the candidate or candidates they wish to represent them on the district or borough council

The Local Government Boundary Commission for England

The Local Government Boundary Commission for England (LGBCE) was set up by Parliament, independent of Government and political parties. It is directly accountable to Parliament through a committee chaired by the Speaker of the House of Commons. It is responsible for conducting boundary, electoral and structural reviews of local government.

Local Government Boundary Commission for England
1st Floor, Windsor House
50 Victoria Street, London
SW1H 0TL

Telephone: 0330 500 1525
Email: reviews@lgbce.org.uk
Online: www.lgbce.org.uk
www.consultation.lgbce.org.uk
Twitter: @LGBCE

NOT CONFIDENTIAL – For public release **Item No. 17**

COUNCIL
18 MARCH 2021

Report of the Director of Regeneration and Policy

PEAKS AND DALES RAILWAY – MANCHESTER AND EAST MIDLANDS RAIL ACTION PARTNERSHIP

PURPOSE OF REPORT

The purpose of the report is to advise Members about proposals being advocated by Peaks and Dales Rail to re-open the railway line from Matlock to Manchester, and enable the District Council to consider the implications of these proposals.

RECOMMENDATION

That the views of Derbyshire County Council and the Peak District National Park Authority are noted.

WARDS AFFECTED

Matlock All Saints, Darley Dale, Stanton, Bakewell, Litton & Longstone, Hartington & Taddington, Tideswell

STRATEGIC LINK

The re-opening of the Matlock to Manchester railway line has some potential to assist with delivering the *Place* and *Prosperity* themes of the Corporate Plan by reducing carbon emissions and unlocking the potential for greater access to wider markets for the local economy. Such benefits, however, would need to be balanced against the impact that the reinstatement works would have on the landscape, biodiversity and on existing sustainable transport facilities and attractions such as the Monsal Trail and the White Peak Loop.

1 BACKGROUND

1.1 A railway connecting Derby to Manchester ran from its opening in 1867 until its closure following the Beeching Report in 1968. It ran from Derby to Matlock, then via Rowsley, Bakewell and Millers Dale to Manchester.

1.2 Whilst the section from Derby to Matlock has remained in branch line operation as part of the national rail network, the section to the north of Matlock has not. The section immediately north of Matlock has retained a single rail track, which form the basis of a heritage line operated by Peak Rail from Matlock to Northwood. To the north of that, within the Peak District National Park, much of the route has been converted to the very popular multi-functional, walking, and cycling route, known as the Monsal Trail which contributes toward the 13.25 million visitors per annum in the Peak District National Park[1].

1.3 The Derby to Matlock route was designated as the Derwent Valley Community Rail Line in September 2006, and since that time there has been a 182% growth in passenger numbers and an extension of the timetable with the service extended to Nottingham and a more frequent timetable throughout the week.

Scott Wilson Report

1.4 In 2002 Scott Wilson were commissioned by a consortium of local authorities and stakeholders to assess the feasibility of re-opening the line from Matlock to Buxton. The report was published in 2004, and can be viewed on the County Council website.

1.5 The conclusions of the study were that in the period to 2041 that traffic volumes would rise by 140% and rail demand on the existing network would have risen by 105%. It went to conclude that a re-opened railway would reduce car movements by 920,000 per annum (2% equivalent) along the route of the line, but the provision of new station in Buxton would be difficult to achieve because of geometric, topographic and land use constraints.

1.6 Despite public consultation showing some support for the proposal, the evidence was clear that in the short term the disadvantages of the railway proposal outweighed the benefits. It went on to state that, in the longer term (2025 onwards), the economic feasibility for the railway reinstatement as a passenger only option was better. The report concluded that if the railway was not constructed the status quo would prevail, with limited local public transport being delivered by bus services.

1.7 The report suggested that the former railway alignment afforded the only practical segregated route through the area for public transport. Its condition overall was considered good, and reinstatement of the railway would not incur the need for the significant ‘new construction’ activity that would be required on any other alignment.

1.8 As part of the Scott Wilson report a comprehensive Environmental Appraisal was undertaken which considered the following:

- Land Use, Planning and Community Impacts
- Geology and Soils
- Landscape and Visual Effects
- Water Resources
- Nature Conservation and Biodiversity
- Noise and Vibration
- Archaeology and Cultural Heritage and
- Air Quality

1.9 Overall, the appraisal concluded that, if the project were to be taken forward, there was a potential for environmental effects that increase as the track usage increases. In addition, the railway scheme as proposed did not appear to deliver any significant

[1] https://www.peakdistrict.gov.uk/learning-about/news/mediacentrefacts

environmental benefits associated with modal shift from road to rail. As such, there appeared to be an imbalance between environmental benefits and disbenefits.

2 PEAKS AND DALES RAILWAY LTD.

2.1 In February 2020 Peaks and Dales Railway Limited was formed, with the following objectives:

- promote the upgrade / reinstatement of 36 miles of former railway from Ambergate Junction, via Matlock, to Buxton and Chinley;
- secure support including grant aid to cover the costs of undertaking the development work;
- lead the consultation process with a view to securing a Transport and Works Act Order and/or such other formal consents as are deemed necessary;
- lead the reinstatement programme on a design, finance, build, operate and maintain basis for a concession period sufficient for prospective investors to realise their required return.

2.2 In October 2020 an Outline Business Case was provided to the District Council. A copy is set out in **Appendix 1** to this report. This sets out Peaks and Dales Railway Limited's ambition that their proposal will, in summary:

- reconnect/upgrade rail connectivity between the Northern Powerhouse and East Midlands regions
- combine the Peaks and Dales line with the Hope Valley as a four-track crossing of the South Pennines, permitting higher intensity usage of both routes;
- catalyse inward investment to Derbyshire and the wider region;
- relieve the rail freight burden on the Hope Valley line;
- identify opportunities to relieve both general congestion and freight traffic on roads;
- provide for continued, extended and sustainable Peak Rail operations;
- re-provision the Monsal Trail;
- enable the Government to demonstrate commitment to the North and the East Midlands by investing in regional and connecting infrastructures.

2.3 The Outline Business Case sets out the nature of the infrastructure requirements for the project. It argues that the reinstatement of the track north of Matlock would see journeys to Manchester of approximately one hour, as well as meeting other wider objectives of improving the economy, public health and quality of life, and benefitting residents, businesses and visitors along the route, to and through Derbyshire and the Peak District National Park. It also argues that the railway would offer trans-Pennine connectivity of regional and national importance.

2.4 The Outline Business Case hopes that, following completion of all the necessary assessments, fundraising, and securing all the relevant approvals, the reinstatement works could commence in 2025 and run through until 2029.

2.5 One of the arguments of the proposers of the Peaks and Dales report is that the anticipated growth in rail traffic, when compared to the Scott Wilson study, was achieved 23 years earlier than originally envisaged. It also believes that the demand for rail freight is also set to grow significantly in the near future, primarily as a result of the increased demand for aggregates produced in the Peak District. On the environmental side, it suggests that reinstatement of the line will support local efforts to meet Net Zero emissions targets.

3 VIEWS OF NATIONAL PARK AUTHORITY AND COUNTY COUNCIL

3.1 The Peak District National Park Authority does not support the current Peak and Dales Railway proposals. Whilst it is totally committed to a low-carbon and sustainable future for the National Park, it does not accept that the reinstatement of the railway on the route of the Monsal Trail is part of the solution. Other than Bakewell, the former line does not directly serve any communities in the National Park. The National Park Authority is unconvinced that it is possible to retain the Monsal Trail or an equally convenient alternative route if the railway reinstatement takes place. It does not consider that the "re-provisioning" would provide an acceptable alternative.

3.2 Similar concerns are set out by Derbyshire County Council. It emphasises the importance of the Monsal Trail and the prominence, within its forward plans, of extending this and completing the White Peak Loop (of which the Monsal Trail is a vital component). Given the nature of the line, the County Council can see no way in which a Trail, open to all users, can co-exist with any form of rail operation along the whole of this route, particularly through its tunnels or over its viaducts and bridges. It does not believe that there is any alternative to the use of these tunnels and bridges, given the geography and terrain. Derbyshire County Council is strongly opposed to the current Peak and Dales Railway proposals.

3.3 Both the National Park Authority and County Council note that the Hope Valley Rail Capacity scheme is set to increase capacity for passenger and freight use on the Hope Valley line without any need to construct an additional line along the Monsal Trail.

4 ANALYSIS

4.1 The ambition to open the railway is not universally supported in its current form. If the District Council were to take a stance in favour of Peak and Dales Railway's current proposals it would be out of step with both the Peak District National Park Authority and Derbyshire County Council. There is also an active 'Save the Monsal Trail' group.

4.2 Moreover, District Council support for the current Peak and Dales Railway proposals would in effect constitute an abandonment of the Council's longstanding policy to promote the White Peak Loop cycle route – to extend the Monsal Trail south (to Rowsley where it meets a cycle path that adjoins the Peak Rail and runs to Matlock). The District Council has promoted the White Peak Loop as an important means of generating cycle-based tourist spend (including via Eroica events in the past). The Council has also invested its own capital funding into the White Peak Loop section between Matlock and Rowsley.

4.3 To publicly favour Peak and Dales Railway, whose aims currently necessitate removal of this cycle route, would be a significant policy shift for the District Council, and not is not a decision that should be taken lightly.

4.4 It is possible that Peak and Dales Railway proposals may alter with time, it is therefore considered that a neutral position be adopted at the present time and that the project's progress be monitored and our position reviewed as necessary.

5 RISK ASSESSMENT

5.1 Legal

The reinstatement of the Matlock to Manchester would require a whole raft of statutory approvals, some of which may require the submission of planning applications for consideration by the District Council. As this report only seeks views on the proposal, rather than give any form of approval or consent the legal risk is assessed as being low at this stage.

5.2 Financial

The report does not identify any specific cost that may accrue to the District Council if the proposals are taken forward. As such, the financial risks are low. However, if the railway proposals were to proceed in their current form, the benefits accruing from previous investment by the District Council in cycling infrastructure on the White Peak Loop (in particular the stretch between Matlock and Rowsley) would be eradicated.

6 OTHER CONSIDERATIONS

6.1 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.

7 CONTACT INFORMATION

7.1 Mike Hase - Policy Manager
Tel 01629 761251
Email: mike.hase@derbyshiredales.gov.uk

8 BACKGROUND PAPERS

None

9 ATTACHMENTS

Appendix 1 – Peaks and Dales Railways Outline Business Case to Derbyshire Dales District Council (October 2020)

COMMERCIAL – IN CONFIDENCE

Peaks and Dales Railway

Railway Reinstatement

Outline Business Case for
Derbyshire Dales District Council
30th October 2020

Proposal: to reinstate 36 miles of double-track railway from Ambergate Junction, via Matlock and Bakewell, to Buxton and Chinley stations.

By reinstating this strategic rail link, communities within and visitors to the Derbyshire Dales District Council administration area will again be fully re-connected to the mainline rail network by means of a direct Derby to Manchester service, operated via the renewed Peaks and Dales line.

Supported by: MEMRAP

Outline Business Case for funding from Department for Transport 'Ideas Fund'

Contents

1. Executive Summary

Supported by the local campaigning organisation, Manchester and East Midlands Rail Action Partnership (MEMRAP), Peaks and Dales Railway Limited is promoting reinstatement of the former Midland Mainline railway's missing section that once ran through the heart of Derbyshire and the Peak District. This would reconnect Derby and Manchester directly, via the Peak District National Park - and also reconnect all the communities of Matlock, Darley Dale, Rowsley, Bakewell, Millers Dale, Buxton and Chapel-en-le-Frith.

In this way, **Derbyshire Dales District Council** (DDDC) residents could be among the greatest beneficiaries, with transformed economic, social and environmental prospects. Following on the heels of the recent adoption by DDDC of plans to move its own administration to zero carbon operation by 2030, this proposal represents another, and major, stepping-stone towards achievement of HMG's #NetZero target.

The welcome January announcement by the Department for Transport (DfT) of its 'Ideas Fund' for Beeching Reinstatements helps demonstrate the Government's commitment to rail and infrastructure investment. This highlights a growing acceptance that the Beeching Report and the ensuing swathe of 1960s railway closures was short-sighted, at best. Now, with the UK under increasing pressure to reduce carbon emissions, this document outlines the Promoter's proposal to reinstate this vital, low-carbon artery, the Peaks and Dales Railway. Described by lead sponsor MP, Robert Largan as 'stand-out', this proposal will:

- ✓ reconnect / upgrade rail connectivity for a catchment of almost 9 million people, (including the Hope Valley line), between Northern Powerhouse and East Midlands regions:
  - reconnecting Derby and the East Midlands with Manchester and the North West, directly by rail, with better access to the Peak District National Park and consequently DDDC too;
  - reconnecting 'left-behind' communities along the line, left isolated by Beeching-era cuts;
  - transporting more people, more quickly and more sustainably, notably between the metro areas of Derby/Nottingham, Sheffield and Manchester;
  - sending more freight by rail, taking HGVs off the roads, especially in/through the National Park;
- ✓ create valuable network benefits by - in effect - combining the Peaks and Dales line with the Hope Valley as a four-track crossing of the South Pennines, permitting higher intensity usage of both routes;
- ✓ catalyse inward investment to Derbyshire and the wider region, not only directly through the delivery of this reinstatement, but for the long term, enabling subsequent sustainable growth;
- ✓ relieve the rail freight burden on the Hope Valley line, supporting the existing needs and future growth of the Buxton and Peak Forest quarries via the Peaks and Dales Railway;
- ✓ identify opportunities to relieve both general congestion and freight traffic on DDDC roads, but particularly in the Peak District National Park by enabling and encouraging #ModalShiftToRail;
- ✓ provide for continued, extended and sustainable Heritage Railway operations, an important tourist attraction for Derbyshire - this recognises the hard work of Peak Rail over many years in first securing the right of way, then reinstating and operating its own heritage railway;
- ✓ re-provision the popular Monsal Trail - a much-valued tourist attraction within the Peak District National Park, which enables active/sustainable enjoyment of the Park;
- ✓ enable the Government and, in particular, recently-elected MPs, to demonstrate their commitment to the North and the East Midlands by investing in their regional, and connecting infrastructures.

The Promoter believes this proposition is sufficiently persuasive to secure private-sector finance to meet the project's Main Funding requirements. Integral to the March submission to DfT was also a "Quick Wins" proposal, capable of delivery before the next General Election - the doubling of the line from Ambergate Junction to Matlock. With resignalling, this will provide a clear, tangible demonstration of the Government's commitment to invest in infrastructure, and thereby improve passenger services. Despite a delayed decision this year, the Promoter believes that this remains deliverable. Assuming that funding can be secured from the DfT 'Ideas Fund', the next step is to develop the Strategic Outline Business Case for this proposition - a clear, evidenced demonstration that this reinstatement is both supportable and investible.

2. The Promoter

Promoter: **Peaks and Dales Railway Limited**
Company registration: 12479623, (England and Wales)
www.peaksanddalesrailway.com

Supporter: **Manchester and East Midlands Rail Action Partnership Limited (MEMRAP)**
Company registration: 12221815, (England and Wales)
www.memrap.org

MPs:

Sponsor	Robert Largan (High Peak) - Lead Sponsor; Nigel Mills (Amber Valley)
Supportive	Jane Hunt (Loughborough); Lilian Greenwood (Nottingham South)

3. The Project

Peaks and Dales Railway was incorporated during February 2020 in response to the Government's 'Restoring Your Railway' programme. As a Special Purpose Company, its objectives are to:

- promote to the DfT and stakeholders the upgrade / reinstatement of 36 miles of former railway from Ambergate Junction, via Matlock, to Buxton and Chinley, closed in 1968 in the Beeching-era;
- secure support including grant aid to cover the costs of undertaking the development work;
- lead the consultation process with a view to securing a Transport and Works Act Order and/or such other formal consents as are deemed necessary;
- lead the reinstatement programme on a design, finance, build, operate and maintain basis for a concession period sufficient for prospective investors to realise their required return.

The Promoter believes that, given previous experience, support from Government for the development phase, would enable the reinstatement of the Peaks and Dales Railway to attract Main Funding in the form of private sector inward investment, meaning the possibility of reduced costs to taxpayers.

The Project is to develop, promote, finance, design, build, operate and maintain a 21st century double-track commercially-viable passenger, freight and heritage railway through Derbyshire's Peaks and Dales. By reinstating 13 miles of disused Victorian-era railway and upgrading a further 23 miles of existing railway, communities - isolated for over 50 years - will be reconnected, enabling significant #ModalShiftToRail to be achieved for 'the greater good', and in pursuit of stated government policy. Support comes from:

- **Manchester and East Midlands Rail Action Partnership Ltd** (MEMRAP): this campaign group is the driving force locally and has been active since January 2019, delivering presentations to a wide range of stakeholders, for which the group has won praise - membership is based in Matlock, Buxton, Derby, elsewhere in Derbyshire, East Midlands and beyond;
- **Railfuture**: the national rail campaign body, with support from branches in three regions (East Midlands, the North West and Yorkshire), together with both its freight group and main board - the extent of this support reflects the local, inter-regional, and strategic significance nationally;
- **Buxton Town Team:** this associate organisation has developed the proposal for re-provisioning the Monsal Trail off the former railway track-bed - its outputs, already presented informally to the Peak District National Park Authority (PDNPA), remain confidential, but PDNPA policy is for the trail to be relocated, to similar standards, for railway reinstatement to be possible;
- **Independent Rail Professionals:** a team of consultants with current working knowledge of the rail industry have supported the project effort, especially to peer review documents;
- **General Public:** over 17,000 supporters have now signed the petition for this reinstatement and local MP Sarah Dines received over 16,000 responses to her February press coverage.

Restoring Your Railway: This proposal has been developed under HMG's programme to secure Beeching Reopenings. Using the original railway alignment and track-bed not only complies with National Park policy and requirements, but ensures costs remain competitive, set alongside other reinstatements, or indeed options. The aim is to minimise impact on local communities within the National Park, and beyond, from the reinstatement works. The Promoter is conscious of the need to demonstrate how the railway supports the efforts to achieve not only #NetZero emissions targets, but that the railway becomes both a conscientious and respectful neighbour and an enthusiastic collaborator in respect of conservation work.

Monsal Trail Re-Provisioning: Though PDNPA is still officially unsupportive, preferring bus/cycle access to the Park from Matlock and Buxton railheads in an attempt to generate modal shift away from cars (!), its recent letter to the project team states that it would favour a wider study of the options available, and indicates that it would partner the proposed study.

#NetZero: The project team's new collaboration with Nottingham University aims to create a ground-breaking methodology to quantify the modal shift needed to achieve the PDNPA target of net zero emissions (mostly transport) by 2050. Administrations with well-developed public transport systems perform better and reduce carbon footprint further, so restoring Derbyshire's infrastructure spine to provide both local and inter-regional rail connectivity would therefore be a significant step. This would enable a county and region-wide rebalancing of public versus private transport choice, aiding social mobility and creating opportunities for accelerated emissions reduction, given rail's inherently superior efficiency.

Proposed Services

Core Passenger Services - will include regular, initially hourly, timed services to include:

- **Semi-fasts**: London St Pancras to Manchester (via Chinley*), Leicester, Loughborough, Long Eaton, Derby, Belper, Matlock, Bakewell, Chapel-en-le-Frith, Chinley*, Stockport***
- **All-stations services**: (access to Nottingham and eventually HS2 via the Toton hub), between:
    i. Buxton and Derby,
    ii. Manchester** (via Chinley* and Buxton) and Derby,

  * Chinley would act as an interchange onto existing Hope Valley line services;
  ** Services accessing Manchester Piccadilly from Day 1 do so only as extensions of existing pathing;
  *** On Day 1, Manchester hub congestion requires any incremental pathing, i.e. the proposed semi-fast, to turnback short, possibly at Stockport.
- **Express services:** the Peaks and Dales line is proposed to serve only semi-fast and all stations traffic. Expresses would flight behind Sheffield-Manchester trains via Dore South, enabling the restoration of Leicester/Derby fast services to/from Manchester, once Dore and hub congestion is relieved.

Freight Services - likely to be allocated pathing of one train per hour:

- Parts of the line are already used by freight services, to continue over the upgraded line;
- Peaks and Dales Railway will accommodate up to 70% of existing freight traffic, rerouted from the congested Hope Valley line, releasing capacity for enhanced passenger services;
- New rail freight traffic, whether from quarries or other sources, will be encouraged in order to reduce the amount of road freight in the region and achieve #ModalShiftToRail;
- These proposals are subject to engagement and agreement with the quarries and Network Rail;
- Reinstatement of the Ambergate north curve is an additional option, to re-route northbound freight away from the Dore – Meadowhall corridor and offer a new diversionary route.

Heritage Services

One of the Peak District's treasured tourist attractions, heritage services would initially continue on the same basis as currently whilst the development work and consultation is being undertaken.

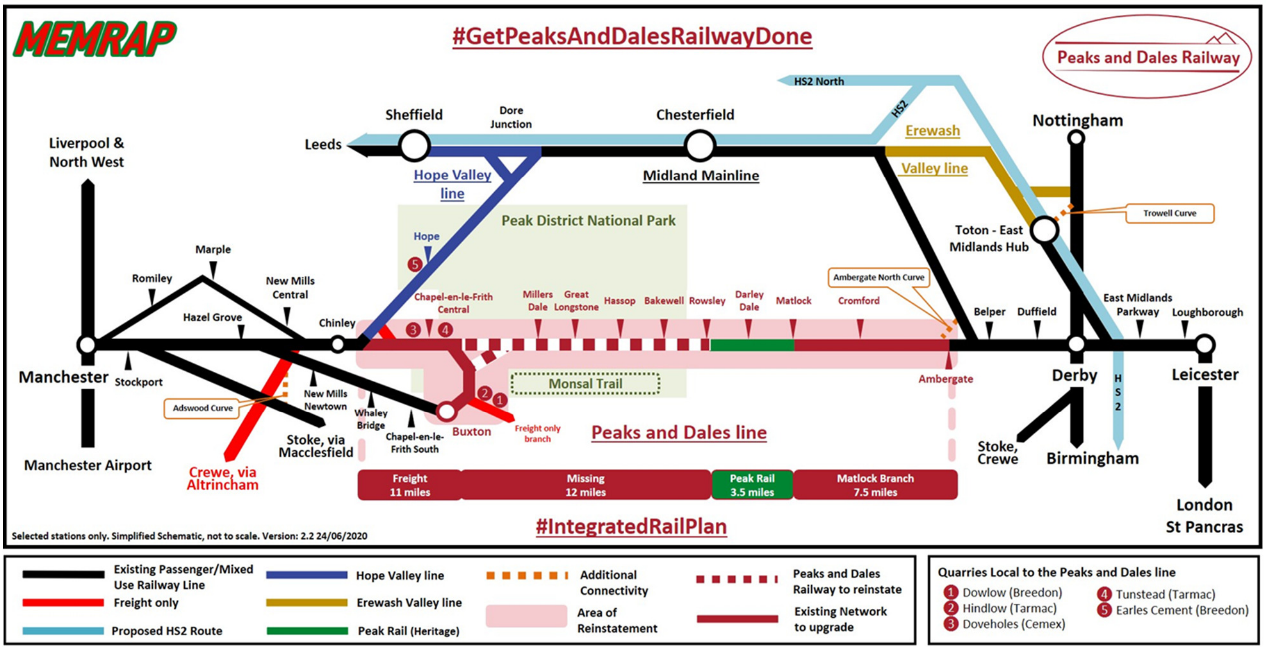
The goal of expanding the heritage operation to provide the long-desired Matlock to Buxton service would be achieved once the reinstatement and upgrading has been completed. Both motive power and rolling stock would need to be upgraded and maintained to meet national standards, with staff suitably trained and certificated. Facilities for maintenance, displays, and off-the-mainline shunting and demonstration trains would also be accommodated. There is also an early opportunity for occasional excursion traffic to serve local attractions e.g. Chatsworth House. The Promoter is committed to enabling heritage operations to continue on a sustainable basis and will therefore engage further with the Peak Rail community as the project develops.

Infrastructure Requirements

The Boocock Report, last updated in 2017, provides an extensive assessment of the infrastructure works required. Work in the (funded) development phase will research/cost the following works, in more detail:

- Reinstating / upgrading (up to) 36 miles of double-track railway between Ambergate Junction, Buxton Station and Chinley Junction;
- Re-provisioning the Monsal Trail, away from the railway track-bed between Coomb Road viaduct near Bakewell and Blackwell Mill, extended to run between Buxton and Matlock, and enhanced;
- Providing switches & crossings to support the projected service levels, with access for the quarries, and approach tracks/loops to avoid delays to the service from quarry traffic/other freight trains;
- Signalling, power supplies, communications, ticketing equipment, signage & information systems;
- Improving the public realm - including cycle hubs and car parking at and around stations, plus integration with bus services and other links to major visitor attractions along the route;
- Consulting stakeholders to identify (further) existing neighbourhood plans, likely to be suitable for integration with rail proposals - for example, the Belper community bus pilot;
- Providing temporary and permanent maintenance access;
- Providing environmental and heritage mitigation as required following assessment;
- Integrating proposed services - to be confirmed - within existing Network Rail timetables.

Peaks and Dales Railway – Connectivity in Regional Context



Core Stations, shown in regional context, with Local and Active Transport Integration

Stations within project scope between Derby, Buxton and Chinley (blue = within DDDC area)

The potential for benefit from these proposals across the DDDC administrative area can be seen from the inclusion of four existing stations and a selection of presently-closed stations within project scope. Few other UK reinstatements, possibly only Borders Rail and Airdrie/Bathgate, have seen such widespread benefits:

- **Ten Existing Stations:** would benefit from transformed connectivity and services for: Derby, Duffield, Belper, Ambergate, Whatstandwell, Cromford, Matlock Bath, Matlock, Buxton and Chinley;
- **Ten Closed Stations:** to be evaluated, the aim being to re-open six: Rowsley, Bakewell, Hassop, Great Longstone, Monsal Dale, Blackwell Mill, Millers Dale, Cheedale, Peak Forest and Chapel-en-le-Frith;
- **One Heritage Station**: upgrade of heritage Darley Dale station to network standards.

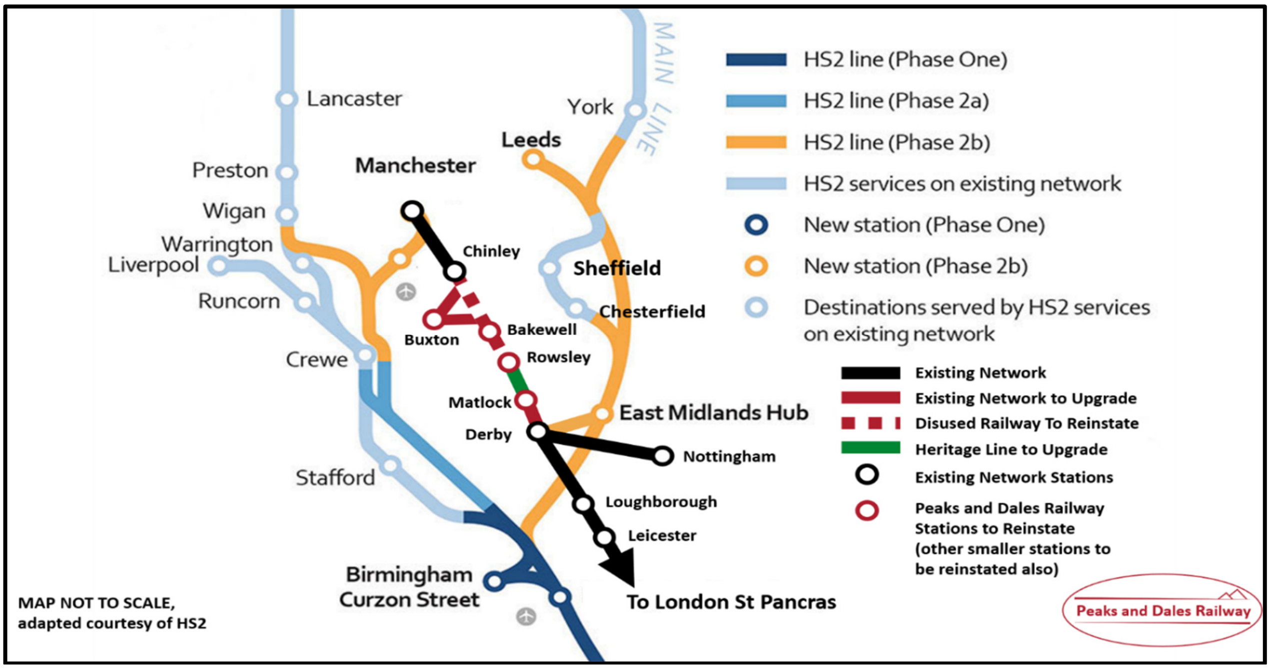
The above includes three termini/interchanges to be rebuilt/upgraded: Matlock, Chinley and Buxton. Matlock would be extended from two to three platforms, plus a run-round loop to enable efficient/reliable reversal of heritage services. Hope Valley line DDDC stations could benefit too, with an upgraded 'all stations' service at 30-minute frequency, superior to the current Transport for the North proposals.

Local Integration with Monsal Trail, Bus services, Local Plans and Active Transport

- Buxton Town Team has presented proposals informally to the PDNPA for the re-provisioned Monsal Trail, linking Matlock with Buxton - further details will be available in due course;
- Active transport connectivity with the Monsal Trail and other footpath and trail links across PDNP will be optimised - for example, linking to Hope Valley stations to popularise newly possible routes;
- Belper's community bus programme could become a pilot for other settlements to use along the route;
- Buxton and Chapel-en-le-Firth neighbourhood templates are understood to be ready to integrate;
- Secure cycle hubs would be provided at stations, with cycle carriages attached to all-stations trains.

Inter-regional - Peaks and Dales Railway connects with HS2/High Speed North

Peaks and Dales Railway will re-connect the Peak District National Park and the communities left isolated since the Beeching-era to both Manchester and the East Midlands – a catchment of c. 5.5m people linking Derby and Manchester. Based on current plans, the line will be integrated with the UK's new High-Speed Rail network at both ends of the line, which the Peaks and Dales Railway team will seek to optimise.



Re-opening the Peaks and Dales line

This enables #ModalShiftToRail for passenger and freight traffics across Derbyshire and beyond, whilst also catalysing the economy across Derbyshire, delivering new jobs and growth by:

- re-connecting communities across the Peak District National Park left isolated by the disastrous and short-sighted Beeching-era cuts;
- encouraging inward investment, including in house building - where appropriate;
- enabling more of the 13.25m annual visitors (source: PDNPA) to the Peak District National Park to travel by train, reducing environmental impact and boosting economic benefit;
- transporting more of the heavy stone traffic from the quarries of the Peaks & Dales by rail, taking HGVs off the heavily-used, narrow and winding roads of the Peak District;
- relieving pressures on the congested Hope Valley line, thereby also saving some of the likely capital costs of an otherwise very extensive and disruptive upgrading;
- providing Network Rail with network benefits, including:
  - one diversionary route option - during planned (and unplanned) disruption to existing routes;
  - a second option - if Ambergate north curve is also reinstated, mainly for freight, as is proposed.

4. The Case

Vision: To reinstate / upgrade the iconic and attractive route from Ambergate Junction via Matlock to Buxton and Chinley, to and through the PDNP. The world-class classic infrastructure of Peaks and Dales Railway will transform passenger, freight, excursion and heritage transport for Derbyshire and the East Midlands region, linking 2.55m people in Greater Manchester with 3.78m people from Derbyshire, Nottinghamshire and Leicestershire [Source: 2011 Census].

Case: Closure in 1968 caused many Peak District settlements along the route to become accessible only by road. Today, these roads are clogged by far more than the 13.25m "official" visitors (source: STEAM) to the PDNP each year. Yet visitor numbers are stagnating, partly due to congestion, leading to lack of visitor growth at, for example, Chatsworth House in recent years. Rail interchange at A6/Rowsley would ease congestion whilst aiding access to, and capacity of, low carbon links for the venue. The enhanced quality available from rail excursion traffic is prized by the Chatsworth customer experience team as part of its emerging post-COVID business model. This is just one of many benefits available to communities, businesses, attractions and their visitors, once the pandemic is behind us.

Benefits: This low-carbon, sustainable, north-south infrastructure "spine" for Derbyshire brings:

- a 21st Century integrated public transport network, re-connecting central Derbyshire residents;
- a new and permanent home for the re-provisioned, extended and enhanced Monsal Trail;
- #ModalShiftToRail for a greater proportion of 42m annual visitors (source: STEAM) of whom 13.25m come to the Peak District - and PDNPA's 2014 survey suggests 24%+ of these would switch to rail;
- a commercial freight route, with the potential to reduce lorries volumes, emissions and congestion;
- environmentally-friendly business growth, supporting and enabling HMG's and PDNPA's stated policies of delivering #NetZero carbon emissions by 2050, aligned with DDDC's own goals;
- a heritage service, similar in concept to the scenic Fort William to Mallaig line, building on decades of Peak Rail effort - a much-loved and valued Peak District visitor attraction.

The Case for Matlock: ONS data shows that 6% of working residents within reach of Matlock station use rail for their journey: to Derby (35 mins) or Nottingham (1 hour). Post-COVID patterns will change, but the proposed semi-fast train offers a journey time, initially to a Stockport turnback (day 1) and eventually to Manchester of approximately one hour. The effect locally will raise social and economic aspiration, as well as leisure opportunities, in a sustainable, low-carbon manner. Borders Rail experience shows that Galashiels (pop. 15k) benefits from its residents' commutes to Edinburgh.

Outcomes: This project meets HMG objectives - improving the economy, public health and quality of life, and benefitting residents, businesses and visitors along the route, to and through Derbyshire and the Peak District National Park. However, the railway transcends a "local" focus, offering strategic (and scarce) Trans-Pennine connectivity, of regional and national importance. The associated economic value, environmental value and social value are significant, and material to the Benefit:Cost Ratio calculation.

The reinstated railway will enable tourists and local residents alike to travel not only to/from the National Park but also to reach core cities at each end of the route, conveniently, more quickly, yet with lower carbon emissions. This will enable the evolution of a (more) sustainable Derbyshire economy, supporting both National Park tourism and its #NetZero goal.

The linked, congested, **Hope Valley line** is in urgent need of relief. Substantial but costly upgrades are needed to support the existing but capacity-limited freight traffic. A substantial additional tonnage of freight is transported through the region by road each year - the least efficient / most polluting mode of freight transport - causing increased congestion on the roads and an expensive repair bill. Reinstatement of the Peaks and Dales Railway would enable:

- up to 70% of stone trains from the Hope Valley Line to be re-routed along the Peaks and Dales Railway, alleviating the burden on a congested Sheffield/Manchester corridor, delivering benefits including enabling improvements to the passenger services using that route and reducing the scale and costs of the already-vital Hope Valley line upgrades;
- the #ModalShiftToRail of a significant proportion of current road freight in the region (currently estimated to transport at least 33% of all stone traffic in the region) will be included within the proposed freight service pattern on the Peaks and Dales Railway.

5. Project Phases

The outline **Project Programme** for the development work entailed in reinstating the Peaks and Dales Railway as a double-track mainline railway from Ambergate to Buxton/Chinley is shown below. 'Quick Wins' before the *next* General Election (2024), include the potential in Network Rail's 'Control Period 6' for:

Project 1: reinstating the double track railway between Ambergate Junction and Matlock, allowing increased service frequencies.

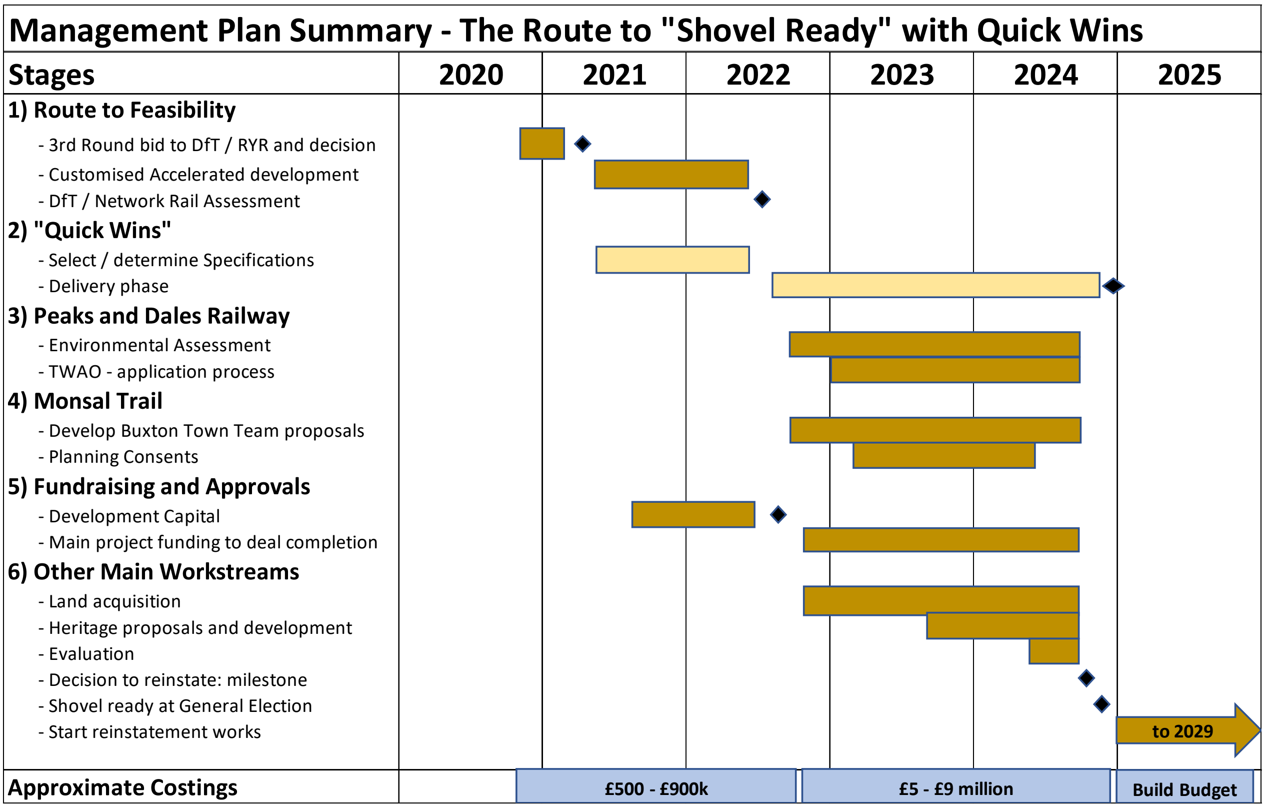
Project 2: developing other "quick win" opportunities for the public train service:
- exploring the possibilities for enhanced services to and from Buxton.
- exploring options to extend public services from Matlock towards Rowsley South, in consultation with Peak Rail and all stakeholders, catering for Chatsworth excursion traffic perhaps at Rowsley South;
- introducing rail shuttle services from Chinley via Chapel-en-le-Frith and Cheedale, offering direct rail access to the Park for walkers, without cars.

Project 3: securing a decision to proceed with full reinstatement of the Peaks and Dales line.

The full Peaks and Dales Railway re-opening is then considered deliverable before the General Election in 2029, followed by diversion of freight services away from the Hope Valley and the upgrade of that route too.

In addition, the district and borough councils of High Peak, Derbyshire Dales and Amber Valley would be enabled to make the step-change from the group of 'low' to the group of 'high' performing local authorities in terms of reducing their respective carbon footprints in relation to transport. Given local benefits for the economy, jobs, housing, improving air quality and quality of life AND helping HMG to achieve #NetZero by 2050, Peaks and Dales Railway is exploring every opportunity to accelerate this programme, and would welcome inputs from stakeholders and local as well as national government focused on how best to deliver that outcome.

Peaks and Dales Railway - Outline Project Programme: development phases



6. Report Phase

Having secured the necessary Development Capital (and preferably but not critically at this stage also with a contingent offer of Main Funding), Peaks and Dales Railway can progress to securing a signed Memorandum of Understanding with Key Stakeholders and move without delay to the Report Phase.

Commissioned by the Promoter through a reputable firm of consulting engineers, the Report Phase would focus on meeting all the requirements of the Promoter, sponsors and, critically, to ensure compliance with the requirements of the Transport and Works Act process, including:

1. identifying the precise coordinates of the **land required** to be acquired by Peaks and Dales Railway and all the land required to be leased to Peaks and Dales Railway or over which the Operating Company will need to be granted running rights (for the duration of the concession, if finite);

2. firming up the **financial model** - revenues, profitability and returns to investors/shareholders and including these, with a full economic/commercial analysis, in the Business Plan;

3. develop the project - from indicative concept, with preliminary cost estimates, to a **costed project at +0% / -20%** tolerances, with contingencies identified and built-in;

4. producing the necessary **engineering surveys and designs, plans, drawings and documents** to go to tender, with a clear route, mapped and designed from end-to-end, and fully costed;

5. delivering all the **documentation** to meet the proposer's and main funder's requirements for the Transport & Works Act / formal consents / approval phase;

6. **Involving, informing and consulting key stakeholders -** locally, regionally and nationally. [Note: lessons from HS2 in relation to strategic communications, information and consultation will be applied.]

Peaks and Dales Railway understands that effective and committed consultation / strategic communication with all stakeholder groups throughout the project is absolutely necessary and will prove hugely beneficial in the long-run. The Project will be subject to an Environmental Impact Assessment in accordance with the relevant regulations in order to produce an Environmental Statement that makes clear how the project will affect the environment, both positively and negatively, and what mitigations will be developed and implemented to reduce any adverse impacts. In addition to covering the core proposition e.g. route, services, benefits and costs, the various environmental and technical issues to be considered and resolved will be covered by topic plans including, for example:

- Air Quality Management;
- Ecology Management;
- Energy Management;
- Noise and Vibration Management;
- Resource Efficiency Management;
- Sustainable Travel;
- Water Management;
- Archaeology and Heritage / Listed Buildings Management;
- Traffic Management.

Requirements specific to the Peak District National Park Authority and the local authorities will be identified at an early stage and included within the above, where applicable, or as additional requirements, if necessary. Undertakings and commitments will be agreed and delivered upon to the satisfaction of parties involved as part of the discharge of the TWAO conditions.

7. Market Analysis

The need for the reinstatement of the Peaks and Dales Railway is greater than ever in the quest for environmentally-sustainable transport - public transport for local people and tourists, and for freight transport. There is ever-increasing pressure on government, business and individuals to deliver #ModalShiftToRail.

Demand for Railway Passenger Services

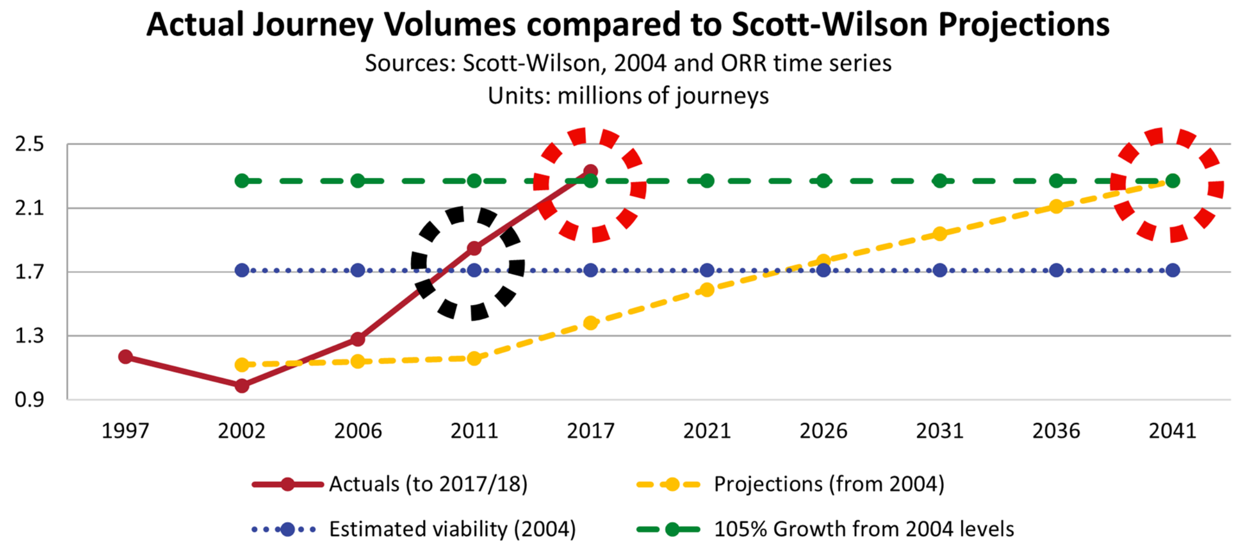
- **Re-connecting central Derbyshire communities:** Despite the new Sheffield/Manchester X57 bus service, public rail and bus opportunities to and through the Peak District National Park are limited with the threat of further cuts rarely far away. From a local councillor's perspective, Bakewell residents cannot currently reach Manchester before 11am (!) by public transport - so there is little alternative but to travel by car for work, education and leisure.

- **Chinley to Matlock Case Study:** Residents in the north west of the county also complain about the near impossibility of a round trip to/from County Hall by public transport from Buxton / Chinley – data from Chinley and Buxworth Transport Group: Chinley to Matlock for 11am appointment: 1hr 50mins by High Peak Bus (change at Buxton) or 48 mins by car. **By semi-fast train on the Peaks and Dales line: 36 mins.** The project team appreciates that local "last mile" connectivity timing should be added for Bank Street.

- **Tourism:** Derbyshire receives over 40 million visitors each year. Local tourism contributes more than £2.15 billion to the local economy annually and employs over 28,000 people [Source: Invest in Derbyshire]. However, the majority of the 9.9 million annual 'distance visitors' to the National Park must rely on their cars. The PDNPA's Visitor Survey 2014 reported that 83% of visitors came to the area by car, indicating no significant change from the 2005 survey (85%). They also calculated that c. 20m people live within one hour's journey of the Peak District National Park [Source: PDNPA], so numbers have increased during COVID, with less availability of air travel.

- **Business Travel and Commuting:** Despite the current COVID-driven trend towards home-working, the Peaks and Dales Railway proposals will enable #ModalShiftToRail across the Peak District National Park and a wider region including traffic from the congested A50/M6 and M1/M62 corridors. Peaks and Dales Railway will enable much-improved rail connectivity, linking Derbyshire with the core cities of Greater Manchester (2.55 million) through the Peak District National Park, with Sheffield (1.57 million), metro Nottingham plus Derby (1.5 million) and Leicester (0.75 million)
  [Source: Population Data from ESPON survey, 2007, based on 2001 census].

Scott Wilson's 2004 projections for rail traffic growth were realised 23 years early



The above 23-year error is not uncommon in demand projections - here supports the case for a new study. Projections for growth in demand have often been a challenge in the past, hindering the case for investment. The experience amongst the leadership team of Peaks and Dales Railway is that the existence of the reinstated railway will encourage significant growth in use, simply because it is there. Indeed, this is supported by the 24% of respondents to the PDNPA's Visitor Survey 2014 who indicated that they travelled by car only because there was no public transport alternative. The line also falls within the competitive Derbyshire Wayfarer ticket zone for rail and bus travel, which is likely to boost usage.

The demand for, and interest in, the Peaks and Dales Railway is also demonstrated by the current petition with over 17,000 signatures supporting reinstatement, and the response of over 16,000 people to local MP, Sarah Dines' constituency consultation earlier in 2020.

Demand for Railway Freight Services

Abundant limestone resource in the Peak District has long supported quarrying, extraction and cement making in Derbyshire, with 21 active sites across the Peak District, contributing in excess of £2.1 billion per year in GVA towards the national economy. [Source: Invest in Derbyshire]. Some 8 million tonnes per annum of aggregates and cement is already moved via the Hope Valley.

Congestion and limited pathing caused Network Rail to transform a disused council tip at Buxton in 2019. The extra 430 metres of railway sidings enable longer freight trains to serve the local quarries. Such was the impact for freight providers in the region of this modest upgrade that Andrew Sumner, head of industrial sales for DB Cargo UK said "This is a significant development for rail freight in the Peak District and will go a long way to relieve some of the constraints we face in the area". Given the response to this small upgrade, the reinstatement of the Peaks and Dales Railway looks set to be transformational for local freight providers – a way to avoid more aggregates travelling by road.

"Investment in overcoming known local road congestion challenges will significantly help the sector to transport bulk minerals efficiently. Investment in rail infrastructure will help to unlock the market reach of minerals from High Peak and Derbyshire Dales." *Source: Vision 2030, D2N2*

The demand for freight is set to grow significantly according to Rail Freight Group, particularly as the main aggregates product from the Peak District is an important requirement for infrastructure and house-building projects across the country. Demand for new housing in the UK rises every day, with an ever-increasing shortfall between supply and demand.

"You should consider the need to factor growth of up to 100% on current volumes." *Source: Julian Worth, Rail Freight Group*

To achieve this using the Hope Valley line alone would need substantial upgrade, with likely local objection, beyond that planned for 2023. Costs involved to realise such an increase in capacity are high, even when set against the costs needed to fully reinstate and upgrade the Peaks and Dales line.

Environmental Factors

There is significant pressure on governments, businesses and individuals globally and in the UK to reduce carbon emissions. The reinstatement of the Peaks and Dales Railway will support the efforts of local government in Derbyshire, the Peak District National Park Authority, local businesses and individuals to meet Net Zero emissions targets, primarily from the transport sector. The call for #ModalShiftToRail promotes the transportation of people and goods by rail instead of by road, wherever possible. Network Rail states that each freight train takes 76 lorries off local roads, and that "every tonne of freight carried by rail cuts carbon emissions by 76%" [Source: Infrastructure Intelligence].

Network Rail's 2019 siding upgrade (see above) has enabled freight trains run more economically and reduces the environmental impact per tonne transported. People can also choose to lower their personal carbon footprint, by means of the frequent services proposed as part of this reinstatement, to access major centres of employment, the National Park and other leisure destinations in the region. And choosing rail pollutes far less (46g CO_2/km) than an equivalent journey by car (185g CO_2/km) [Source: Energy Saving Trust].

MEMRAP received a desk study from the University of Derby in March 2019, quantifying the potential for emissions reduction. Peaks and Dales Railway believes these estimates of benefits from #ModalShiftToRail are actually understated. MEMRAP has also undertaken early-stage research into the Social Value of the project, with initial estimates suggesting the Social Value may reach 25% of the investment value [Source: The Social Value Portal]. Further environmental research is planned with Nottingham University for 2020/1.

The demand is clear for this vital railway reinstatement - for freight, for residents of and visitors to the National Park, the county and a wider regional or even sub-national catchment. This supports and helps to drive the economic agglomeration promoted by the transport sub-national bodies. A full Qualitative and Quantitative Market Research Study, a key input to a full Revenue Model, is planned to be undertaken as part of the development phase, given that this will need to be funded from the DfT grant of development capital for the project.

Market Segmentation

Work in developing the Strategic Outline Business Case will seek to quantify with as much granularity and robustness as possible the volume and value of traffic in each segment – passenger, freight, excursion and heritage services. Given Network Rail's guidance, the Hope Valley line's improvements are also within scope as part of the assessment of the benefits and costs of reinstating the Peaks and Dales line.

8. Market Analysis

The Promoter's PESTLE analysis informs the SWOT analysis and helps to define the Strategic Options.

Political

- the Government is promoting the reinstatement of Beeching Era railway closures, making public funds available to support the development of such projects through the 'Restoring Your Railway' Fund;
- Peaks and Dales Railway has secured sponsors in Robert Largan MP (High Peak) and Nigel Mills MP (Amber Valley) and support from Lillian Greenwood MP (Nottingham South);
- Sarah Dines MP (Derbyshire Dales) is briefed and looking forward to reviewing proposals as they develop;
- Derbyshire County Council is currently unsupportive of the reinstatement, but has not offered any evidence in support of its position and for the environmental damage cited as its concern.

Economic

- this is a reinstatement 'in demand' - the Scott Wilson projections (2004) for rail traffic growth were vastly understated, with actual traffic volumes for 2017 already exceeding levels projected for 2041;
- the project has the potential to create jobs and deliver Inward Investment from the private sector - including the potential Main Funding, hence this commercially-focused proposal;
- provision of freight paths on the Peaks and Dales Railway will ensure that existing quarry traffic is well accommodated, with room for expansion and, in addition, the Peaks and Dales Railway should also be able to accommodate a significant proportion (as high as 80%) of the freight traffic currently routed along the heavily-congested Hope Valley Line, thereby delivering valuable Network Benefits too.

Social

- part of the vision for the Peaks and Dales Railway is to re-connect communities isolated by the short-sighted decisions of the Beeching Era and the railway closures which ensued;
- reinstating the Peaks and Dales Railway will deliver Social Value (as per Public Services (Social Value) Act 2012), including providing vital connectivity for the communities along the route, not only to each other and to/from the Peak District National Park, but to major work and leisure hubs in both Derby/Nottingham and Manchester, and further afield, to London;
- tourism is a premier industry for Derbyshire with 42 million visitors annually of which 13.25 million come to the Peak District National Park.
- a future-proofed railway using the existing track-bed, with stations at some of the National Park's most high-profile locations, such as Millers Dale, Bakewell and Rowsley (for Chatsworth), will ease pressure on local roads and improve accessibility to the National Park, connecting it better to the country's railway network;
- re-provisioning the popular Monsal Trail is recognised as a vital part of the reinstatement project - ensuring that businesses along the trail can continue to operate, and, indeed, are likely to see greater numbers of visitors to the trail once the railway has been reinstated;
- the proposal includes the retention of heritage railway services and indeed their expansion to encourage more visitors to the Peak District National Park, as well as providing inspiration for younger generations to once again pursue careers in "STEAM" / tourism related industries as the effects of COVID recede.

Technological

- the Peaks and Dales Railway will be future-proofed to ensure capacity is available to match post COVID changes in travel demand, with growing appetite for passenger and freight traffic, using the most modern materials and techniques available, wherever possible - local sourcing will be used, wherever appropriate.

Legal

- reinstatement of the railway is likely to require a Transport & Works Act Order/other formal consents;
- re-provisioning the Monsal Trail is also likely to require formal consents;
- land will need to be acquired for the project - wherever possible by negotiation - if some land needs to be compulsorily purchased, Government support/authorisation will be needed.

Environmental

- the reinstatement of the Peaks and Dales Railway will support the efforts to reduce carbon emissions in Derbyshire, and particularly in the Peak District National Park to #Net Zero, by providing a sustainable means of reducing reliance on cars and HGVs by (1) enabling and (2) encouraging #ModalShiftToRail.

9. Strategic Analysis & Options

SWOT Analysis

Peaks and Dales Railway has undertaken an initial SWOT analysis for the project, summarised here. Mending a 52-year breakage in county-wide and inter-regional infrastructure offers many benefits.

Strengths

- reconnects communities left isolated for over 50 years - with DfT funding available specifically for #BeechingReopenings (Restoring Your Railway);
- reinstates a key strategic rail link - the 'missing' double-track section of former Midland Mainline;
- delivers huge capacity and connectivity benefits to/through a congested region and surrounding core cities;
- relieves the congested Hope Valley line leading to more efficient / higher intensity use of both routes – a "two-for-one project", to quote Network Rail;
- upgrades connectivity for surrounding core cities: Derby/Nottingham metro area, Sheffield & Manchester;
- supports efforts in the region to reduce carbon emissions by enabling #ModalShiftToRail;
- delivers 'Quick Wins' before the General Election in 2024.

Weaknesses

- is still - currently - an unfunded campaign/project, reliant on DfT / others for Development Capital;
- maintaining momentum - even allocating *any* professional resource time - is challenging, given the delays in decision-making already, and this situation will get worse until the project is funded;
- entails consultation with a large group of key stakeholders in order to secure agreements/ consents;
- complying with PDNPA policy and Natural England requirements might raise the capital costs (of a project aimed at delivering sustainable low emissions travel);
- needs land acquisitions and formal consents/permissions to be secured;
- completing the full project before 2029 will be challenging, in part due to delays in decision-making and in part due to the time required to meet regulatory requirements.

Opportunities

- creates, when combined with the Hope Valley upgrade (in effect) a four-track strategic crossing of the South Pennines, optimising use of the classic rail network;
- offers interchanges with HS2 at both ends of the reinstated line, improving connectivity across the region;
- highlights the importance of integrating Peaks and Dales Railway with Midlands Hub as part of Midlands Connect's 2020/21 Strategy Refresh;
- shows how, by including the project in the National Infrastructure Commission's Integrated Rail Plan, the East Midlands and the North West can be re-connected directly by rail once again;
- improves accessibility and connectivity for the Peak District National Park to help increase visitor numbers sustainably, and deliver new post-COVID jobs in the National Park and beyond;
- offers a Replicable Model for Railway Reinstatements to be deployed elsewhere in the UK.

Threats

- the biggest single threat currently to the reinstatement of this railway is the increasingly pressing need to secure funding for the development phase so that the development work can be resourced and resumed, at pace, in order for the project team to be able to engage effectively with stakeholders, locally, regionally and nationally;
- previous attempts to reinstate part of the route for an unrealistic limited/restricted use were unsuccessful - and as a consequence there are some underlying misconceptions (for example, regulatory approval will not be given to run both railway and trail through any existing tunnel);
- railway reinstatement is not (yet) included within the strategies of the County Council and National Park Authority, despite stated commitments to public transport, reducing emissions, and achieving #NetZero.

Overall, the proposal is considered as a heavy-rail inter-regional 'spine', which is consistent with and which indeed delivers HMG policy on multiple fronts.

Six Strategic Options – Heavy Rail Based

The DfT/RYR assessment panel sought an assessment of other options. Both Bus and Light Rail are discarded as they can neither accommodate freight nor enable the required modal shift away from roads for longer-distance routes. This leaves a high-level review of **Six Strategic Options, based on heavy rail,** shown below.

Option 1 is believed to offer the best long-term solution, with the greatest benefits for the greatest number of people. With sufficient future-proofing designed-in from the outset, it would accommodate increased post-COVID demand for passengers and additional freight traffic arising due to #ModalShiftToRail and diversion of most freight traffic away from the heavily-congested Hope Valley line.

Option 1: Full Reinstatement (favoured by Peaks and Dales Railway supported by MEMRAP & Railfuture)
The full vision, reversing the Beeching-era closure, securing #ModalShiftToRail and providing better public transport and connectivity for Derbyshire, including some 'Quick Wins', whilst also reducing carbon emissions.

- ✓ provides local, all-station, and semi-fast passenger services - taking cars off the roads of PDNP, Derbyshire and the region, and minimising disruption / cost by undertaking the work before the line reopens to traffic;
- ✓ delivers sufficient freight capacity to meet all existing demand, and support growth in freight traffic by rail - taking HGVs off the roads of the Peak Park, Derbyshire and the region;
- ✓ provides a sustainable future for heritage services on the line.

Option 2: Development of Matlock and Buxton, with bus distribution (currently favoured by PDNPA)
The PDNPA solution proposes "status quo" for rail, augmented by improved services and a complementary bus distribution network deployed from Matlock, Buxton and possibly Hope Valley. Experience with bus services locally and elsewhere shows that this is not an appealing format either for residents or visitors, offering extended journey times as standard. There are also complaints from NW Derbyshire residents about the inaccessibility of County Hall in Matlock, not addressed by this option. The need to meet PDNPA's own commitment to Net Zero is also not addressed.

Option 3: Phased Reinstatement & Development (traditional Network Rail Approach)
A less-ambitious vision than option 1, delivered in phases, and over a longer period. This reinstatement and development plan would begin with the reinstatement of future-proofed infrastructure to handle local services, freight, heritage, and, later, regional services. Later phases may be made conditional upon the performance of the first phase, which could be viewed as a risk or a benefit, depending on individual perspective and objectives.

Option 4: Incremental Reinstatement
Very limited vision and delivering the minimum of initial reinstatement (but therefore at the lowest immediate capital cost), just focusing on local, existing markets. Provides a limited local passenger service, some freight and a peak-season heritage service. The option would still exist to develop the railway in line with demand. However, there would be a higher total cost for this option if/when it was decided to meet increased future demand.

Option 5: Consortium Reinstatement (led by Peak Rail)
The proposals developed some while ago by the Peak Rail & Tarmac Consortium offer a minimal, limited scope reinstatement which would only see quarry traffic and heritage railway services running. Lacking provision for a timetabled full public passenger service, this option could not, by definition, meet the Government's policy objectives to 'reconnect cut-off communities', 'level-up', 'deliver for the people of The North' and aid #ModalShiftToRail.

Option 6: Do Nothing
The option to 'do nothing' may initially be of interest to some. However, meeting carbon emissions targets without #ModalShiftToRail is likely to prove, at best, incredibly challenging. Similarly, the option to 'do nothing' would not meet the Government objectives to 'reconnect cut-off communities', 'level-up', and 'deliver for the people of The North', nor would 'doing nothing' meet the needs of local communities and businesses seeking to grow and develop over the next 100 years or more. This option misses the opportunity to improve sustainable transport to/from the National Park and fails to support the expected doubling of quarry freight traffic by 2030.

Assessment Criteria

In summary, this proposal:

- corrects - albeit 52 years on - the inter-regional and national infrastructure shortcomings about which nothing has been done since this section of railway was closed so short-sightedly in 1968;
- reinstates an important strategic linkage in the national railway network, integrating the regions of the North West / Manchester and South Yorkshire more closely with the East Midlands;
- creates much-needed extra capacity, both for passenger and freight traffics, along the A6 corridor, which runs, broadly, along the same axis;
- reconnects communities along and close to the line, left isolated since closure, with the UK rail network.

Further development work for this project will include a more detailed analysis of the options, reviewing clearly quantified trade-offs between costs, benefits, services, future-proofing, and the achievement of local, regional and national objectives, by mode, over defined timescales.

Once development funding is awarded, a comparative evaluation of the options will be undertaken Assessment of each option will likely be by reference to criteria, such as the following:

- HMG's declared commitment to achieving #NetZero by 2050 - which means that it needs to plan for and deliver substantial #ModalShiftToRail;
- Network Rail's and others' identified needs for a solution to the Hope Valley Line capacity issues, which re-opening Peaks and Dales provides – as well as a useful diversionary route;
- Peak District National Park Authority's sustainable transport hierarchy and public commitment to achieving a #NetZero carbon National Park by 2050;
- Local people's views – especially around improving transport and quality of life, and reducing traffic volumes, noise and air pollution - especially from HGVs and congested traffic on local roads;
- Derbyshire County Council's declared need to deliver much more housing and create jobs, for which sustainable transport will be required – and which the Peaks and Dales Railway reopening would help to meet in a high-profile and effective way.

10. Risk & Viability Assessment

Peaks and Dales Railway undertook an early risk assessment, based on various criteria including:

- Probability of occurrence;
- Severity of impact;
- Visibility of risk;
- Score;
- Mitigation Strategy.

This work has been shared with the DfT. Further progress now depends on approval from the DfT to fund this project through the development phase, to the point at which a Transport and Works Act Order and/or any other formal consents deemed necessary are granted.

The Promoter has assessed at just a high level, to date, the likely viability of this railway once reinstated. However, the conclusion so far is that, given trends in passenger demand since the Scott Wilson Report and the changes to the scope of the reinstatement proposed here, compared with the Boocock Report, the project should be investible. Development of projected revenues and capital and operating costs will enable this preliminary conclusion to be validated. Peaks and Dales Railway's priority is to secure the development capital required in order to continue to develop the project at the pace consistent with the clearly-stated political aspirations.

In order to progress the project, whether or not private sector funding remains an option, securing support and funding from the DfT 'Ideas Fund' is clearly the essential first next step.

11. Strategic Partners

Peaks and Dales Railway is pleased that the following organisations are partnering on this project, bringing their exceptional capabilities and experience to help deliver this vital #BeechingReopening:

The Goodshelter Group
The Goodshelter Group is a business consultancy built on over 30 years' experience of delivering business planning, financial modelling, business strategy, strategic communications, management consultancy and project management in the transport, infrastructure, property development, energy and retail sectors. The Goodshelter Group is the project's Commercial Sponsor and is invested in the success of the project having supported the work of MEMRAP extensively since December 2019, including setting up the Special Purpose Company and Promoting the reinstatement project to the Department for Transport.

CPMS
CPMS is working successfully with clients from across the rail industry to deliver a number of projects, from concept to completion. From the £500m re-electrification of the Great Eastern Mainline, through to stabling facilities for Abellio's new fleet, CPMS has undertaken a range of design, feasibility, management, commercial and construction activities.

Having completed the Strategic Outline Business Case, CPMS are currently working closely with the London Borough of Enfield, the DfT and Network Rail to develop the next stage of the project to increase the frequency of trains stopping at the new Meridian Water station. The in-depth rail domain knowledge that CPMS has, coupled with the company's passion for developing meaningful and cost-efficient rail solutions was pivotal in the London Borough of Enfield securing the £156m of HIF funding.

NTTX
NTTX has been providing professional consulting services for over 20 years to clients throughout the UK and beyond. NTTX works with its clients to create customised action and delivery plans; delivering a comprehensive suite of business consultancy services. In the Rail & Transport Sector, NTTX offers a broad range of safety services - from provision of competent Health & Safety advisory, information and training support, through to advising management boards and teams on their approach to achieving and benefiting from ROGS and CSM-RA regulatory compliance. NTTX provides support to client projects and programmes around risk profiling and management, and has collaborated on many industry-leading innovations and enhancements including the Digital Transformation of the rail network and the Crossrail, HS1 and HS2 projects.

Broomhead Environmental Services
With over 15 years of experience in successful delivery of consents, environment and sustainability management on large and complex rail infrastructure projects across the UK, Broomhead works from project conception through to delivery, and from boardroom to construction site. Broomhead Environmental Services has Chartered Environmentalist status and is keen to deploy and demonstrate the wide range of specialist skills and services at its disposal in helping Peaks and Dales Railway reinstate to the highest/most appropriate standards this iconic section of railway through a National Park.

In addition to the above, Peaks and Dales Railway will draw on selected independent and experienced railway operations and engineering consultants to join the team as and when required, particularly during the Study phases of the project. The main engineering professional services firm contracted by Peaks and Dales Railway is intended to be a known name, although no decisions have yet been taken.

12. Leadership Team

The Peaks and Dales Railway leadership team, in collaboration with the Strategic Partners, will act as the knowledgeable and experienced client / client representative who will specify the scope of work in conjunction with key stakeholders (not least with the DfT), assess bids, help conclude the negotiations, and contribute selected key deliverables too.

Chairman - Ian Derbyshire
Ian is the Chairman of The Goodshelter Group, a founding partner of Peaks and Dales Railway. It is from The Goodshelter Group's extensive network of railway, infrastructure and strategic communications professionals that a number of key members of the team have been drawn. A rolling stock engineer by profession, with an honours degree in mechanical engineering, Ian was London Underground's youngest-ever Line General Manager. He developed the visionary East London Line Extensions project and was instrumental in lobbying for the £1bn investment that is now delivering, as part of London Overground, at least £10 billion in benefit to London (according to the then Mayor of London). Having run a railway, and led a major change leadership programme for London Underground, Ian has since run a management consultancy for c.25 years, specialising in leading major projects, often in the field of transportation. With previous high-profile clients such as British Telecom, Deloitte, EasyJet, Eurotunnel, Virgin Atlantic, DP World and Go Ahead, he has the proven ability to manage complex projects to time, cost and specification, both in the public and private sectors. He is acknowledged for his skill in leading major change programmes, improving business performance and developing sustainable commercial partnerships. Ian is a Fellow of the Royal Society for the encouragement of the Arts, Manufactures and Commerce.

Founding Director - James Derbyshire
James is the Managing Director of The Goodshelter Group and has been heavily involved, from the outset, in Peaks and Dales Railway. James specialises in Business Planning and Financial Modelling for clients seeking to secure private project investment from a range of investors including UHNWIs and HNWIs. His experience includes producing Business Plans and Investment Proposals for multi-million-pound property development portfolios in the UK and Asia, multi-billion-dollar international infrastructure projects, multi-million-pound retail acquisitions, with many incorporating renewable energy solutions. James also has a strong understanding of the importance of good strategic communications through his work for a Public Affairs consultancy, during which he lobbied a Secretary of State on an airport apron. James is also passionate about reinstating railways and has volunteered on a heritage railway which closed in the Beeching era. Having also run a rural village pub (with the support of a local brewery), for which Asset of Community Value status was granted during his tenure, James believes firmly in Corporate Social Responsibility and the value that businesses can and should create for their local communities.

Director, MEMRAP - Stephen Chaytow
A member of the Railfuture East Midlands Branch and ex-KPMG, Stephen is a freelance business consultant, specialising in support for small and medium businesses. He also worked as interim Finance Director for a variety of charitable and not-for-profit enterprises and accumulated extensive experience supporting turnarounds and business start-ups. At KPMG, Stephen delivered a variety of consultancy projects for UK and multi-national corporates. On moving to Derbyshire, Stephen joined Railfuture (EM branch) and swiftly became a leading influence in this reinstatement campaign, aimed at reversing at least a little of the damage inflicted on the nation's rail infrastructure over 50 years ago.

Director, MEMRAP - John W Harpur
A member of the Railfuture East Midlands Branch, John was an industrial electronics engineer and a specialist in computer control systems, especially for maintenance management. He was Senior Electrical Officer on the then largest refrigerated container ship and oversaw maintenance for all the computer systems at Sainsbury's. He has created and implemented workshop and field maintenance for new organisations. John has a lifelong interest in railways and tramways, being a life member and shareholder of both Peak Rail and Ecclesbourne Valley Railway, and a member and officer of the Tramway Museum Society for over 50 years. John was also a Director and Chairman of a noted local traction engine rally, through which he raised funds for charity. With his keen life-long interest in the development of sustainable rail travel, reinstating the Peaks and Dales line would be the culmination of a lifetime's work.

Safety Director (Designate) - Julian Lindfield
As a Board level safety, health and regulatory compliance consultant, Julian advises corporate boards and executive teams on the development of risk-based safety strategies and on the improvement of health & wellbeing in the workforce. His railway experience includes more than six years with Network Rail at Director level; most recently, he has worked with the HS2 leadership team in developing a framework for H&S risk, and in establishing a 'baseline' in terms of readiness for management of Health & Safety risk in the design of the future railway. As Director of Health & Safety for The London Organising Committee of the Olympic Games 2012, Julian developed practical and pragmatic guidance for an international workforce which grew from a small core team to one approaching 200,000 people. Julian is now a director of Julian Lindfield Consulting and undertakes interim director roles, which have included, amongst others, that of Health & Safety Director for Glasgow's 2014 Commonwealth Games.

Programme Director (Designate) - Graham Lawrence
Graham is a Company Director and a Chartered Member of the Institute of Logistics and Transport with over 30 years' experience in the rail industry. Experienced in the implementation of large and small railway signalling and control system projects, he has been involved in the majority of signalling and control systems upgrade programmes on the London Underground in numerous delivery and contract management roles. Graham possesses first-rate programme management and communication skills and is effective operating at all levels within both client and contractor organisations. He is also experienced in all stages of the project lifecycle, from feasibility, to handover, to maintenance – and his ability to get things done to time, cost and quality *diplomatically* is highly valued.

Operating, engineering, commercial, passenger and freight specialists are also already involved and their appointments will be confirmed once the project is funded.

13. Conclusions

1. Current government policy, manifested through the Department for Transport's Restoring Your Railway 'Ideas Fund', provides an exceptional opportunity to restore British railway lines which should never have been lost. The Peaks and Dales Railway is a prime example.
2. The case for this reinstatement is strengthened by the fact that the alignment and the majority of the track bed, tunnels and bridges have been preserved for over 50 years. Peak Rail, the Peak District National Park Authority and local councils have all played their parts in safe-guarding and securing the track-bed / linear right of way for future railway reinstatement.
3. Reinstating the Peaks and Dales Railway will reconnect communities which have been isolated for over 50 years. The local economy will benefit from the inward investment in the region. Town centres will be rejuvenated and Derbyshire's foremost industry – tourism – will benefit from the increase in the number of visitors made possible by the reinstatement of the railway.
4. The freight capacity increase in the region created by this reinstatement will provide much-needed relief to Hope Valley line congestion. This will not only enable more efficient haulage of quarry materials from the Peak District quarries to markets and construction projects across the country but also enable much-needed passenger service enhancements on the Hope Valley line.
5. Easy and sustainable access to the Peak District National Park will be possible from major cities such as Manchester, as well as direct from London, by rail. Local residents will see #ModalShiftToRail reducing the numbers of cars and lorries on local roads, and reducing congestion on the roads during the peak tourist season.
6. Reinstatement of the Peaks and Dales Railway delivers these benefits whilst supporting the efforts of local authorities and the Peak District National Park Authority to meet their stated #NetZero emissions targets, with local procurement where quality, cost and availability permits.
7. The proposed reinstatement and upgrading of the Peaks and Dales Railway will provide a lasting and future-proofed legacy for Derbyshire, with the potential to deliver a game-changing and replicable model for Inward Investment in Britain's railways, post-Brexit and post COVID too - similar in concept to that which has been used on Britain's roads, such as the M6 Toll Road.

14. Recommendations

Peaks and Dales Railway recommends that Derbyshire Dales District Council supports this proposal and looks forward to working with the local authority once the project has been funded.

For ease of reference, Peaks and Dales Railway has recommended that the Department for Transport:

1. funds Peaks and Dales Railway to deliver the Strategic Outline Business Case (SOBC) for the reinstatement/upgrading of the former Midland Mainline between Ambergate and Chinley;
2. supports formal engagement/consultation with local authorities, businesses and residents;
3. then funds Peaks and Dales Railway, assuming that the SOBC is satisfactory, to deliver all the development work required to secure the necessary formal consents;
4. streamlines the consent process, with the support of other departments and Number 10, such that the Quick Wins and the full reinstatement can be delivered within as short a timeframe as possible - to secure the maximum positive benefits the soonest (including for the MPs and local politicians, integral to the project's success).

15. Next Steps

1. Peaks and Dales Railway looks forward to re-presenting its proposals to DfT in the 3rd round;
2. Assuming this process then results in funding being granted by the DfT, the next step is the development and delivery of the Strategic Outline Business Case - during the development of which, early consultation and engagement with local authorities, businesses and residents will be a priority;
3. The Strategic Outline Business Case is expected to make the case for the necessary further development capital from the DfT. This would fund the remaining Development Work needed to secure the formal consents for the reinstatement of the Peaks and Dales Railway.

Appendix 1 - Stakeholder Engagement

A considerable number of presentations have been given to a wide variety of key and other stakeholder groups. The programme is expected to resume in due course, via virtual meeting rooms. Some 18 months of stakeholder engagement by MEMRAP have included:

- ✓ **LEPs and Combined Authorities:** D2N2, Sheffield City Region and GM Combined Authority;
- ✓ **Current Local MPs:** Robert Largan, Sarah Dines, Nigel Mills, Lilian Greenwood, Dame Margaret Beckett, Mayor Dan Jarvis and Jake Berry;
- ✓ **Former Local MPs:** Sir Patrick McLoughlin, Ruth George and Baroness Morgan of Cotes;
- ✓ **Councils:** Derbyshire CC, Leicester (City and County Councils), Amber Valley, High Peak and Derbyshire Dales District Councils, Stockport Borough, Matlock and Bakewell Town Councils, Chinley, Chapel-en-le-Frith and membership body, Peak Park Parish Forum;
- ✓ **National Parks and Tourist Bodies:** Peak District National Park Authority, Marketing Peak District and Derbyshire, Derbyshire Culture Heritage and Tourism Board;
- ✓ **Local Businesses:** Peak Rail, Tarmac, Cemex, Breedon, Costain, Nestle / Buxton Water, Rhomberg-Sersa, Riding Sunbeams, East Midlands Chamber, and Erewash Business Partnership;
- ✓ **Specialist Rail & Infrastructure Organisations:** Network Rail, East Midlands Railway, Skipton & East Lancashire Rail Action Partnership, Friends of the Derwent Valley Line, Derwent Valley Trust, Campaign for Better Transport, Rail Forum Midlands, Midlands Development Conference, Railfuture – 3 regions and board directors, Railfuture Freight Group, and the Director General of Rail Freight Group;
- ✓ **Environmental Groups:** Sustrans, Campaign to Protect Rural England, and Hope Valley Climate Action;
- ✓ **Media:** BBC Radio Derby, BBC East Midlands and BBC Look North;
- ✓ **Experts:** Professor David Simon (Royal Holloway College), Nick Gallop, Jonathan Cooper;
- ✓ **Consultants:** Mott MacDonald, Atkins, The Goodshelter Group, Broomhead Environmental Services, Genecon, MDS Transmodal, Mazars, FCP;
- ✓ **Universities:** Nottingham, Southampton, Derby, Grantham Institute, and the Institute of Transport Studies at Leeds University;
- ✓ **Rotary Clubs:** Chesterfield, Dore, Ripley, Bakewell, Matlock, Buxton, Derby, and Clay Cross.

Whilst not all stakeholders are (yet) in favour, and some need to remain neutral, the majority are supportive. Indeed, as noted elsewhere, the petition for reinstatement on change.org has now secured more than 17,000 signatures, and the consultation by Sarah Dines MP in February 2020 resulted in more than 16,000 responses. Peaks and Dales Railway, working with MEMRAP, is committed to engaging with stakeholders as the programme progresses.

Other Documents produced by Peaks and Dales Railway and MEMRAP

This Outline Business Case is based on - and a continuation of - the growing collection of documents and presentations produced by this group over the last eighteen months, for example:

- **University of Derby:** Emissions Study (Mar 2019), Built Environment Conference - paper (May 2019);
- **Department for Transport:** Registration Document (Feb 2020) and Outline Business Plan (Mar 2020);
- **National Infrastructure Commission:** First Submission (May 2020) and Second Submission (Aug 2020);
- **Transport for the North (TfN):** presentations on proposals, now integrated with Midlands Connect;
- **Midlands Connect (MC):** Peaks and Dales line reinstatement integrated with its 2021 "strategy refresh" with a "cross-boundary" workstream incorporating both TfN and Peaks and Dales Railway.
- **Derbyshire County Council/Peak District National Park Authority:** Benefits Case submission (Jul 2020);
- **Media activity:** websites, social media plus radio & television appearances, such as this BBC Interview: https://www.youtube.com/watch?v=X3FwTW_WfQw&feature=youtu.be

Appendix 2 - Selected Support and Testimonials

James Wyatt, Smalley 8th February 2020

A potential scheme to restore some of the county's long-lost railways is being explored by a local MP, Derbyshire Live can exclusively reveal. Sarah Dines, the new MP for Derbyshire Dales, has met with the Secretary of State for Transport Grant Shapps to discuss the possibility of reconnecting towns and cities with rail links that vanished in the 1960s. Derbyshire Live can exclusively reveal that at the top of Mrs Dines' priority list would be the Matlock to Buxton Line, which was shut down in 1968 by the Labour Minister for Transport Barbara Castle.

Transport for the North, Director:
"The work that you are doing is incredibly helpful" (Feb 2020)

High Peak MP, Robert Largan,
"Well researched, well presented and suitably ambitious" (Jan 2020)

Steve Jones, Railfuture, East Midlands 27th February 2020

"For Railfuture's East Midlands Branch, the Peaks & Dales Railway is one of our leading aspirations for line re-openings, and one that has been on our agenda for many years. The rapid progress made by MEMRAP over the past year, especially in its work with the various stakeholders, is extraordinary. It gives us the exciting prospect of a realistic and viable scheme to plug this major gap in the nation's rail network. The benefits for passengers and freight over a very wide area are enormous; indeed, it is amazing that so much can be gained from the reinstatement of only 13 miles of track and the upgrading of only 23 miles more! The document is superb!"

"Many people in Nottingham would love to be able to get out into the Peak National Park but without a car it can be very difficult. Reopening the Peaks and Dales rail line would bring my constituents closer to some of the UK's most beautiful countryside and provide better public transport links to Manchester and the North West. I am pleased to support MEMRAP's bid to explore how this project can move forward."

Lillian Greenwood MP (Nottingham South) 12th March 2020

Paul Dowding

"About time. I have lived in Great Longstone all my life, and was a teenager when Beeching closed this line, and cut off many village communities. This rail link opened again, would be a god-send, for everyone. Just to get the HGVs off the road, better for everyone, including the environment."

Appendix 3 - Last words

Post-COVID assessment: The Peaks and Dales line was a key strategic link in the nation's railway network. The case has been made here, in outline, for its full reinstatement. The team's assessment of a potential post-COVID reduction in business and commuting, is matched with a likely increase in demand from lower mileage and 'reduced carbon footprint' tourism. This leaves huge potential for (and from) this project. Its prospects are not diminished by the current pandemic.

The Peaks and Dales Railway would once again be the shortest and most direct main line linking the Northern Powerhouse (Manchester conurbation) and Midlands Engine (East Midlands cities). High quality modern trains between the two would serve the Peak District National Park, re-connect the communities left isolated by the cuts of the Beeching era, and offer train services through fantastic scenery and offering much quicker journey times than can currently be achieved - legally - by any form of land transport.

Reinstating the Peaks and Dales line would also relieve capacity pressures on other busy rail routes, in particular the Hope Valley line (Manchester – Sheffield). It is proposed to divert, to the more direct Peaks and Dales line, the aggregates trains from Buxton and Peak Forest quarries which serve the Midlands, South of England and Yorkshire. These diversions would benefit the freight train operators, the quarries and their customers – and use of both routes will enable Hope Valley traffic to be rationalised, leading to more efficient utilisation of both routes. This approach would also help to make possible the Northern Powerhouse's strategy for inter-connectivity and positive economic agglomeration between its main cities - especially its intention to operate much faster, more frequent services between Sheffield and Manchester along the Hope Valley line. These Network Benefits will be quantified and taken fully into account in the preparation of the Strategic Outline Business Case. Developing validated revenue and modal shift projections, with credible estimates of the capital and operating costs of the reinstated line, will be a key focus of the next phase.

Network Rail's Freight and National Passenger Operators Route Strategic Plan (2018) includes the provision of reinstatement/upgrades for Matlock – Buxton and Peak Forest. However, currently, no development work is proposed until Control Period 7 (see table below), by the end of which - 2030 - the freight volumes in the region are expected to have doubled from 8 million tonnes to 16 million tonnes per annum. Peaks and Dales Railway is proposing action now, in Control Period 6, to ensure that the capacity upgrades needed in the region are delivered as soon as possible, recognising the race to provide sufficient capacity has already begun.

Peaks and Dales Railway - reconnecting isolated communities, earlier rather than later			
	2019 - 2024	**2024 - 2029**	**2029 - 2034**
Control Period >>	**CP6**	**CP7**	**CP8**
For **Matlock - Buxton** and **Peak Forest** reinstatement and upgrades, Network Rail's FNPO shows a long wait to re-opening of a Beeching-era closure…	**No action currently planned**	**Development**	**Delivery**
Peaks and Dales Railway is seeking each key activity being brought forwards by one Control Period…	**Development + Quick Win**	**Delivery**	
General Elections	◆	◆	◆

Source: Network Rail, Freight and National Passenger Operators Route Strategic Plan, February 2018

The Promoter, Peaks and Dales Railway Ltd., supported by the locally-based campaigning organisation Manchester and East Midlands Rail Action Partnership (MEMRAP) and kindly sponsored by Robert Largan MP and Nigel Mills MP, and supported by Lilian Greenwood MP, and Jane Hunt MP, now seeks funding under the Restoring Your Railway 'Ideas Fund' to develop these proposals with Department for Transport and other key stakeholders including all relevant Local Authorities.

Peaks and Dales Railway is proposing to return freight as well as passenger services to this iconic railway, taking HGVs of the congested, narrow and winding roads of the Peak District National Park.
[Photo: Colin Boocock, C.Eng., F.I.Mech.E.]

Back to Agenda