



OPEN REPORT COUNCIL

Council – 29 February 2024

REVENUE BUDGET 2024/25

Report of the Director of Resources (Section 151 Officer)

Report Author and Contact Details

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Wards Affected

District-wide

Report Summary

This report seeks approval for the District Council's and Revenue Budget for 2024/25 and updated Medium Term Financial Plan.

Recommendations

1. That the level of the Derbyshire Dales District Council's Council Tax (excluding parish requirements) for 2024/25 set at £236.98 for Band D, being an increase of £6.88 per band D (2.99%) from the 2023/24 level.
2. That the estimated net revenue expenditure for 2024/25 totalling £13,750,161, as detailed in the Summary Revenue Account in Appendix 1, be approved.
3. That approval be given to the transfer of £400,000 from the General Reserve to increase the level of uncommitted working balances from £1m to £1.4m at 31st March 2024.
4. That approval be given to the transfer of the balance of £508,406 from the Funding Uncertainties Reserve to the Corporate Plan Priority Reserve at 31st March 2024.
5. The net sum of £439,628 be transferred from strategic reserves in 2024/25, as shown in Appendix 1 and detailed in Appendix 5.
6. The following amounts are calculated by the Council for the chargeable financial year 2024/25 in accordance with Section 31A of the Local Government Finance Act 1992:-
 - i. aggregate of the amounts which the Council estimates for the items set out in Section 31A(2)(a) to (f) thereof is £35,453,949;
 - ii. aggregate of the amounts which the Council estimates for the items set out in Section 31A(3)(a) to (d) thereof is £26,075,635

- 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 2024/25 is £9,378,314;
7. That the updated Medium Term Financial Plan, shown in Appendix 4, be approved.
 8. 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 be noted.
 9. That Council adopts the Pay Policy Statement for 2024/25, set out in Appendix 9 to this report.

List of Appendices

- Appendix 1 Summary Revenue Account
- Appendix 2 Net cost of services analysed by activity
- Appendix 3 Variations in spending proposals for proposed budget for 2024/25 compared to 2023/24 original budget
- 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
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- Appendix 9 Pay Policy Statement
- Appendix 10 Budget Report: Glossary of Terms

Background Papers

Date	Description	Location
05/02/2024	Details of Final Local Government Finance Settlement for 2024/25	Local authorities' individual allocations can be found in the final 2024/25 Local Government Finance settlement

Consideration of report by Council or other committee

N/A

Council Approval Required

Yes

Exempt from Press or Public

No

Revenue Budget 2024/25

1. Introduction

- 1.1 Revenue spending proposals for all the Council's services and activities, together with a budget summary, are given in Appendices 1 and 2 to this report.
- 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 Financial Management Code produced by CIPFA 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 This report also includes the Chief Finance Officer's Statutory Report on the robustness of the estimates made for the purposes of the budget calculation and the adequacy of the proposed financial reserves. The Council is required to take the report into account when making the calculations for its budget.

2. Key Issues

2.1 Local Government Finance Settlement for 2024/25

2.1.1 Introduction

Details of the final Local Government Finance Settlement for 2024/25 were announced by government on 5th February 2024 via a written ministerial statement available [here](#).

On 24 January 2024, following consultation on the provisional settlement, the Secretary of State (Michael Gove) announced that there would be a further increase in funding for local government at the final settlement of £600m. The final settlement confirms the £600m uplift: a further £500m for social care, a £15m increase in the Rural Services Delivery Grant (RSDG), £3m for the "islands", an increase in the funding guarantee from 3% to 4% (£72m extra), and an increase in the Services Grant (£11m).

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

2.1.2 The national context

Below is a summary table outlining the key features of the local government finance settlement for 2024/25, alongside a table setting out the total Core Spending Power available through each component of the Settlement compared to 2023/24.

Table 1: Key features of the Local Government Finance Settlement 2024/25

Settlement component	2024/25
Locally retained business rates - baseline funding levels	<ul style="list-style-type: none"> Local authorities will see an increase in baseline funding levels (BFLs) and compensation grant as if both business rating multipliers had increased by the change in the Consumer Price Index between September 2022 and September 2023 (6.7%) There will be no business rates reset in 2024/25.
Locally retained business rates - under indexation	<ul style="list-style-type: none"> Increase to compensate for the difference between the business rate multipliers and the Consumer Price Index measure of inflation between September 2022 and September 2023 (6.7%)
Revenue Support Grant	<ul style="list-style-type: none"> Increase in line with the change in the Consumer Price Index between September 2022 and September 2023 (6.7%) There will be no negative RSG.
Council Tax	<ul style="list-style-type: none"> For shire district councils their relevant basic amount of council tax in 2024/25 will require a referendum if it is both: <ul style="list-style-type: none"> a) 3%, or more than 3%, above its 2023/24 level; and b) more than £5 above its 2023/24 level.
Funding Guarantee	<ul style="list-style-type: none"> Ensure all authorities see a 4% (up from 3% in 2023/24) core spending power increase before any increase in council tax levels.
New Homes Bonus	<ul style="list-style-type: none"> Maintain the 2023/24 approach, making 2024/25 in-year payments only
Rural Services Delivery Grant	<ul style="list-style-type: none"> An additional £15m has been announced for the Rural Services Delivery Grant (RSDG), taking the overall grant allocation to £110m. The allocations are based on the current methodology. The increase in RSDG will be offset by a reduction in the 4% Funding Guarantee payment for most authorities.
Services Grant	<ul style="list-style-type: none"> The Services Grant will be £87.5 million in 2024/25. This includes an additional £10.5m announced before the final LGFS. Within this increase is the new money for the “islands” (£3.15m). The remaining allocations are distributed using the existing methodology (based on the 2013/14 Settlement Funding Assessment).

Table 2: Total Core Spending Power available through each component of the Settlement compared to 2023/24 (£ millions)

Core Spending Power by component (£m)	2023/24	2024/25
Revenue Support Grant	2,729	3,024
Baseline Funding Levels	12,943	13,538
Grants Rolled In	480	0
Under indexation	2,205	2,581
Council tax total	33,984	36,071
Improved Better Care Fund	2,140	2,140
Social Care Grant	3,852	5,044
ASC Discharge	300	500
ASC Market Sustainability Improvement Fund	562	1,050
New Homes Bonus	291	291
Rural Services Delivery Grant	95	110
Funding Guarantee grant	133	269
Services grant	483	87
TOTAL	60,197	64,705

Part Time Work for Full Time Pay

The government has made it clear that any attempt from a local authority to implement Part Time Work for Full Time Pay – for example, a so called ‘four-day week’ or equivalent arrangements - is contrary to the interests of local taxpayers. In the consultation on the LGFS the government has included proposals to use financial levers within the settlement to disincentivise councils from operating part time work for full time pay in future settlements.

Productivity Plans

In return for the additional funding, local authorities will be required to submit a productivity plan by July 2024. These plans “will set out how local authorities will improve service performance and reduce wasteful expenditure”. It is expected that these new plans should be “short” and “draw on work councils have already done”.

2.1.3 The local context

- i. **Core Spending Power** for this Council has increased from £10,560,000 (adjusted) in 2023/24 to £11,197,000 in 2024/25 (an increase of £637,000, 6%). The increase in the Core Spending Power assumes the maximum 2.99% council tax increase, as well as an increase in the council tax base that reflects new homes, i.e. that the taxbase rises in line with the 4-year average for the authority.

Table 3: Core spending power 2024/25 compared with 2023/24

Source of Funding	2023/24 Adjusted £000s	2024/25 £000s	Change £000s	Change %
Revenue Support Grant	64	69	5	7.8%
Business Rates Baseline Funding Level	1,738	1,787	49	2.8%
Total = Settlement Funding Assessment	1,802	1,856	54	3.0%
Compensation for under-indexing the business rates multiplier	296	379	83	28.0%
New Homes Bonus	241	116	-125	-51.9%
Rural Services Delivery Grant	471	545	74	15.7%
Services Grant	68	12	-56	-82.4%
Funding Guarantee	627	915	288	45.9%
Core Spending Power excl. council tax	3,505	3,823	318	9.1%
Council Tax (excl. parish precepts)	7,055	7,374	319	4.5%
Total Core Spending Power	10,560	11,197	637	6.0%

- ii. If the change in the compensation for indexation is removed from the table, along with the income from council tax, the result would be an increase in CSP of £235,000 (7.3%) to £3.444m, which is £280,000 (8.8%) more than the comparable amount of £3.164m assumed in the MTFP.
- iii. The 2024/25 **Settlement Funding Assessment** of £1.856 million is an increase of 3.0% on 2023/24. This is £49,000 more than the amount assumed in the Council's Medium Term Financial Plan for 2024/25 (approved in December 2023).
- iv. **Negative Revenue Support Grant** has been funded in the settlement so is no longer a cost pressure in 2024/25. Based on the Government's policy statement issued in early December 2023, no cost was assumed in the MTFP for 2024/25. However, the MTFP assumes a cost of circa £850,000 a year from 2026/27, based on modelling by the Council's advisers.
- v. **Compensation for under-indexing the business rates multiplier** has increased by £83,000 (28%) but reduced by £610,000 (62%) against the MTFP, but this is to compensate for a reduction in business rates income so there will be no overall impact on the Council's financial position.
- vi. The **New Homes Bonus** (NHB) payment for 2024/25 is £116,000, a reduction of £125,000 (52%) from £241,000 in 2023/24. The MTFP assumed NHB of £115,000 for 2024/25, which is expected to be the last year so no NHB had been anticipated in the MTFP beyond 2024/25.
- vii. **Services Grant** has been reduced by £56,000 from £68,000 in 2023/24 to £12,000 in 2024/25, but this has been offset by an increase in the Funding Guarantee Grant (see below). The MTFP had assumed that this grant would be £57,000 in 2024/25.
- viii. **Rural Services Delivery Grant** has been increased by £74,000 from £471,000 in 2023/24 to £545,000 in 2024/25. No increase had been assumed in the MTFP.

- ix. The **Funding Guarantee** has been increased by £288,000 from £627,000 in 2023/24 to £915,000 in 2024/25. Part of the increase is offset by a reduction in Services Grant (see above). The MTFP had assumed an increase to £714,000.
- x. The **increase in the Council Tax** income shown in the table above at 4.5% assumes the maximum 2.99% increase as well as an increase in the council tax base that reflects the government's forecasts of expected growth. The MTFP that was approved in December 2023 had assumed a council tax increase of 2.94%, with lower forecasts for growth.
- xi. When compared against the assumptions in the Medium-Term Financial Plan (MTFP) that was approved on 14 December 2023, there is an overall reduction in funding of £265,000 (2.3%) for 2024/25 as shown in table 4 below. However, this overall reduction includes £610,000 that relates to compensation for under-indexing the business rates multiplier (which should be offset by a change in business rates income).

Table 4: Funding in 2024/25 settlement compared with MTFP*

Source of Funding	MTFP* £000s	Settlement £000s	Change £000s	Change %
Settlement Funding Assessment	1,807	1,856	49	2.7%
Compensation for under-indexing the business rates multiplier	989	379	-610	-61.7%
New Homes Bonus	115	116	1	-
Rural Services Delivery Grant	471	545	74	15.7%
Services Grant	57	12	-45	-78.9%
Funding Guarantee	714	915	201	-28.2%
Council Tax (excl. parish precepts)	7,309	7,374	65	0.9%
Total Core Spending Power	11,462	11,197	-265	-2.3%

2.1.4 Officer comments

- 2.1.4.1 This settlement relates to 2024/25 only and there is no certainty that this increased level of funding will continue into future years. It should be noted that it assumes a 2.99% increase in the council tax.
- 2.1.4.2 The settlement for 2024/25 should not be taken as an indication of the likely funding position in future years. It is more difficult to predict the level of finance settlement that might be received from 2025/26 onwards given the one-year settlement and lack of clarity over future funding levels. It should be noted that the Fair Funding Review and baseline business rates reset are both going to be under consideration again, for possible implementation in 2026/27, meaning that there is no certainty that this level of funding will continue into the medium term. Significant changes in local government finance are expected to take place from 2026/27, which could have a significant impact on the Council's revenue account. For example, the settlement funding assessment of £1.856m for 2023/24 could be reduced significantly as part of the government's reviews and it is possible that 'Negative Revenue Support Grant' could re-emerge.

2.1.4.3 Most of the financial uncertainties for future years, that have been explained repeatedly, still remain. There is a lot of uncertainty relating to future levels of inflation, interest rates and government funding (especially the outcome of government reviews into 'fair funding' and 'business rates retention'), all of which could have a significant impact on the Council's financial position. This settlement has helped the council to balance the budget for 2024/25, with no use of the general reserve, but the financial uncertainties and need for corporate savings and investment for capital projects remain for subsequent years, due mainly to the lack of a multi-year settlement and inflationary pressures. This means that during 2025/26 officers will be working with members to prioritise spending and to ensure that a sustainable balanced budget can be set for 2025/26.

2.1.5 Local Government Finance Settlement: Conclusion

The settlement for 2024/25 is more favourable than expected (if the compensation for under-indexing the business rates multiplier is ignored) but it assumes a 2.99% increase in the council tax and will not be sufficient to address all inflationary pressures, especially for years beyond 2024/25. There is a great deal of uncertainty relating to levels of inflation, interest rates and government funding. This means that that, while it will be possible to set a balanced budget for 2024/25, tough decisions will need to be taken to achieve a sustainable, balanced budget for 2025/26 and beyond.

2.2 Net spending and council tax requirement

2.2.1 The Summary Revenue Account is shown in Appendix 1, which sets out the spending proposals for this Council and the precepts of the Town/Parish Councils for 2024/25. The estimates of cost reflect the spending needs of the current service plans and policies of the Council. The net cost of services is detailed in Appendix 2. Following the transfers to/from reserves, there is a breakeven position in the 2023/24 budget, with expenditure matched by income. The General Reserve has not been used to balance the budget for 2024/25.

2.2.2 The calculation of net revenue expenditure and the Council Tax requirement is shown in detail in the Summary Revenue Account in Appendix 1 and is summarised in the table below:-

Table 5: Summary Revenue Account

	Original Budget 2023/24 £	Revised Budget 2023/24 £	Proposed Budget 2024/25 £
Net Cost of Services (as Appendix 1)	13,569,674	14,396,043	13,915,794
Income from investment properties	(102,556)	(102,556)	(102,556)
Net interest	(11,850)	(11,850)	(274,850)
Statutory sum for debt repayment	211,773	211,773	211,773
Net revenue expenditure	13,667,041	14,493,410	13,750,161
Transfer to/(from) strategic reserves (detailed in Appendix 5)	(1,464,926)	(2,291,295)	(439,628)
External Funding Requirement	12,202,115	12,202,115	13,310,533
Funded by:			
Retained Business Rates (NDR)	(3,977,147)	(3,977,147)	(4,247,513)
Business rates collection fund deficit	201,550	201,550	(284,149)
Revenue Support Grant	(64,574)	(64,574)	(68,852)
New Homes Bonus	(241,183)	(241,183)	(115,901)
Rural Services Delivery Grant	(471,000)	(471,000)	(544,811)
Council tax collection fund deficit	100,322	100,322	180,724
3% Funding Guarantee Grant	(626,887)	(626,887)	(915,157)
Other Government Grants	(67,748)	(67,748)	(11,695)
Total external funding (excl. council tax)	(5,146,667)	(5,146,667)	(6,007,354)
DDDC Council Tax Requirement	(7,055,448)	(7,055,448)	(7,303,179)
Town and Parish Council Precepts	(1,968,346)	(1,968,346)	(2,075,135)
Council Tax Requirement Incl. Parishes	(9,023,794)	(9,023,794)	(9,378,314)
Total (External Funding + Council Tax, excl. parishes)	(12,202,115)	(12,202,115)	(13,310,533)

2.2.3 The estimates for 2024/25 (excluding parish precepts) result in an increased council tax requirement of £247,731 against the original budget for 2023/24. In preparing proposed budgets for 2024/25 service managers have taken account of any ongoing under- or over-spending that has been identified in 2022/23 and 2023/24. A summary of variances when comparing the 2024/25 proposed budgets to the 2023/24 original budgets is given in Appendix 3. Significant variances (over £100,000) are shown in the table below:-

Table 6: Variances for proposed budget 2024/25 over original budget 2023/24

Budget Head	Variance £000
Increase to staffing budget for establishment changes, 2023/24 pay award and forecast 2024/25 pay award	844
Non-staffing Inflationary Increases	408
Reduction in Waste Contract costs (incl. changes in income)	(627)
Removal of one-off expenditure for elections (funded by elections reserve)	(133)
Other movements	(146)
Change in net cost of services	346
Increase in interest receivable	(263)
Reduced use of reserves and balances	1,025
Increase in net spending	1,108
Decrease in Business Rate Collection Fund Deficit	(486)
Retained Business Rates	(270)
Increase in Council Tax Deficit	81
Net increase in Government Grants	(185)
Increase in External Funding	(860)
Increase in District Council Tax Requirement	(248)

2.3 Council Tax

Council Tax Collection Fund Balance

2.3.1 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.

2.3.2 At 31st March 2024 there is expected to be a deficit on the Council Tax collection fund. The District Council's share of the deficit is £180,724, which has to be taken into account in setting the 2023/24 Council Tax level.

Non-domestic Rates Collection Fund Balance

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

2.3.4 At 31st March 2024 there is expected to be a surplus on the non-domestic rates collection fund. The District Council's share of the surplus is £284,149, which must be taken into account in setting the 2024/25 Council Tax level.

Council Tax Requirement and Proposed Council Tax Increase

2.3.5 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 town and parish council precepts) from the Council Tax for 2024/25, including a comparison with 2023/24, is calculated as follows:-

Table 7: Council Tax Calculation

	2023/24	2024/25
Council Tax Requirement (DDDC)	£7,055,448	£7,303,179
Council Tax Base	30,662.53	30,817.7
DDDC Council Tax - Band D	£230.10	£236.98
Increase per band D	£6.58	£6.88
Increase %	2.94%	2.99%

2.3.6 The council tax referendum principles for 2024/25 were announced by government on 5th February 2024. The following principle applies in relation to shire district councils:

*"For shire district councils their relevant basic amount of council tax in 2024/25 will require a referendum if it is **both**:*

*a) **3%, or more than 3%**, above its 2023/24 level; **and***

*b) **more than £5** above its 2023/24 level".*

The recommended council tax increase in this report does not exceed these principles.

2.3.7 The table below shows the proposed band D Council tax and % increase for 2024/25, with data for the previous 5 years:-

Table 8: Council Tax Levels since 2019/20

Financial Year	Band D Council Tax	Increase on Previous Year
2019/20	£209.27	2.45%
2020/21	£214.27	2.39%
2021/22	£219.27	2.33%
2022/23	£223.52	1.94%
2023/24	£230.10	2.94%
Proposed 2024/25	£236.98	2.99%

It is important to note that the proposed increase in council tax for 2024/25 will benefit each subsequent financial year, when the council faces uncertainty on levels of government funding and the impact of inflationary pressures.

2.4 Medium-Term Financial Plan

2.4.1 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.

2.4.2 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 9: Summarised Medium-Term Financial Plan

	Original Budget 2023/24 £000s	Revised Budget 2023/24 £000s	Proposed Budget 2024/25 £000s	Forecast 2025/26 £000s	Forecast 2026/27 £000s	Forecast 2027/28 £000s	Forecast 2028/29 £000s
Forecast spending	13,667	13,697	13,749	14,611	14,822	15,184	15,348
Transfers to/(from) reserves	(1,465)	(2,022)	(439)	265	383	383	(10)
Net Spending Requirement	12,202	11,675	13,310	14,876	15,206	15,568	15,338
Funded By:							
Income from Council Tax	(6,955)	(6,955)	(7,122)	(7,769)	(8,045)	(8,330)	(8,625)
Income from Business Rates	(3,775)	(4,045)	(4,531)	(4,491)	(4,829)	(3,956)	(3,132)
Funding Guarantee	(627)	(627)	(915)	(830)	0	0	0
Revenue Support Grant	(65)	(65)	(69)	(86)	848	863	879
Rural Services Delivery Grant	(471)	(471)	(545)	(545)	(545)	(545)	(545)
New Homes Bonus	(241)	(241)	(116)	0	0	0	0
Services Grant	(68)	(68)	(12)	(17)	0	0	0
Total funding	(12,202)	(12,472)	(13,310)	(13,738)	(12,571)	(11,968)	(11,423)
Savings to be achieved	0	(796)	(0)	1,138	2,635	3,600	3,915

2.4.3 The Medium-Term Financial Plan shown above demonstrates that, with the proposed increase in council tax and use of reserves, there is a balanced budget for 2024/25, with savings of £1.138m being required to balance the

budget for 2025/26. However, the Medium-Term Financial Plan shows that further grant losses are expected from 2026/27 onwards (see below) and that, as a result, there is a need to identify additional savings or income of almost £2.6m a year for 2026/27, rising to £3.9m in 2028/29. The approach to savings is set out in section 2.6 of this report.

- 2.4.4 Several funding streams (Retained Business Rates, New Homes Bonus, Funding Guarantee and Revenue Support Grant) all have a significant direct impact on the Council. The Department for Levelling Up, Communities and Housing (DLUHC) has previously indicated all of these funding streams might reduce and the information received has been used to model the Council's future MTFP.
- 2.4.5 The DLUHC continues to review the arrangements for Local Government financing. However, as experienced in the 2024/25 settlement, changes to allocations can be received late in the day. As the provisional and final settlements are not normally received until December and February respectively prior to the start of the relevant financial year starting in April, the Council has limited time to respond to unexpected changes introduced by the DLUHC.
- 2.4.6 The Council has reserves and balances that would be available to use to balance the budget should unexpected changes arise with insufficient time to address them before the budget has to be set. However, the use of reserves to balance the budget is not sustainable. It is proposed that, during 2024/25, a thorough review of income and expenditure should be undertaken, and an action plan developed to address to the £1.138m savings gap for 2024/25. For years from 2025/26 onwards, at £3m to £4m the savings gap represents around a quarter of net revenue spending so it will be very challenging to meet this target and difficult decisions will need to be taken.
- 2.4.7 The MTFP includes the impact of several key developments for the council over the MTFP period. These include the estimated potential increased costs of pay and price inflation, potential 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 and housing. As stated earlier in this report, the MTFP assumes a significant reduction in government grants. It has been assumed that general grant funding will reduce from £1.75m in 2024/25 to £1.5m in 2025/26 to a -£0.3m a year thereafter.
- 2.4.8 The assumptions made in preparing the MTFP are shown in Appendix 4. A prudent approach has been taken. It is possible that some of these assumptions may turn out to be too cautious. A more optimistic version of the MTFP has been produced to reflect the following changes in assumptions:
- Government grants from 2026/27 retained at same levels as 2025/26, rather than significant reductions;
 - Removal of the expected impact of the Business Rates Reset;
 - No increase in pension costs at next revaluation.
- The results of the more optimistic assumptions are set out below in a revised MTFP:

Table 10: Summarised Medium Term Financial Plan (More Optimistic Version)

	Original Budget 2023/24 £000s	Revised Budget 2023/24 £000s	Proposed Budget 2024/25 £000s	Forecast 2025/26 £000s	Forecast 2026/27 £000s	Forecast 2027/28 £000s	Forecast 2028/29 £000s
Forecast spending	13,667	13,697	13,749	14,611	14,672	15,034	15,198
Transfers to/(from) reserves	(1,465)	(2,022)	(439)	265	383	383	(10)
Net Spending Requirement	12,202	11,675	13,310	14,876	15,056	15,418	15,188
Funded By:							
Income from Council Tax	(6,955)	(6,955)	(7,122)	(7,769)	(8,045)	(8,330)	(8,625)
Income from Business Rates	(3,775)	(4,045)	(4,531)	(4,491)	(4,506)	(4,521)	(4,537)
Funding Guarantee	(627)	(627)	(915)	(830)	(830)	(830)	(830)
Revenue Support Grant	(65)	(65)	(69)	(86)	(86)	(86)	(86)
Rural Services Delivery Grant	(471)	(471)	(545)	(545)	(545)	(545)	(545)
New Homes Bonus	(241)	(241)	(116)	0	0	0	0
Services Grant	(68)	(68)	(12)	(17)	(17)	(17)	(17)
Total funding	(12,202)	(12,472)	(13,310)	(13,738)	(14,029)	(14,329)	(14,640)
Savings to be achieved	0	(796)	(0)	1,138	1,027	1,089	548

2.4.9 As can be seen in table 10 above, even if the expected impact of changes in grant funding, business rates reset and the pension fund revaluation are removed from the MTFP, there remains a savings target of around £1.1m for 2025/26. Therefore, it will be necessary to take steps during 2024/25 to identify measures required to enable a balanced budget to be set for the financial year 2025/26. An action for this has been proposed in the new Corporate Plan, to be considered at the same Council meeting as this report.

2.4.10 Given the uncertainties involved in forecasting beyond 2025/26, and the current levels of the general reserve and working balances (see below), it is recommended that that significant service reductions for 2026/27 and beyond be put on hold pending the outcome of the government reviews of Council funding.

2.5 Reserves and Balances

2.5.1 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 2024 and 31st March 2025 is detailed in Appendix 6. A number of points need to be taken into account and these are set out below.

Working Balances

- 2.5.2 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.
- 2.5.3 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, the Council's Medium-Term Financial Strategy states that it is considered prudent to retain uncommitted working balances of approximately 10% of net revenue expenditure.
- 2.5.4 In order that the amount in Working Balances is approximately 10% of net revenue expenditure, it is recommended that approval be given to the transfer of £400,000 from the General Reserve to increase the level of uncommitted working balances from £1m to £1.4m at 31st March 2024.

Use of Balances

- 2.5.5 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 £3,122,060 at 31st March 2024 (after the transfer of £400,000 to Working Balances as recommended in paragraph 2.5.4).
- 2.5.6 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.
- 2.5.7 It should be noted that the 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 to exceptional circumstances.

Strategic Reserves

- 2.5.8 The Council has strategic reserves for specific purposes and these should continue to be earmarked for the identified purpose. This ensures the availability of the amounts in these reserves for those purposes and defrays demands on the revenue spending and general balances. Details of transfers to/from

reserves are shown in Appendix 5 and details of strategic reserves are given in Appendix 6.

- 2.5.9 It is important that reserves are reviewed on at least an annual basis to ensure they are adequate for the purpose, but not excessive, based on an assessment of needs, an understanding of risks, and taking into account the opportunity costs of maintaining reserves. An annual review of 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 2025, based on the requirements shown in the proposed budget and capital programme for 2024/25 and the Medium Term Financial Plan. The outcome of the review is reflected in the Statutory Report in Section 2.7 below.
- 2.5.10 During this review of reserves, it was identified that the Funding Uncertainties Reserve was no longer required. However, there is a need to provide a source of funding for actions arising from the new Corporate Plan, to be approved at the same Council meeting as this report. Therefore, it is recommended that approval be given to the transfer of the balance of £508,406 from the Funding Uncertainties Reserve to the Corporate Plan Priority Reserve at 31st March 2024.
- 2.5.11 Following this review of reserves, strategic reserves are estimated to total £11 million at 31st March 2024, reducing to £7 million at 31st March 2025.

2.6 Savings

- 2.6.1 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.
- 2.6.2 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 2.4 of this report). The approach to achieving the savings is set out in the Council's Medium-Term Financial Strategy, to be approved at the same council meeting as this proposed budget. Given the amount set aside in the General Reserve and other usable revenue reserves, the timing of the required savings, and the uncertainty surrounding external 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 meeting the Savings Target and closing the budget gap is to:

- Take steps during 2024/25 to identify measures required to enable a balanced budget to be set for the financial year 2025/26. An action for this has been proposed in the new Corporate Plan, to be considered at the same Council meeting as this report.
- Place on hold any significant service reductions for 2026/27 and beyond pending the outcome of the government reviews of Council funding.

It is expected that any savings will be focussed on low priority services.

2.7 Chief Finance Officer's Statutory Report

- 2.7.1 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.

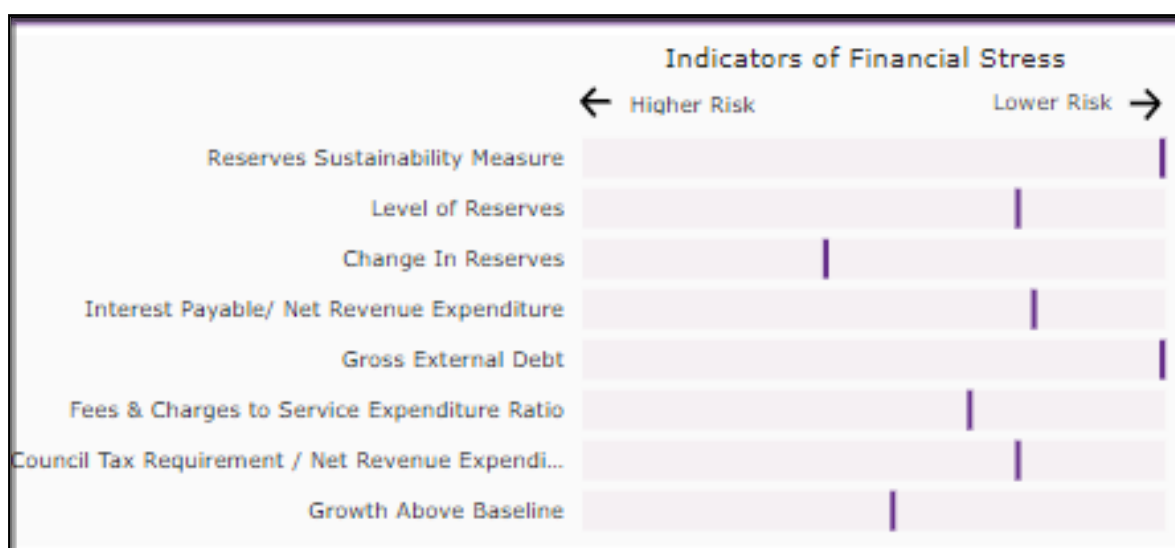
Robustness of estimates

- 2.7.2 In accordance with this requirement, the Director of Resources is of the opinion that the processes used in calculating the net budget requirement for 2023/24 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;
 - predictions of future government grant allocations;
 - debt recovery performance;
 - forecast changes in the Council Tax Base
 - 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 and garden waste service income;
 - resource allocations are in line with the draft 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

- 2.7.3 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.
- 2.7.4 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 as at 31 March 2023, with a comparison against similar authorities.

Chart 1 – CIPFA Financial Resilience Index Summary 2022/23



- 2.7.5 The most recent analysis (for 2022/23) shows that for most indicators the Council performs in the median to low 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 slightly above average risk for “Change In Reserves”.
- 2.7.6 The following chart compares levels of reserves and debt against income, compared with similar local authorities. It can be seen that Derbyshire Dales District Council’s levels of reserves and debt relative to income were around the median as at 31 March 2023.

Chart 2 – CIPFA Financial Resilience Index: Debt and Reserves Relative to Income 2022/23



- 2.7.7 The information set out above shows the position as at 31 March 2023. It should be noted that balances on strategic reserves (especially those to fund the capital programme) are reducing. Appendix 6 shows that strategic reserves are forecast to reduce from £17 million at 31st March 2023 to £11 million at 31st March 2024 and £7 million at 31st March 2025; these reductions will increase the Reserves Sustainability risk and those for other measures related to risk balances. 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. This has been the case for many local authorities this year who have issued Section 114 notices or declared financial emergencies.
- 2.7.8 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 4 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 set up annual contributions from the revenue account, if affordable, or to earmark a substantial sum from any increased government funding or revenue account underspend to build up the Waste Vehicles Reserve that has been established for this purpose and is forecast to have a balance of £500,000 at 31 March 2025.
- 2.7.9 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 to provide for known future liabilities, such as replacement waste vehicles. The Medium-Term Financial Strategy suggests measures to address this.
- 2.7.10 The approach taken by the Council has been supported by the external auditor

in his Value For Money conclusion for the audit of the 2022/23 accounts, which was reported to the Governance and Resources Committee meeting on 15 February 2024.

2.7.11 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.

2.8 Financial Management Code

2.8.1 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. The FM Code helps external auditors in forming their value for money opinion as part of the audit of a local authorities' year-end accounts.

2.8.2 A review of the Council's financial management arrangements against the standards set out in the Code has been undertaken, which has identified some areas that need to be strengthened. Plans are in place to implement the improvements during 2024/25.

2.9 Town & Parish Council Precepts

2.9.1 The precepts of Town/Parish Councils for 2023/24 are shown in Appendix 8 to this report and total £2,075,135, an increase of £106,789 (5.4%) over 2023/24. 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 1, the average band D council tax for Town & Parish councils has increased from £64.19 in 2023/24 to £67.34 in 2024/25, an increase of £3.15 (4.91%).

2.9.2 These precepts have to be shown as part of the District Council's requirements as detailed in the Summary Revenue Account. As part of Council Tax setting, the individual Town/Parish precepts become a special expense chargeable against each specific area and are raised from the Council Tax levied on that area.

2.10 Pay Policy Statement

- 2.10.1 The Localism Act 2011, requires relevant authorities to prepare and publish an annual pay policy statement for the coming financial year. The provisions add to the range of transparency obligations already placed upon local authorities i.e. the Accounts and Audit Regulations already require historic expenditure on chief officers within specified pay bands to be disclosed in the accounts.
- 2.10.2 The Localism Act specifically refers adoption of the Pay Statement to the Council as a responsibility it cannot discharge. It requires the statement to be approved before 31 March immediately preceding the financial year to which it relates i.e. it must be approved by a resolution of the authority before it comes into force. It is not always possible to forecast figures as this is dependent on the timing of settlement of the national Local Government pay awards (although awards are effective from 1 April each year).
- 2.10.3 The Pay Policy Statement for 2024/25 is attached at Appendix 9.
- 2.10.4 The national pay award effective from 1 April 2024 has not yet been determined. When it is, this statement will be updated and published on the District Council's website. Until then, the rates on pay in this Statement will prevail.

3 Options Considered and Recommended Proposal

- 3.1 Other options for the level of council tax increase were considered and the impact of several options on the Council's income was discussed at member briefings. The recommended increase of 2.99% was chosen because:
- this is the maximum council tax increase permissible without the need for a referendum,
 - 2.99% was assumed by government when they issued the Local Government Finance Settlement,
 - taking this action now will give a higher starting point to assist in balancing the budget in future years,
 - the proposed increase of 2.99% is lower than current levels of inflation (CPI is currently 4%), and
 - a council tax freeze in 2024/25 would have meant taking around £212,000 from reserves, or making savings or raising income from other sources, of that magnitude to balance the budget.

4 Consultation

- 4.1 During 2023 the Council carried out extensive consultation on its Corporate Plan and priorities. The responses from the consultation have been used to form the Corporate Plan (to be approved at this Council meeting) and to set spending priorities that are reflected in the budget proposals for 2024/25.
- 4.2 The statutory consultation with 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" e-newsletter. Businesses were sent an information leaflet relating to non-domestic rates. This consultation is due to end on 28

February 2024. If significant, details of consultation responses will be provided to councillors on 29 February 2024 as a verbal update to this report.

5 Timetable for Implementation

- 5.1 The approved council tax increase will form part of the next agenda item for this meeting.
- 5.2 The budget will be updated shortly after notification of Council Approval and officers will have the authority to incur expenditure and raise income within set budgets.

6 Policy Implications

- 6.1 All the Council's aims and priorities, as contained in the Corporate Plan actions and targets for 2024/25 (to be considered elsewhere on the agenda for this Council meeting), and various service strategies, have been considered when determining these revenue spending proposals.

7 Financial and Resource Implications

- 7.1 Significant risks within the revenue budget include:-
 - Uncertainty about the level of Government funding, (especially New Homes Bonus, the Funding Guarantee, Rural Services Delivery Grant, and Negative Revenue Support Grant from 2026/27 onwards. This financial risk is assessed as High.
 - Uncertainties relating to business rates income, which can be very volatile, and could be impacted by the outcome of the government review of the business rates retention scheme and reset of the baseline funding level, which is due to come into effect from 2026/27. This risk is mitigated somewhat by the availability of the Business Rates Fluctuations Reserve, but is still assessed as High, given the predicted impact.
 - Uncertainties relating to collection of council tax income and growth in the tax-base, which has been assessed as Medium.
 - 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. 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 Medium to High.
 - Uncertainty relating to the costs of unforeseen events, increasing service demands or unexpected service costs, for example inflationary increases on pay or supplier 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. Given current rates of inflation, predictions from the Bank of England, and the levels of inflation assumed in these budget proposals, this financial risk is assessed

as Medium to High.

- Targeted savings not being achieved. As stated in the body of the report, the Medium-Term Financial Plan indicates that around £1.1m is needed to balance the budget for 2025/26. As a result, there is a need to identify additional savings or income of around £1.1m to balance the budget for 2025/26, without the need to use the General Reserve. While it is recommended that an action plan be prepared during 2024/25 to identify the steps required to close this budget 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.

7.2 The financial risk in respect of the Council's medium-term financial position is assessed as "High". This mainly relates to the increasing savings target, as described in section 2.4 of this report, from £1.1m in 2025/26 rising to circa £4m a year by 2028/29 if the prudent assumptions of the MTFP become a reality. 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.

8 Legal Advice and Implications

8.1 The Local Government Finance Act 1992 requires the Council to set the Council Tax by 11th March for the following financial year.

8.2 There are 11 decisions recommended within this report. The legal risk arising from the report at the current time has been assessed as low

8.3 A requirement (by way of Standing Order 2014 No. 165 requires 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 on this item.

9 Equalities Implications

9.1 There are no equalities implications arising directly from this report. However, the Council does have a Local Council Tax Support Scheme to reduce council tax bills for eligible households on low incomes.

10 Climate Change Implications

10.1 There are not any direct climate change implications arising from the recommendations of this report however it is noted that there are some proposed corporate plan actions in respect of climate change.

10.2 The revenue spending proposals for 2024/25 include £88,609 for climate change including the ongoing costs of employing climate change officers, who are 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 such as the Public Sector Decarbonisation Schemes.

- 10.3 As identified in the report, 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 be presented to Council in due course.

11. Risk Management

- 11.1 Financial and legal risks are explained above. As identified in the report, the key risks result from the need to make savings or raise additional revenue income in the medium-term. Some of the savings that are required have the potential to damage the Council's reputation if not handled properly. This risk is considered to be Medium. The risk associated with financial sustainability is set out above; it has been reflected on the Council's Strategic Risk Register, together with some mitigating actions, and it assessed as 'High'.

Report Authorisation

Approvals obtained from:-

	Named Officer	Date
Chief Executive	Paul Wilson	21/02/2024
Director of Resources (S.151 Officer)	Karen Henriksen	21/02/2024
Director of Corporate & Customer Services (Monitoring Officer)	Helen Mitchell	21/02/2024