

COUNCIL

3 March 2022

Report of the Director of Resources

REVENUE BUDGET AND SERVICE PLANS 2022/23

PURPOSE OF REPORT

This report seeks approval for the District Council's Service Plans and Revenue Budget for 2022/23 and updated Medium Term Financial Plan.

RECOMMENDATIONS

1. That the level of the Derbyshire Dales District Council's Council Tax (excluding parish requirements) for 2022/23 is increased by £4.25 per band D (1.94%) from the 2021/22 level, i.e. to £223.52 for Band D.
2. The estimated net revenue expenditure for 2022/23 totalling £11,260,035 as detailed in the Summary Revenue Account in Appendix 2, is approved.
3. The net revenue expenditure for 2021/22 (revised budget) totalling £11,536,356 as detailed in the Summary Revenue Account in Appendix 2, is approved.
4. The minimum level of uncommitted working balances is approved at £1,000,000 at 1st April 2022, and £1,000,000 at 1st April 2023.
5. The net sum of £1,738,219 is transferred from strategic reserves in 2022/23, as shown in Appendix 2 and detailed in Appendix 5.
6. The net sum of £4,782,817 is transferred to strategic reserves in 2021/22 (revised budget), as shown in Appendix 2 and detailed in Appendix 5.
7. The following amounts are calculated by the Council for the chargeable financial year 2022/23 in accordance with Section 31A of the Localism Act 2011:-
 - i. aggregate of the amounts which the Council estimates for the items set out in Section 31A(2)(a) to (f) thereof is £42,622,186;
 - ii. aggregate of the amounts which the Council estimates for the items set out in Section 31A(3)(a) to (d) thereof is £33,903,403;
 - iii. calculation under Section 31A(4) being the amount of which the aggregate at (i) above exceeds the aggregate of (ii) above, as the Council Tax Requirement for 2022/23 is £8,718,783.
8. That the updated Medium Term Financial Plan, shown in Appendix 4, is approved.
9. That service reductions to achieve the Corporate Savings Target "Continue a programme to identify efficiency savings and/or additional income of £250,000 a year

by 2023/24” as identified in the Corporate Plan be put on hold pending the outcome of the government review of Council funding.

10. That the Director of Resources’ report on the robustness of the budget and the adequacy of reserves in accordance with clause 25 of the Local Government Act 2003 is noted.
11. That the Waste Contract Fluctuations Reserve be renamed the “Waste & Recycling Reserve” and that its purpose should be redefined as “To provide funding to offset the impact of additional expenditure or lost income associated with waste and recycling services”.
12. That authority be delegated to the Chief Executive and the Director of Resources, following consultation with the Chairman of the relevant policy committee, to carry out any function of the Council requiring spend (revenue or capital) of up to £25,000 or to receive up to £25,000 capital, in order to carry out that function, provided that the spending or receipt is in advancement of an approved policy position or project or in accordance with a specific Committee or Council decision.
13. That, subject to 11 above being approved, authority be delegated to Director of Resources and Director of Corporate and Customer Services to amend the Constitution to reflect the amendment to financial thresholds.
14. That the Derbyshire Dales District Council Service Plans (circulated separately) are approved.

WARDS AFFECTED

All

STRATEGIC LINK

All the Council's aims and priorities, as contained in the Corporate Plan targets for 2022/23 (to be considered elsewhere on the agenda for this Council meeting), and various service strategies, have been taken into account in determining these service plans and revenue spending proposals. Revenue spending proposals are shown in each of the draft service plans for 2022/23

REPORT

1. INTRODUCTION

- 1.1 Revenue spending proposals for all the Council's services and activities are given in Appendix 1 to this report. These are linked to the service plans for 2022/23 (circulated separately).
- 1.2 The forecasts of revenue spending requirements include both the revenue financing costs and running/operating expenditure associated with the Capital Programme.
- 1.3 In addition to considering the spending proposals for the forthcoming year, the CIPFA's Financial Management Code requires the preparation of a Medium Term Financial Plan.

This shows the known changes in financial commitments for future years, in order that the implications for future spending requirements are identified in advance and included in the strategic planning process. An updated Medium Term Financial Plan is provided in Appendix 4.

- 1.4 Service plans and annual revenue budgets are prepared as an integrated process to ensure that plans are resourced. The draft service plans, which seek to set out actions necessary to deliver the Council's priorities, are set out in the "Service Plans" booklet, which has been circulated separately alongside this report. These service plans incorporate summary budget data with other service information to clarify the link between service levels and resources.

2 LOCAL GOVERNMENT FINANCE SETTLEMENT

2.1 Introduction

Details of the provisional Local Government Finance Settlement for 2022/23 were provided to Council Members in January. Final settlement figures were announced by government on 7th February 2022. The final settlement for the Council is in line with the 2022/23 provisional settlement which was published on 16 December 2021, though there has been a slight increase in Core Spending Power. The changes in the final settlement are due to:

- Updating the business rates multiplier compensation grant figures to reflect compensation up to RPI (additional £33,569);
- A knock on impact to the lower tier services grant (additional £1,490).

This increases the 2022/23 core spending power from £10,008,377 (in the provisional settlement) to £10,043,436 (in the final settlement).

Although the Council is only in receipt of a small number of government grants the settlement still has a significant impact on the council's finances. The key points of the final settlement relevant to the District Council are set out below.

2.2 The national context

- i. A one-year settlement has been announced for 2022/23. Priority in the settlement is "stability in the immediate term", with a more fundamental review of local government funding starting in 2022.
- ii. Local government has received an average **Core Spending Power (CSP)** increase of 7.4% (£2.2bn).
- iii. The 2022/23 settlement rolls forward many aspects of the current year's settlement.
- iv. A new one-off 2022/23 Services Grant has been created to fund general responsibilities (2013/14 SFA is used to distribute funding).
- v. The council tax referendum thresholds are largely as expected: Shire district councils will be able to increase Band D by the higher of 1.99% or £5. Ministers have decided to defer setting any referendum principles for town and parish councils.

- vi. Of the £1.5bn made available in the settlement, £70m will be used to apply inflation to Revenue Support Grant, £636m for additional social care grants, and £822m for the new Services Grant.
- vii. 42% of the £1.5bn has been allocated to social care, which is lower than many were expecting.
- viii. There is another additional New Homes Bonus payment (Year 12, £333m), on top of the final “legacy” payment of £221m.
- ix. The Chancellor announced that the business rate multiplier will be frozen in 2022/23 and that will remain at 49.9p in 2022/23. Compensation for under-indexing the business rates multiplier is usually based on the Consumer Price Index (CPI) but has used Retail Price Index (RPI) in the final settlement (which results in about £225m additional funding).
- x. Once again, no changes have been made for those authorities in a “negative Revenue Support Grant” position – and indeed, these authorities (including DDDC) have received increased funding via the 2022/23 Services Grant.
- xi. There is no change in Rural Services Delivery Grant.
- xii. Lower Tier Services Grant is continued in 2022/23. Overall grant quantum remains the same (£111m).
- xiii. Funding for increases in National Insurance Contributions, the National Living Wage, and pay awards is included within the settlement package, and effectively funded through the various grant increases. There will be no further funding for these pressures.
- xiv. No announcement has been made about the distribution of the grants Cyber Resilience. Funding allocations will be made outside the settlement and “will follow in due course”.
- xv. The Electoral Registration Grant (£1.2m) has been rolled into Revenue Support Grant, and is now funded within the settlement. It will effectively be distributed using the 2013/14 Settlement Funding Assessment.
- xvi. Ministers will be re-starting the local government funding reforms in the spring. This means that the Fair Funding Review and baseline business rates reset are both going to be under consideration again, for possible implementation in 2023/24.

2.3 The local context

- The District Council’s 2022/23 **Settlement Funding Assessment** (SFA) of £1.675 million is the same as for 2021/22 (and 2020/21). This is £23,000 less than the

amount assumed in the Council's Medium Term Financial Plan for 2021/22 where an inflationary increase had been expected.

- The **core spending power** for this Council has increased from £9,225,000 (adjusted) in 2021/22 to £10,043,000 in 2022/23, an increase of £818,000 (8.9%). The table below shows how the core spending power for Derbyshire Dales District Council is calculated and the elements of change:

| Source of Funding | 2021/22 Adjusted £000s | 2022/23 £000s | Change £000s | Change % | Comments |
|---|------------------------------|------------------|-----------------|-------------|---|
| Settlement Funding Assessment | 1,675 | 1,675 | 0 | 0.0% | |
| Compensation for under-indexing the business rates multiplier | 87 | 171 | 84 | 96.6% | |
| New Homes Bonus | 398 | 778 | 380 | 95.5% | Unexpected 1 year extension; Strong growth in new homes and empty homes brought back into use |
| Rural Services Delivery Grant | 421 | 421 | 0 | 0.0% | |
| Council Tax (excl. parish precepts) | 6,573 | 6,806 | 233 | 3.5% | Taxbase estimate increased from 29,976.17 to 30,347.92 (+1.23%), then assumes £5 (2.28%) increase in Band D Council Tax |
| Lower Tier Services Grant | 71 | 77 | 6 | | |
| Services Grant | 0 | 115 | 115 | | New for 2022/23 |
| Total Core Spending Power | 9,225 | 10,043 | 818 | 8.9% | |

- The **increase in the Council Tax** income shown in the table above at 3.5% reflects the government's assumed maximum £5 (2.28%) increase (on Band D), as well as an increase in the council tax base of 1.23% that reflects new homes and empty homes brought back into use. The MTFP assumed a council tax increase of 1.94% (£4.25 per band D) and tax base growth of 0.5%. The actual tax base for 2022/23 has been set at 30,539.4, an increase of 1.9%.
- **Rural Services Delivery Grant (RSDG)** has been retained at £421,000 for 2022/23. In the MTFP approved in July, we had assumed that this grant would reduce to £200,000 in 2022/23; this means that RSDG for 2022/23 is £221,000 more than included in the MTFP.
- The **New Homes Bonus (NHB)** has been unexpectedly retained but 2022/23 new allocations will be for 2022/23 only, with no legacy payments. This results in NHB of £778,000 for 2022/23, which is £380,000 more than 2021/22, owing to more new homes and empty homes brought back into use. In the MTFP approved in July, only £218,000 had been assumed (in respect of legacy payments from prior year awards). This means that the Authority has been awarded £560,000 more than had been assumed in the MTFP.
- **Lower Tier Services Grant** has been increased from £71,000 to £77,000. This grant helps to ensure that no authority receives a reduction in CSP.
- A new **Services Grant** of £115,000 has been introduced for 2022/23. The Services Grant is one-off and the resources will be used for redistribution or to fund transitional support in future years.

- **Negative Revenue Support Grant** has been funded in the settlement so is no longer a cost pressure in 2022/23. The MTFP had assumed a cost of £390,000.

The increases in grants and council tax over the assumptions in our medium term financial plan amount to an increase in funding of £1.411m for 2022/23 as shown in table 2 below.

| Table 2: Funding in 2022/23 settlement compared with MTFP* | | | | | |
|---|----------------|---------------------|-----------------|--------------|--|
| Source of Funding | MTFP* £000s | Settlement £000s | Change £000s | Change % | Comments |
| Settlement Funding Assessment | 1,709 | 1,675 | -34 | -2.0% | MTFP assumed inflationary increase |
| Negative RSG | -390 | 0 | 390 | -100.0% | Negative RSG removed from settlement |
| Compensation for under-indexing the business rates multiplier | 89 | 171 | 82 | 92.1% | Inflation higher than assumed in MTFP |
| Lower Tier Services Grant | 72 | 77 | 5 | | |
| New Homes Bonus | 218 | 778 | 560 | 256.9% | Unexpected 1 year extension; Strong growth in new homes and |
| Services Grant | 0 | 115 | 115 | | New for 2022/23 |
| Rural Services Delivery Grant | 200 | 421 | 221 | 110.5% | |
| Council Tax (excl. parish precepts) | 6,734 | 6,806 | 72 | 1.1% | Settlement assumes £5 on band D (2.28%) increase; MTFP assumed 1.94% Settlement has 1.23% growth in tax base; MTFP assumed 0.5% |
| Total Core Spending Power | 8,632 | 10,043 | 1,411 | 16.3% | |
| *The MTFP was last approved in July 2021 | | | | | |

2.5 Officer comments: A one year settlement

It is disappointing that, once again and despite assurances from government that there would be a multi-year settlement, this settlement relates to 2022/23 only and there is no certainty that this level of funding will continue into future years. While the provisional settlement results in significantly more grant being received for 2022/23 than had been anticipated in the medium term financial plan, it is more difficult to predict the level of finance settlement that might be received from 2023/24 onwards given the lack of clarity over future funding levels.

The positive settlement for 2022/23 should not be taken as an indication of the likely funding position in future years. Significant changes in local government finance are due to take place from 2023/24. For example, the retained business rates of £1.675m for 2022/23 could be reduced significantly as part of the government's review of business rates retention, Rural Services Delivery Grant (£421,000 in 2022/23), Services Grant (£115,000 in 2022/23) and Lower Tier Services Grant (£77,000 in 2022/23) could disappear after the Fair Funding Review. No more legacy payments are due for New Homes Bonus for 2023/24 onwards (£778,000 in 2022/23), which poses a significant funding reduction. As mentioned above, the government has stated that it plans to publish next steps on the future of NHB soon.

2.7 Local Government Finance Settlement: Conclusion

The settlement for 2022/23 is much better than expected. However, most of the financial uncertainties for future years, that have been explained repeatedly, still remain. This settlement helps greatly for 2022/23 but the financial uncertainties and need for corporate savings remain for 2023/24 and subsequent years. The settlement enables

the Authority to delay savings decisions for a while (see the section on the Medium Term Financial Plan below), giving us **an opportunity to plan savings for the medium term** while awaiting the outcome of the government reviews into funding and non-domestic rates.

3. NET SPENDING AND COUNCIL TAX REQUIREMENT

- 3.1. The net cost of services is detailed in Appendix 1. The Summary Revenue Account (Appendix 2) sets out the spending proposals for this Council and the precepts of the Town/Parish Councils for 2022/23. The estimates of cost reflect the spending needs of the current service plans and policies of the Council. Following the transfers to/from reserves, there is a breakeven position in the 2022/23 budget, with expenditure matched by income.
- 3.2. The calculation of net revenue expenditure and the Council Tax requirement is shown in detail in the Summary Revenue Account in Appendix 2 and is summarised in the table below:-

Table 3 – Summary Revenue Account

| | Estimate 2021/22 £ | Revised Estimate 2021/22 £ | Estimate 2022/23 £ |
|---|--------------------------|-------------------------------------|--------------------------|
| Net Cost of Services (as Appendix 1) | 10,718,189 | 11,238,989 | 10,962,818 |
| Income from investment properties | (102,556) | (102,556) | (102,556) |
| Net interest | 188,150 | 188,150 | 188,000 |
| Statutory sum for debt repayment | 211,773 | 211,773 | 211,773 |
| Net revenue expenditure | 11,015,556 | 11,536,356 | 11,260,035 |
| Transfer to/(from) strategic reserves (detailed in Appendix 5) | (4,419,167) | (4,782,817) | (1,738,219) |
| External Funding Requirement | 6,596,389 | 6,753,539 | 9,521,816 |
| Funded by: | | | |
| Retained Business Rates (NDR) | (2,868,832) | (2,868,832) | (3,412,804) |
| NDR collection fund (surplus) / deficit | 3,949,040 | 3,949,040 | 2,087,317 |
| Revenue Support Grant | 0 | 0 | 266 |
| New Homes Bonus | (397,613) | (397,613) | (777,636) |
| Rural Services Delivery Grant | (420,990) | (420,990) | (420,990) |
| Council tax collection fund deficit / (surplus) | 80,418 | 80,418 | 20,838 |
| Lower Tier Services Grant | (71,358) | (71,358) | (76,631) |
| Other Government Grants | (294,083) | (419,083) | (115,477) |
| Total external funding | (23,418) | (148,418) | (2,695,649) |

| | | | |
|---|------------------|------------------|------------------|
| (excl. council tax) | | | |
| DDDC Council Tax Requirement | 6,572,971 | 6,572,971 | 6,826,167 |
| Town and Parish Council Precepts | 1,826,236 | 1,826,236 | 1,892,616 |
| Council Tax Requirement (Appendix 2) | 8,399,207 | 8,399,207 | 8,718,783 |

- 3.4 The estimates for 2022/23 (excluding parish precepts) result in an increased council tax requirement of £253,196 against the original budget for 2021/22. A summary of variances when comparing the 2022/23 estimates to the 2021/22 original estimates is given in Appendix 3. Significant variances (over £100,000) are shown in the table below:-

Table 4 – Variances for proposed budget 2022/23 over original budget 2021/22

| Budget Head | Variance £000 |
|---|----------------------|
| Garden Waste Income: more subscribers than expected | (156) |
| Waste contract inflationary increase in August 2021 higher than expected | 112 |
| Waste contract contingency | 125 |
| Leisure centre contract: Reduced management fee due | (294) |
| Homeless Reduction Act Grant | (123) |
| Consultancy for Levelling Up Fund bid (<i>offset by transfers from reserves</i>) | 280 |
| Contingency for pay award | 275 |
| Removal of one-off sum in 2021/22 budget for Covid pressures (<i>offset by reduced government grants</i>) | (293) |
| Transfer to reserve: NNDR deficit (<i>offsets reduced collection fund deficit shown below</i>) | 1,869 |
| Other transfers to / from reserves | 812 |
| Reduction in Business Rates Collection Fund deficit (<i>offset by transfer to reserve shown above</i>) | (1,862) |
| Increase in retained Business Rates Income (<i>offset by transfer to business rates fluctuations reserve</i>) | (544) |
| Net Increase in Government Grants | (206) |

4. COUNCIL TAX

Council Tax Collection Fund Balance

- 4.1 In determining its demand on the Council Tax, the Council must take account of any balances relating to Council Tax transactions, reflecting the difference between anticipated yield and collection rate compared to those actually achieved.

- 4.2 At 31st March 2022 there is expected to be a deficit on the Council Tax collection fund. The District Council's share of the deficit is £20,838, which has to be taken into account in setting the 2022/23 Council Tax level.

Non-domestic Rates Collection Fund Balance

- 4.3 In determining its demand on the Council Tax, the Council must take account of any balances relating to Non-Domestic Rates transactions, reflecting the difference between anticipated yield and collection rate compared to those actually achieved.
- 4.4 At 31st March 2022 there is expected to be a deficit on the non-domestic rates collection fund. The District Council's share of the deficit is £2,087,317 which has to be taken into account in setting the 2022/23 Council Tax level. The majority of this deficit is offset by a transfer from reserves in 2022/23, reflecting a government grant received in 2021/22 and carried forward through reserves.

Council Tax Requirement and Proposed Council Tax Increase

- 4.5 The Council Tax is calculated by dividing the Council's Council Tax Requirement by its Council Tax Base. Taking the above factors into account, this Council's requirement (excluding parish council precepts) from the Council Tax for 2022/23, including a comparison with 2021/22, is calculated as follows:-

Table 5 – Council Tax Calculation

| | 2021/22 | 2022/23 |
|--------------------------------|------------|--------------|
| Council Tax Requirement (DDDC) | £6,572,971 | £6,826,167 |
| Council Tax Base | 29,976.17 | 30,539.40 |
| DDDC Council Tax - Band D | £219.27 | £223.52 |
| Increase per band D | | £4.25 |
| Increase % | | 1.94% |

- 4.6 The council tax referendum principles for 2022/23 were approved by the House of Commons on 9 February 2022. The following principles apply in relation to shire district councils: *“the relevant basic amount of council tax in 2022/23 will require a referendum if it is both:*

- a) 2%, or more than 2%, above its 2021-22 level; and*
- b) more than £5 above its 2021-22 level.*

*This means that a shire district authority will need to exceed **both** the percentage and cash referendum thresholds in order to be subject to a referendum; exceeding one principle but not the other would not require a referendum”.*

The recommendations in this report do not exceed either limit.

- 4.7 The table below shows the proposed band D Council tax for 2022/23 and the previous 5 years:-

Table 6 – Council Tax Levels since 2017/18

| Financial Year | Band D Council Tax | Increase on Previous Year |
|------------------|--------------------|---------------------------|
| 2017/18 | £198.34 | 2.59% |
| 2018/19 | £204.27 | 2.99% |
| 2019/20 | £209.27 | 2.45% |
| 2020/21 | £214.27 | 2.39% |
| 2021/22 | £219.27 | 2.33% |
| Proposed 2022/23 | £223.52 | 1.94% |

It is important to note that the proposed increase in council tax for 2022/23 will benefit each subsequent financial year, when the council faces uncertainty on levels of government funding.

- 4.8 On 3 February 2022 the government announced that it is to provide a £150 Energy Bills Rebate as a result of well documented increases in energy bills. This rebate is intended to assist most households in council tax bands A-D. In addition to this, discretionary funding will be provided to local authorities to support people on low incomes that do not pay council tax, or who pay council tax for properties in bands E-H. A report on this scheme entitled “The Council Tax (Demand Notices and Reduction Scheme) (England) (Amendment) Regulations 2022 – the £150 Energy Bills Rebate” is elsewhere on the agenda for this Council meeting.

5. MEDIUM TERM FINANCIAL PLAN

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

Table 7 – Summarised Medium Term Financial Plan

| | Original Budget 2021/22 £000s | Revised Budget 2021/22 £000s | Proposed Budget 2022/23 £000s | Forecast 2023/24 £000s | Forecast 2024/25 £000s | Forecast 2025/26 £000s | Forecast 2026/27 £000s |
|---------------------------------|--|---------------------------------------|--|------------------------------|------------------------------|------------------------------|------------------------------|
| Forecast spending | 11,015 | 11,536 | 11,260 | 11,174 | 10,769 | 10,669 | 11,120 |
| Transfers to/(from) reserves | (463) | (827) | 349 | (157) | 284 | 400 | 370 |
| Net Spending Requirement | 10,552 | 10,709 | 11,609 | 11,017 | 11,052 | 11,069 | 11,490 |
| Funded By: | | | | | | | |
| Income from Council Tax | (6,493) | (6,493) | (6,805) | (7,022) | (7,213) | (7,399) | (7,590) |
| Income from Business Rates | (2,875) | (2,875) | (3,413) | (3,448) | (3,483) | (3,520) | (3,558) |
| Covid 19 Grants & Contributions | (294) | (419) | 0 | 0 | 0 | 0 | 0 |
| Negative Revenue Support Grant | 0 | 0 | 0 | 400 | 410 | 420 | 430 |
| Rural Services Delivery Grant | (421) | (421) | (421) | (421) | (421) | (421) | (421) |
| New Homes Bonus | (398) | (398) | (778) | 0 | 0 | 0 | 0 |
| Services Grant | 0 | 0 | (115) | 0 | 0 | 0 | 0 |
| Lower Tier Services Grant | (71) | (71) | (77) | (79) | (81) | (83) | (85) |
| Total funding | (10,552) | (10,677) | (11,609) | (10,570) | (10,788) | (11,003) | (11,224) |
| Savings to be achieved | 0 | 32 | (0) | 447 | 264 | 66 | 266 |

- 5.3 The Medium Term Financial Plan demonstrates that, with the proposed increase in council tax, there is a balanced budget for 2022/23. However, the Medium Term Financial Plan shows that further grant losses are expected from 2023/24 onwards (see below) and that, as a result, there is a need to identify additional savings or income of around £447,000 a year for 2023/24 including ongoing savings of around £250,000 a year. The approach to achieving these savings is set out in section 7 of this report.
- 5.4 Several funding streams (New Homes Bonus, Rural Services Delivery Grant and Revenue Support Grant) received from Government, all have a significant direct impact on the Council. The Department for Levelling Up, Communities and Housing (DLUCH) has previously indicated all of these funding streams might reduce and the information received has been used to model the Council's future MTFP.
- 5.5 The DLUCH continues to review the arrangements for Local Government financing. However, as experienced in the 2022/23 settlement, changes to allocations can be received late in the day. As the provisional and final settlements are not normally received until December and January respectively (February this time) prior to financial year start, the Council has limited time to respond to changes introduced by the DLUCH.
- 5.6 The Council has reserves and balances that could be used in the short term to address any savings requirements for 2023/24 while a thorough review of income and expenditure is undertaken and an action plan developed.
- 5.7 The MTFP includes the impact of several key developments for the council over the MTFP period. These include the potential increased costs arising from the triennial review of the pension fund, as well as additional revenue income arising from investments being made through the capital programme e.g. climate change, housing and regeneration projects.
- 5.8 The assumptions made in preparing the MTFP are shown in Appendix 4. It is possible that some of these assumptions may turn out to be too cautious or over-optimistic. Some

scenario testing has been carried out to demonstrate the impact of different assumptions on the savings requirement identified in the medium term plan. The results of that testing are set out below:

Table 8 – Results of scenario testing for Medium Term Financial Plan

| | Estimates 2021/22 £000s | Estimates 2022/23 £000s | Estimates 2023/24 £000s | Estimates 2024/25 £000s | Estimates 2025/26 £000s | Estimates 2026/27 £000s |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Current MTFP, as table above | | | | | | |
| Surplus (-) / Deficit | 32 | (0) | 447 | 264 | 66 | 266 |
| Loss of RSDG | | | | | | |
| Surplus (-) / Deficit would be: | 453 | 421 | 868 | 685 | 487 | 687 |
| No Negative Revenue Support Grant (RSG) | | | | | | |
| Surplus (-) / Deficit would be: | 32 | (0) | 47 | (146) | (354) | (164) |
| Loss of RSDG and Lower Tier Services Grant | | | | | | |
| Surplus (-) / Deficit would be: | 524 | 492 | 545 | 354 | 148 | 340 |
| No Negative RSG and NHB retained at 2022/23 level | | | | | | |
| Surplus (-) / Deficit would be: | 32 | (0) | (731) | (924) | (1,132) | (942) |
| Business Rates Income above baseline reduces by 10% | | | | | | |
| Surplus (-) / Deficit would be: | 140 | (11) | 436 | 252 | 54 | 254 |
| No growth in council tax base after 2022/23 | | | | | | |
| Surplus (-) / Deficit would be: | 32 | (0) | 491 | 355 | 205 | 455 |

6. RESERVES AND BALANCES

- 6.1 In examining the immediate and longer term spending plans, for both revenue and capital, it is necessary to consider the levels of balances which are available and, of those, the ones that will be required to meet spending plans. Transfers to/from reserves are detailed in Appendix 5. The estimated position on the Council's Reserves and Balances as at 31st March 2021 and 31st March 2022 is detailed in Appendix 6. A number of points need to be taken into account:-

Working Balances

- 6.2 It is considered essential that the Council retains a level of uncommitted balances to meet emergency, unforeseen and unknown eventualities. This includes positive opportunities that may arise as well as disastrous or onerous liabilities.
- 6.3 In the absence of these balances any such expenditure would fall directly on the General Fund and Council Tax requirement. This could result in significant financial consequences for service provision. As budgets have been tightened and contingencies removed, the need for adequate working balances becomes even more important. Whilst it is impossible to advise on the precise level because of the uncertainty involved, it is considered prudent to retain uncommitted working balances of approximately 10% of net revenue expenditure. Working balances at 31st March 2023 are set at £1,000,000, which is considered adequate for the purpose described above.

Use of Balances

- 6.4 The effect of the Council's spending proposals and commitments on the General Reserve is shown in the Medium Term Financial Plan in Appendix 4 and a summary of reserves is given in Appendix 6. It can be seen that the estimated General Reserve balance is £901,512 at 31st March 2023. However, Council approved on 27 January 2022 that if there is an under-spending in 2021/22 (which seems likely at the time of writing this report), then £100,000 would be added to the General Reserve; this would increase the level of the reserve to £101,512.
- 6.5 Balances, by their very nature, can be used only once. Therefore, the continued use of balances to support ongoing spending is not sustainable beyond the life of the available amount. A strategy which is based on the continued use of balances to support regular spending can only have a finite life. Therefore, in looking at the use of available balances regard must be taken of the future demands upon them in terms of both capital and revenue spending. In addition, interest is earned on the investment of unused balances (albeit at very low interest rates at the current time). Utilisation of balances will therefore reduce the interest earned in future years.
- 6.6 It should be noted that the Medium Term Financial Strategy (approved in March 2021) allows the General Reserve to be used for meeting "one-off" expenditure or for "invest-to-save" proposals, but restricts its use for funding ongoing revenue expenditure to exceptional circumstances.

Strategic Reserves

- 6.7 The Council has strategic reserves for specific purposes and these should continue to be earmarked for the identified purpose. This ensures the availability of the amounts in these reserves for those purposes and defrays demands on the revenue spending and general balances. Details of transfers to/from reserves are shown in Appendix 6 and details of strategic reserves are given in Appendix 6.
- 6.8 It is important that reserves are reviewed on at least an annual basis to ensure they are adequate for the purpose, but not excessive, based on an assessment of needs, an understanding of risks, and taking into account the opportunity costs of maintaining reserves. An annual review of strategic reserves is given at Appendix 7. The statement lists the various strategic reserves, the purposes for which they are held, and the forecast levels at 31st March 2023, based on the requirements shown in the proposed budget for 2022/23 and the Medium Term Financial Plan. The outcome of the review is reflected in the Statutory Report in Section 8 below.
- 6.9 Following this review of reserves, strategic reserves are estimated to total £17 million at 31st March 2022 and £10.2 million at 31st March 2023.
- 6.10 To mitigate increased financial risks associated with the new waste contract that was introduced in 2020, the Council established a Waste Contract Fluctuations Reserve. The purpose of this reserve is defined in the Council's Medium Term Financial Strategy as "To finance changes in disposal costs which will become part of the new waste contract". Following recent events, it is recommended that this reserve be renamed the "Waste & Recycling Reserve" and that its purpose should be redefined as "To provide funding to offset the impact of additional expenditure or lost income associated with waste and recycling services". This reserve is forecast to have a balance of £555,188 at 31 March 2023.

7 SAVINGS

- 7.1 The Council has worked hard over past years to make substantial savings that have enabled the organisation to present a balanced budget each year. These savings have been achieved through exploring different ways of delivering services, e.g. outsourcing, shared services, the introduction of new revenue income streams and through a series of service reviews that have examined each service area and made significant efficiencies. The service reviews that have been undertaken have not only generated efficiency savings but have also introduced service improvements for customers / residents. The Corporate Leadership Team has also carried out a detailed scrutiny of every service budget and removed any that the trends indicate may not be required in future years. Any underspends made each year are also analysed to identify those that can be classed as ongoing savings.
- 7.2 The need to achieve further savings or identify new revenue income streams is set out in the Medium Term Financial Plan (see Appendix 4 and section 5 of this report). The approach to achieving the savings is set out in the Council's Medium Term Financial Strategy, approved in March 2021. Given the amount set aside in usable revenue reserves, the timing of the required savings, and the uncertainty surrounding council funding (arising mainly from the outcome of the anticipated level of the government's Fair Funding Review and its review of the Business Rates Retention scheme), the Council's approach to meeting the Corporate Savings Target and closing the budget gap is to refrain from significant service reductions at the present time, until the outcome of the government reviews is known. The Council will continue to explore commercial and investment opportunities to help it to achieve a sustainable financial future. The overall aim of this approach is that the Council will be far less reliant on government funding and will become more self-sufficient. The approach will focus on income generation and investment in economic development that will lead to growth. In the longer term, this approach will provide the Council with more financial resilience than depending on government grants.

8 CHIEF FINANCE OFFICER'S STATUTORY REPORT

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

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

Robustness of estimates

- 8.2 In accordance with this requirement, the Director of Resources is of the opinion that the processes used in calculating the net budget requirement for 2022/23 are robust and

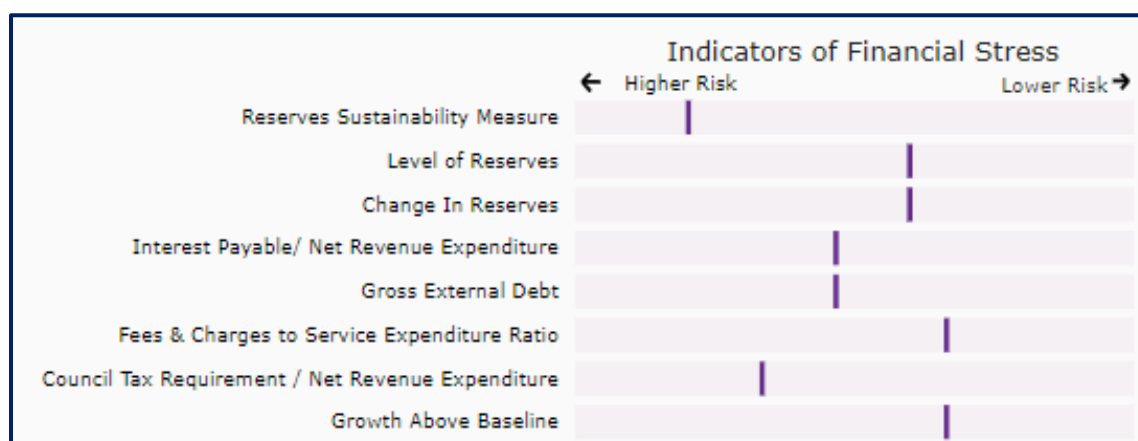
accurate, while depending on estimation. In reaching this opinion, the Director of Resources is satisfied that adequate account has been taken of the following factors:-

- last year's outturn;
- the current year's income and expenditure to date;
- expected pay & price increases;
- pension contributions;
- the impact of interest rate movements;
- demand for services;
- the revenue impact of capital investment;
- local predictions of future government grant allocations;
- debt recovery performance;
- future Council Tax Base changes;
- future increases in Council Tax;
- expected income from business rates;
- the timing and level of capital receipts;
- expected revenue income streams resulting from capital investment;
- a realistic forecast has been made of major income streams, e.g. car parks income;
- resource allocations are in line with the Corporate plan priorities and service plans;
- the budget process is supported by clear guidelines in the approved Medium Term Financial Strategy and Capital Strategy, financial regulations and a clear timetable with allocated roles and responsibilities;
- the process is underpinned by the Council's Risk Management framework.

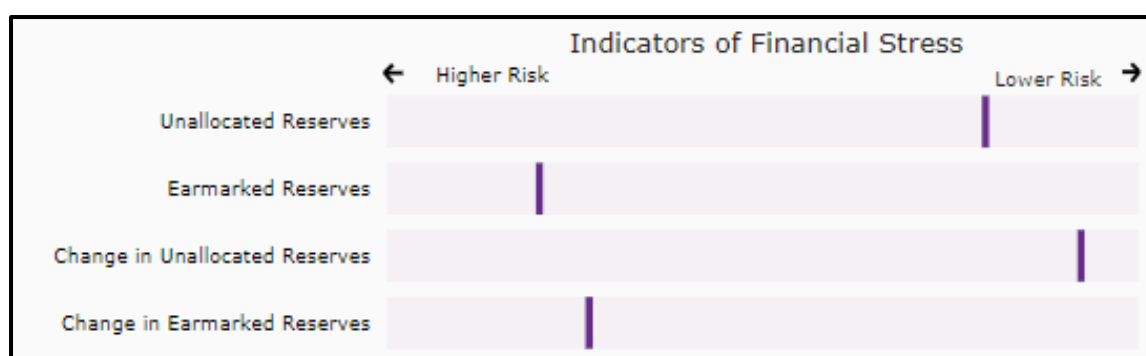
Financial Resilience

- 8.3 In simple terms, financial resilience is the ability, from a financial perspective, to respond to changes in delivery or demand without placing the organisation at risk of financial failure. This means having the agility and flexibility to forecast and manage both expenditure and income to meet requirements as they change while delivering a balanced budget.
- 8.4 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 graphics below show an overview for this Council, based on information at 31 March 2021, with a comparison against similar authorities.

Chart 1 – CIPFA Financial Resilience Index Summary 2020/21

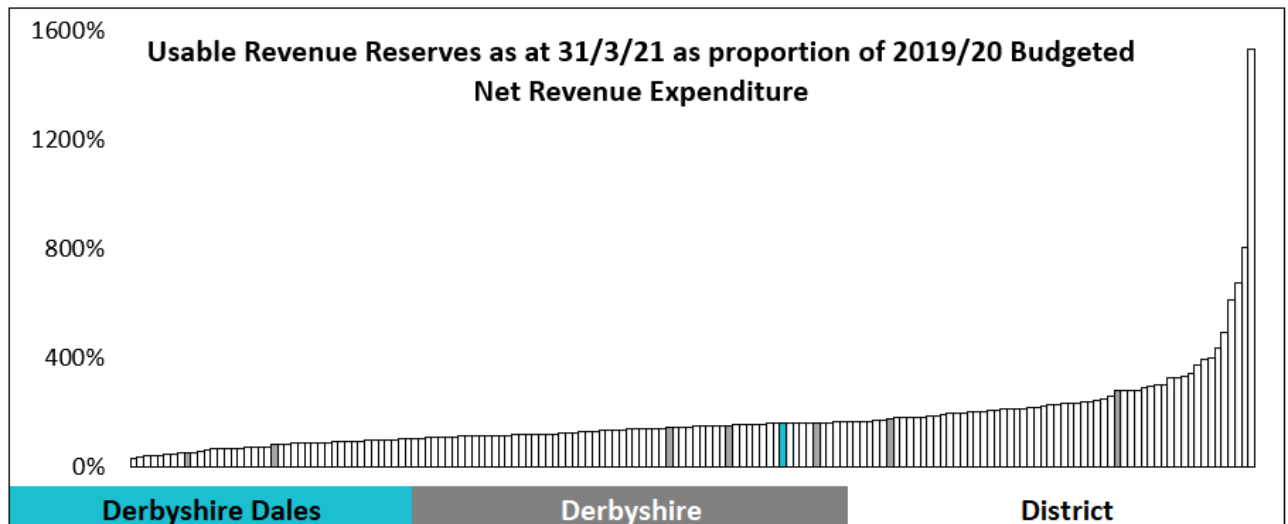


| Indicator | Min | Indicator Value | Max |
|---|--------|-----------------|-----------|
| Reserves Sustainability Measure | 100.00 | 100.00 | 100.00 |
| Level of Reserves | 52.18% | 154.00% | 300.00% |
| Change In Reserves | 22.19% | 63.05% | 316.98% |
| Interest Payable/ Net Revenue Expenditure | 0.00% | 1.52% | 14.72% |
| Gross External Debt | £0k | £5,456k | £142,571k |
| Fees & Charges to Service Expenditure Ratio | 3.66% | 13.09% | 50.44% |
| Council Tax Requirement / Net Revenue Expenditure | 33.61% | 55.28% | 100.00% |
| Growth Above Baseline | 16.98% | 62.98% | 131.37% |



- 8.5 The most recent analysis (for 2020/21) shows that for most indicators the Council performs in the median range when compared to other similar councils, demonstrating a well-balanced approach to financial management against a backdrop of significant demand pressures and central government funding cuts. However, the Council ranks as middle to high risk for Council Tax Requirement / Net Revenue Expenditure (see paragraph 8.6 below) and in the higher risk range for “Reserves Sustainability”.
- 8.6 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 2021. This is an indicator of financial resilience with 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. The chart indicates that DDDC reserve levels at 31 March 2021 were healthy; they were close to the district average and above the Derbyshire average.

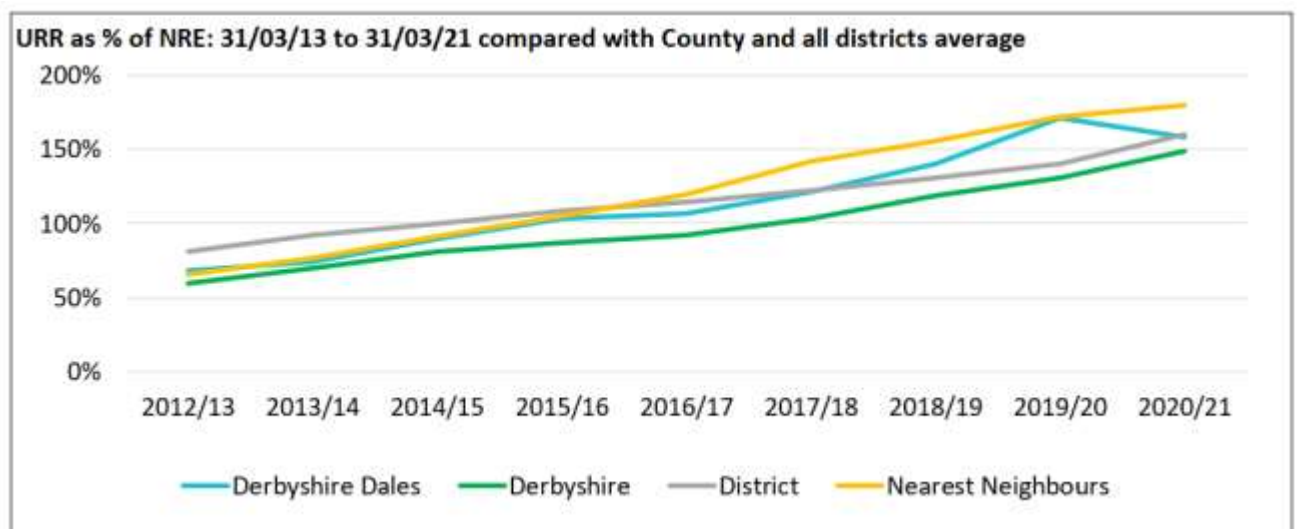
Chart 2 – Usable Revenue Reserves as % of Net Revenue Expenditure at 31 March 2021: All Districts



Source: LG Improve

- 8.5 The chart below shows the Council's Usable Revenue Reserves as percentage of Net Revenue Expenditure from 2012/13 to 2020/21. 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 meant that resilience declined in 2021/22. The reduction in URR is in contract to other authorities who have seen an increase. At the end of 2020/21 reserve balances were still healthy - close to district average and above Derbyshire average.

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



Source: LG Improve

- 8.6 The information set out above shows the position at 31 March 2021. It was expected that the Council would be in the higher risk area for reserve sustainability, as it has been

apparent for some time that strategic reserves (especially those to fund the capital programme) are reducing. However, Appendices 6 and 7 show that strategic reserves are forecast to reduce from £17 million at 31st March 2022 and £10.2 million at 31st March 2023; this will increase the Reserves Sustainability risk and Usable Reserves as a percentage of Net Revenue Expenditure is forecast to reduce from 144% in 2021/22 to 117% in 2022/23. This indicates that the Council will have reduced ability and flexibility to respond to changes in delivery or demand without placing the organisation at risk of financial failure.

- 8.7 In addition to the above, there is a need to build up a reserve to be utilised when the Council's current fleet of waste vehicles require replacement in 7 years' time, or to plan for increased annual revenue costs at the end of the current contract if future vehicles are to be leased. The current vehicles were acquired in 2020/21 and 2021/22 at a cost of £3.6m. It would be prudent to earmark a substantial sum from any increased government funding to build up a reserve for this purpose.
- 8.8 It is the Director of Resources' opinion that, while there are sufficient reserves at present to provide resilience for revenue spending, higher levels of reserves are required in the medium term to improve financial resilience and the provide for known future liabilities, such as replacement waste vehicles.
- 8.9 The Medium Term Financial Strategy, last approved in March 2021, suggests measures to address this. The approach taken by the Council has been supported by the external auditor in his Value For Money conclusion for the audit of the 2020/21 accounts, which will be reported to the Governance and Resources Committee meeting on 24 March. The Director of Resources is satisfied that the Council's Financial Reserves, as summarised in Appendices 6 & 7, are adequate. In reaching this opinion, the Director of Resources has taken into account the following factors:-
- the budget process is robust and accurate for the reasons given above;
 - an assessment has been made of the major risks;
 - the Bellwin scheme is a source of emergency financial assistance which "reimburses local authorities for costs incurred on, or in connection with, their immediate actions to safeguard life and property;
 - the Council does not have a history or culture of overspending its budgets;
 - the level of reserves has been determined with regard to CIPFA guidance on local authority reserves and balances;
 - the Council has adequate systems of budgetary control throughout the year.

9 Financial Management Code

- 9.1 CIPFA has published a Financial Management Code (the FM Code) to support good financial management, as well as demonstrating a local authority's financial sustainability. The Code is based on a series of principles supported by specific standards and statements which are considered necessary to managing its finances over both the short and medium term, managing financial resilience to meet foreseen demands on services and to manage unexpected shocks in its financial circumstances. Local authorities are required to evidence their performance against the standards from April 2021, though it has recently been announced that a "direction of travel" rather than full compliance will be acceptable at the start of the financial year. The FM Code will

help external auditors in forming their value for money opinion as part of the audit of a local authorities' year-end accounts.

- 9.2 A review of the Council's financial management arrangements against the standards set out in the Code is being undertaken at the time of writing this report. A report on the Financial Management Code, which will identify any areas that need to be strengthened, will be presented to the Governance & Resources Committee on 24 March 2022. No significant problem areas are anticipated, though a few areas require some improvements.

10 SUPPLEMENTARY BUDGETS

- 10.1 The Council is now operating in an increasingly complex environment in respect of service delivery. This was recognised in the recent Independent Waste Review undertaken by Allen Graham and organisational capacity in specialist areas was highlighted by Members in the recent extraordinary Council meeting as an issue in need of further discussion. There will be times where the organisation needs to move at pace to respond to shifting circumstances and challenges. The recent example of the Council being asked to approve a supplementary budget for the engagement of a waste specialist consultant serves to highlight the absence of pace in the decision making processes of the authority to enable corporate leadership to draw on specialist support as and when their professional opinion deems necessary. Whilst the recent issues in respect of waste highlight this, there will likely be occasions in the future where such support may be required to address planning policy, economic development, legal and governance issues.
- 10.2 The principle of securing external advice and support already exists within the Financial Regulations in the context of authorising spend for goods, services and works, but restrictions on thresholds for officers to make such decisions is limited to £10,000, which when compared to other authorities in Derbyshire and nationally is low. In the context of this complex environment and increasing costs for the engagement of specialist support, and reflecting Members' recent stated support to empower corporate leadership to respond to emerging challenges and priorities, it is recommended that approval be given to authorise the Chief Executive or the Director of Resources, following consultation with the Chairman of the relevant policy committee, to carry out any function requiring spend (revenue or capital) of up to £25,000 or to receive up to £25,000 capital, in order to carry out that function, provided that the spending or receipt is in advancement of an approved policy position or project or in accordance with a specific Committee or Council decision. Subject to Members approving this recommendation, the Council is also asked to consider delegating authority to the Director of Resources and Director of Corporate and Customer Services to amend the Constitution to reflect the amendment to those thresholds.
- 10.3 It is expected that these delegated powers would only be exercised where there is already an approved budget in place, but that it has been identified as insufficient, for example after tenders have been received or if it becomes apparent that the scope of a consultant's work needs to be broadened in a project that has urgent deadlines. Whilst there may be occasions when there isn't an approved budget, the relevant service director in such cases would be expected to prepare a business case to also be considered by the Corporate Leadership Team in advance of a delegated decision.

11 TOWN / PARISH COUNCIL PRECEPTS

- 10.1 The precepts of Town/Parish Councils for 2022/23 are shown in Appendix 8 to this report and total £1,892,616 for 2022/23, an increase of £66,380 (3.63%) over 2021/22. However, this has not resulted in a similar percentage increase in council tax for parishes, as there has been an increase in the council tax base. As shown in Appendix 2, the average Parish Council Tax increases from £60.92 in 2021/22 to £61.97 in 2022/23, an increase of £1.05 (1.72%).
- 10.2 These precepts have to be shown as part of the District Council's requirements as detailed in the Summary Revenue Account. As part of Council Tax setting, the individual Town/Parish precepts become a special expense chargeable against each specific area and are raised from the Council Tax levied on that area.

11. CONSULTATION

- 11.1 Consultation on the District Council's spending plans has been restricted in 2022 by the coronavirus pandemic and it not being advisable to hold large public meetings in person. However, the Council held three online community forums in February 2022 as a form of engagement. These forums included a presentation and an opportunity for the public to ask questions about the Council's proposed spending plans and council tax increase for 2022/23. Consultation on the proposed revenue and capital spending proposals, and the proposed increase in the council tax in 2022/23 has also been carried out by publicising details on the Council's website and social media channels and inviting feedback. This community forums took place on 10th, 15th and 22nd February 2022, and further publicity took place via the Council's website on 21 February 2022. Feedback has been requested by 1st March. A summary of the consultation responses will be provided to councillors on 3 March 2022.
- 11.2 The statutory consultation with representatives of National Non-Domestic Ratepayers was carried out by providing a link to details of the Council's spending proposals in the Council's "Business News". Businesses were sent an information leaflet relating to non-domestic rates. This consultation commenced on 22 February 2022 and is due to end on 1 March 2022. A summary of the consultation responses will be provided to councillors on 3 March 2022.

12. RISK ASSESSMENT

12.1 Legal

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

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

12.2 Financial

Significant risks within the revenue budget include:-

- Uncertainty about the level of Government funding, (especially New Homes Bonus, Rural services Delivery Grant and Lower Tier Services Grant (or replacement mechanisms to reflect the additional costs faced by rural authorities) and Negative Revenue Support Grant and the business rates retention scheme, from 2023/24 onwards. This financial risk is assessed as High.
- Uncertainties relating to business rates income, which can be very volatile, especially since the coronavirus pandemic. This risk is assessed as High.
- Uncertainties relating to collection of council tax income and growth in the tax-base, which has been impacted by the coronavirus pandemic. This risk is assessed as Medium to High.
- Income from sales, fees and charges not being achieved. The Council has no direct control over, for example, the level of car parking income, which is affected by factors such as the weather. While there might be some support in additional government grants, it is unlikely that this will fully offset losses. This source of income is significant to the Council's budget process and, therefore, this financial risk is assessed as High.
- Uncertainty due to the value of income from disposal of recycling material, though this is mitigated somewhat by the waste contract reserve. Given the volatility in the current markets for recyclable materials, this financial risk is assessed as High.
- Uncertainty relating to the costs of unforeseen events, increasing demands or unexpected service costs, for example inflationary increases on contracts being larger than budgeted or the costs of dealing with flooding. Such cost pressures might be partially offset by government grants, the remainder would need to be funded from the General Reserve or another relevant earmarked reserve. This financial risk is assessed as Medium.
- Targeted savings not being achieved. As stated in the body of the report, the Medium Term Financial Plan indicates that further grant losses are expected from 2023/24 onwards (see below) and that, as a result, there is a need to identify additional savings or income of around £447,000 a year for 2023/24 including ongoing savings of around £250,000 a year. While it is hoped that additional government funding will help to close this gap, meeting it will be a significant challenge on top of savings that have already been made. This financial risk is therefore currently considered to be High.

The financial risk in respect of the Council's long-term financial position is assessed as "High". This mainly relates to the high risk relating to financial resilience, as described in section 8 of this report. Should the Council receive a favourable outcome from the government's funding reviews, and especially if it covers more than one financial year, then this risk would be reduced if reserve balances were to be increased.

11.3 Corporate Risk

As identified in the report, the key risks result from the need to make savings or raise additional revenue income in the medium term. This risk is considered to be High; it has

been reflected on the Council's Strategic Risk Register, together with some mitigating actions.

12. OTHER CONSIDERATIONS

- 12.1 In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property considerations.
- 12.2 Climate change: The revenue spending proposals for 2022/23 include £144,203 for climate change including the ongoing costs of employing a climate change officer, who is actively working to reduce the Council's carbon emissions to meet the 'net zero' target by 2030. This additional capacity also enables the Council to access available capital grant funding for climate change projects when it becomes available through schemes like the Public Sector Decarbonisation Scheme.

Within the sum stated above, the proposals include £85,000 to be used for infrastructure works at the Council's depot to prepare for the use of electric vehicles.

As identified in 2.5, the lack of certainty in respect of funding for future years makes planning for the delivery of longer term climate change projects challenging. However, it should be recognised that there may some opportunities for the Council to explore new sources of revenue through investment in projects such as ground solar PV arrays – technical and financial feasibility studies are underway, and a report will come back to Council.

13. CONTACT INFORMATION

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15.BACKGROUND PAPERS

| Date | Description | Location |
|------------|--|---|
| 08/02/2022 | Details of Final Local Government Finance Settlement | Local authorities' individual allocations can be found at: https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2022-to-2023 |

15. ATTACHMENTS

- Appendix 1 Service Summary
Appendix 2 Summary Revenue Account

- Appendix 3 Variations in spending proposals for proposed budget 2021/22 compared to 2020/21 original estimate
- Appendix 4 Medium Term Financial Plan
- Appendix 5 Transfers to and from Strategic Reserves
- Appendix 6 Summary of Revenue Balances, Provisions and Strategic Reserves
- Appendix 7 Annual Review of Strategic Reserves
- Appendix 8 Parish Precepts

Draft service plans for each service (**booklet circulated separately**)