Medium-Term Financial Strategy 2024/25 to 2028/29

Draft for approval by Full Council on 29th February 2024

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

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

1. Executive Summary

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

1.2 It is based on a five-year rolling forecast from 2024/25 to 2028/29 and is intended to be reviewed annually (usually in November but delayed this year awaiting the outcome of the Local Government Finance Settlement). The MTFS provides the financial context for the Council's financial resource allocation and budget setting processes.

1.3 CIPFA has published a Financial Management Code (the FM Code) to support good financial management. The FM Code emphasises the need for robust arrangements to ensure financial sustainability. This Medium-Term Financial Strategy forms a key part of those arrangements.

1.4 During 2023/24 the Council's financial position has been impacted by the impact of inflationary pressures but this has been offset by additional income from investments. The forecast outturn for 2023/24 (as reported to Council on 14 December 2023) results in a forecast underspending of £795,579 for 2023/24. It has been agreed that if that underspending remains at the year-end then it will be transferred to specific reserves.

1.5 For improved financial resilience, it is recommended in the report on the revenue budget (to be presented to Council for approval on 29th February 2024) that the Working Balance should be increased to £1.4m (which requires a transfer of £400,000 from the General Reserve).

1.6 Since 2013/14 all local authorities have faced significant reductions in Government funding, although there have been some small increases in recent years. By 2024/25 the Council's annual Settlement Funding Assessment (the main source of government grant funding that includes Revenue Support Grant and Business Rates Baseline Funding) will have reduced by 51% or £1.9m from 2013/14. This equates to £54 per band D property.

1.7 The impact of changes in the economy (such as from changes in inflation and interest rates) bring more uncertainty and instability, as does the potential outcome of the Government's Fair Funding Review and changes to the system of Business Rates Retention, which are expected to be announced in late 2025.

1.8 The Council has responded well to the grant cuts in the past and has already made savings (or raised additional income from fees and charges) of over £2.7 million since 1st April 2014. At the same time, public expectations are increasing, there are cost pressures arising from increased demand on some services, such as homelessness, and there are additional costs relating to corporate priorities, such as the cost of becoming carbon neutral.

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

1.10 The Council has strategic reserves for earmarked purposes to assist the Council in achieving its priorities. 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.

1.11 The CIPFA Financial Resilience Index 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. However, as explained above, reserve levels are expected to reduce as balances are used to finance revenue and capital expenditure in 2023/24 and 2024/25. These reductions will increase the Reserves Sustainability risk. 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.

1.12 It is the opinion of the Director of Resources (the Section 151 Officer) 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. Should there be an under-spending or a significant increase in government funding, it is recommended that consideration should be given to increasing contributions to reserves to cover the costs of replacing capital assets, such as vehicles. Making such annual contributions will improve financial resilience, as well as reducing overall costs (compared to the cost of borrowing).

1.13 The Medium-Term Financial Plan (MTFP) contained in this document (Appendix A) shows that there is a balanced budget for 2024/25 but that beyond that significant savings (or additional income) will be required to balance annual budgets. The Council has a statutory duty to set a balanced budget each year.

1.14 The MTFP shows that there is a savings target of around £1.1m for 2025/26. The MTFP also shows that the savings target rises to £2.6m in 2026/27, £3.6m in 2027/28 and £3.9m in 2028/29.

1.15 The changes from 2026/27 relate mainly to the forecast impact of government reviews of "Fair Funding" and business rate retention. 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 Strategy.

- 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.

1.16 Coming on top of the savings that have already been made in the past, the savings target of £1.1m for 2025/26 will be challenging to meet. £1.1m is roughly 8% of net revenue spending. The Council will face some difficult decisions during 2024/25 as work is undertaken to identify the measures required so that a balanced budget can be set for 2025/26.

1.17 While there is a great deal of uncertainty over the Council's future funding position from 2026/27, it is proposed that (while the Council will continue to look for efficiency savings) there will be a hold on any significant service reductions to address savings targets from 2026/27 until the outcome of the funding / business rates reviews is known. It is considered that the Council has sufficient reserves and balances that would be available to address any immediate funding reduction, giving a period of time to consider the required action in the event of significant funding cuts.

1.18 The Council will explore opportunities to reduce expenditure or increase income to help it to achieve a sustainable financial future. As well as ensuring that Council services offer value for money, we will identify opportunities for savings arising from transformation, income generation and investment in economic development that will lead to growth. In the longer term, this approach will provide the Council with more financial resilience than depending on government grants.

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

2. Overview

2.1 Purpose of Strategy

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

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

The MTFS helps to:

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

2.2 Principles of the Medium-Term Financial Strategy

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

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

Revenue Account	Any over-spending on the revenue account will be met from the General Reserve. Any under-spending on the revenue account will be used initially to top up the general reserve (if necessary for financial resilience). Any residual balance will be transferred to strategic reserves to finance the Capital Programme, future asset replacements (not yet in the capital programme e.g. replacement waste collection vehicles), other future liabilities, “Invest To Save” Initiatives, or to mitigate against future funding pressures.
Service Growth / Pressures	Any areas of service growth must be identified through the annual service planning and budget process and be subject to business case appraisal. Compensating savings or additional income should always be identified.
Priorities	The District Council’s priorities are those set out in its Corporate Plan. The Corporate Plan is the District Council’s primary policy document. It sets out the District Council’s priorities and areas for improvement and identifies key targets to be achieved. The Corporate Plan priorities will influence spending decisions. A new Corporate Plan is due to be approved on 29 February 2024. Following approval, subsequent revenue budget or capital programme update reports will show spending analysed by Corporate Plan Priority.
Strategic Reserves	Strategic reserves will be maintained for earmarked purposes to assist the Council in achieving its priorities. These include reserves to fund asset replacements and the capital programme, to smooth out significant items of expenditure which do not occur annually, and to provide cover for financial risks and pressures, such as uninsured losses. Balances on reserves will be reviewed at least annually. The MTFP and future revenue budgets will include annual revenue contributions to capital reserves, provided that they are affordable.
Provisions	Provisions should be maintained for potential liabilities which may arise or will be incurred, such as for insurance claims that are going through the settlement procedure or appeals against business rates valuations.
Fees and Charges	Fees and charges will be reviewed annually to maximise income, taking into account the Council’s priorities, the level of inflation, charges levied by other local authorities and perceived customer resistance. The Council will explore opportunities for new areas of charge.
Savings, Efficiencies and Value for Money	The Council will continue to seek efficiencies and value for money in all services through its approach to procurement, transformational and organisational changes and better use of assets, as well as generating extra income from new fees and charges and additional business rates. The Council will explore opportunities to help the Council achieve a sustainable financial future. The Council will continue to consider opportunities for working in partnership with other local authorities and other organisations where this will deliver efficiencies. The Council will evaluate existing partnerships to ensure they continue to deliver best value, and where that is not the case the Council will consider reducing or withdrawing funding (giving appropriate notice). This approach should reduce the impact of the savings on priority services.

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

2.3 Background

The Council's Medium-Term Financial Strategy was last approved in March 2021. At that time a budget gap of £144,000 had been closed for 2021/22 and a balanced budget was set for that year. The Medium-Term Financial Plan (MTFP) at the time illustrated that there remained a budgetary shortfall ranging from £300k to £600k for the subsequent four financial years. The 2021 MTFS set out an approach to addressing the shortfalls.

There has since been an economic downturn, high inflation, higher interest rates and a cost-of-living crisis. These have had a significant impact on the Council's finances, which is described below.

2.4 National and International Influences

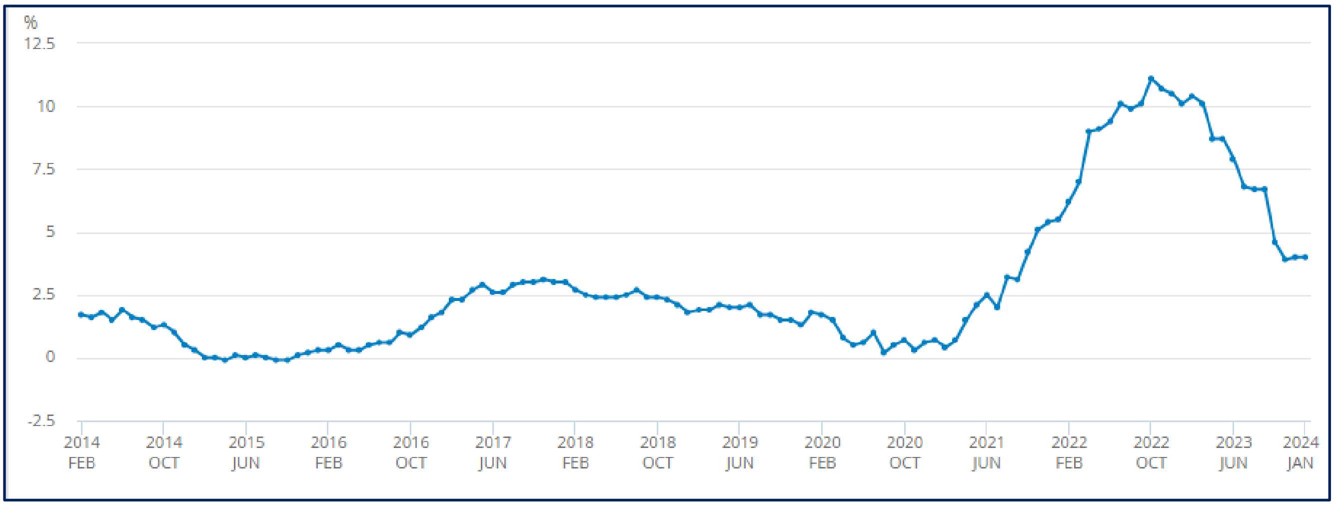
Derbyshire Dales District Council's financial and service planning takes place within the context of the national and international economy. This Medium-Term Financial Strategy has been prepared within that context.

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

- The Council may find it harder to collect sums due to it, for example for council tax and business rates, as a result of the national economy e.g. the cost-of-living crisis.
- Income generated by Treasury Management activities (investing surplus cash) will vary as interest rates rise and fall. For example, during 2023/24 investment income has increased significantly as interest rates rose. This helped to offset the effects of inflationary pressures on service costs and reductions in government grants. However, interest rates are forecast to fall during 2024, which has been considered in the proposed budget for 2024/25 and the MTFP;
- The national living wage, set by Government, has risen at a higher rate than CPI. The Council has no control over this additional cost. The NLW is currently £10.42 per hour for all workers aged 23 and over, it is set to increase by 9.8% to £11.44 in April 2024 and to be extended to all workers aged 21 and over. It is possible that the NLW will continue to rise at percentages above the permitted increase in council tax levels (currently 3%);
- Inflationary pressures may be greater than assumed in the MTFP and budget.
- The Council may find its suppliers and contractors at risk of liquidation, potentially affecting delivery of services;
- The Council will face increased demands for its services. This could be because of increased demands on services e.g. homelessness or because of a need to assist residents falling into hardship (such as for housing benefit or council tax support discretionary hardship reliefs);
- The costs of delivering services have increased, due to pay and price inflation (which have risen faster than increases on government grants or permissible council tax increases).

The chart below shows the change in consumer prices over the last 10 years. This illustrates the much higher rates of inflation that have put pressure on local authority budgets in recent years. Rates have fallen from the peak of 11.1% in October 2022 to 4% for January 2024. The bank of England expects rates to fall further during 2024.

Chart 1: Consumer Price Index Annual Rate 2014 to 2024



Whilst the current economic outlook continues to improve in terms of stable (and expected falls in) inflation, there remains a great deal of uncertainty and change and it is important that the Council has levels of reserves and balances that allow it to withstand unanticipated financial impacts of future developments at a local and national level.

2.5 Government Funding

The Medium-Term Financial Strategy and Medium-Term Financial Plan must consider the forecast changes in government funding. While government funding (in the form of grants) is very important in helping to fund local authority services, the amount of government grants awarded to Derbyshire Dales District Council has declined significantly since 2013/14.

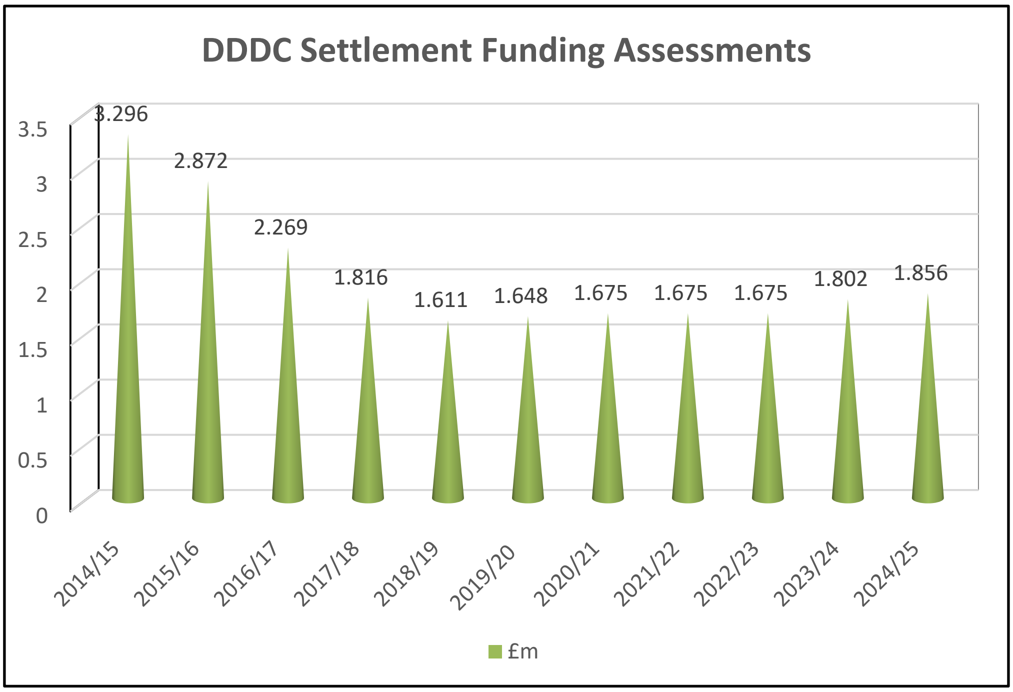
Against a backdrop of declining grant funding, financial planning has been made more difficult by a move from four-year settlements to one-year settlements. In recent years, the Local Government Finance Settlement (the formal announcement of grant funding) has been received in December for the coming financial year only.

Significant changes in local government finance are expected to take place after a parliamentary election. While the outcome of the parliamentary election could change the approach, the Government announced some time ago that it was carrying out a “Fair Funding Review” (to update the grant distribution methodology so that grants would be distributed on an updated assessment of local authority needs) and that it proposed to reset the baseline funding levels for business rates retention (which affects how much business rates income could be retained by each local authority). Modelling by the Council’s consultant indicates that these proposals would significantly reduce external funding for Derbyshire Dales District Council. Implementation is currently expected from 2026/27 (with some damping to offset the impact in the first year). The forecast outcome is included in the latest Medium-Term Financial Plan, shown in Appendix A, and in the charts below.

By 2024/25 the Council’s annual Settlement Funding Assessment (the main source of government grant funding that includes Revenue Support Grant and Business

Rates Baseline Funding) will have reduced by 51% or £1.9m from 2013/14. This equates to £54 per band D property. This is illustrated in the chart below:

Chart 2: DDDC Settlement Funding assessments 2014/15 to 2024/25



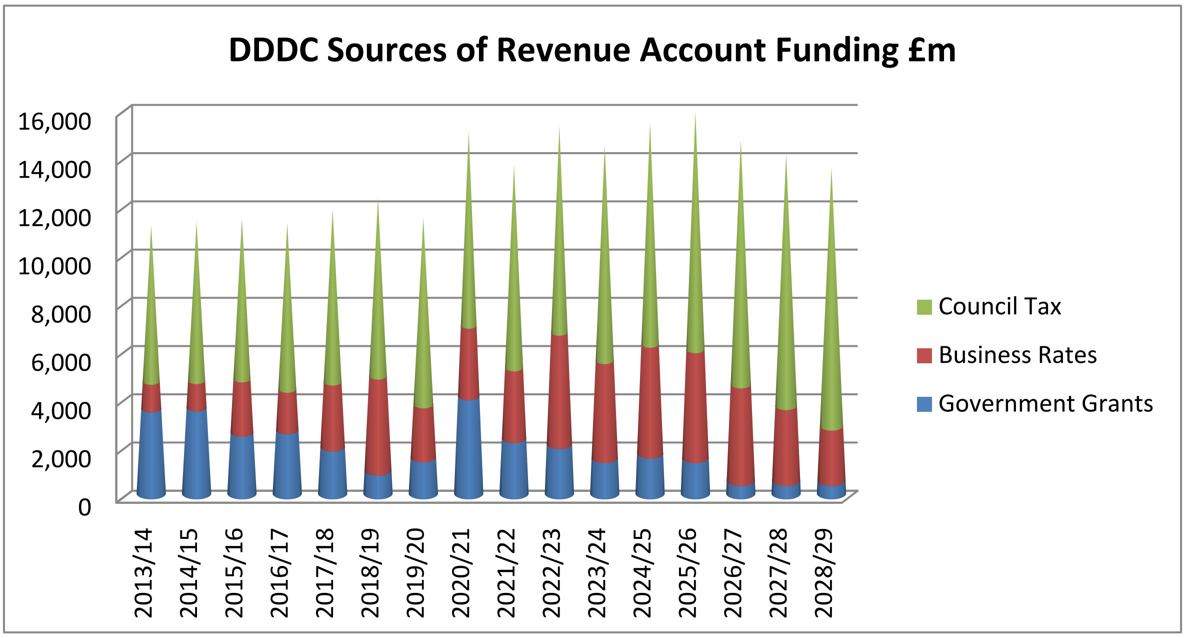
Source: DLUHC Notifications

The chart below shows that not only has funding (and therefore spending) reduced over recent years, but also that the relative proportions (gearing) of funding sources have changed significantly over the period from 2013/14 to 2024/25 and are predicted to change more up to 2028/29.

The chart below shows that:

- Government grants are forecast to reduce from £3.5m (32% of funding) in 2013/14 to £0.5m (4%) in 2026/27.
- Business rates, as a source of funding, rise from £1.1m (10%) in 2013/14 to £4.5m (29%) in 2024/25 and then decline over 2026/27 and 2027/28 to reach £2.3m (17%) in 2028/29 (the fall from 2026/27 reflects the forecast impact of the business rates baseline reset).
- Council tax (including parish precepts) as a source of funding increases from £6.5m (58%) in 2013/14 to £10.7m (79%) in 2028/29.

Chart 3: Sources of revenue account funding 2013/14 to 2028/29



Source: DDDC Statement of Accounts and Medium-Term Financial Plan

Note to chart – The table includes £1.83m in 2020/21 in respect of additional government grants relating to the coronavirus pandemic.

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

2.6 The Coronavirus Pandemic

In 2021, when the previous MTFS was written, we were amid the coronavirus pandemic, of which some residual impacts are still being felt in 2024.

During the pandemic the Council agreed to take a low-key approach to debt recovery for arrears relating to council tax and business rates. Full debt recovery was resumed after the pandemic, but in-year collection rates have only recently returned to pre-covid levels. Debt recovery is still ongoing for arrears relating to 2022/23 and before.

Income for some services fell during the coronavirus pandemic. In the case of Bakewell Stall Market, income levels have not yet returned to pre-covid levels, despite there being no increase in stall market rents charged by the Council. It is hoped that the situation will improve in the medium-term.

2.7 The Council's Priorities

The Council's priorities are due to be set in February 2024 within a new Corporate Plan. It identifies five themes that will determine the Council's priorities for the coming 4 years:

From 2024 to 2028, we will focus on five themes

- ***Housing that meets the needs of Derbyshire Dales residents***
- ***Prosperous and sustainable Derbyshire Dales communities and businesses***
- ***A thriving environment in the Derbyshire Dales***
- ***Resources and services to enable communities to flourish***
- ***A financially sound, fair and responsive Council***

To ensure adequate funding for priorities, it is important that the Council's budgetary processes are aligned with corporate priorities. The following measures are in place.

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

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

3. The Council's Current Financial Position and Outlook

3.1 The Medium-Term Financial Plan

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.

The Medium-Term Financial Plan, which is summarised in the table below and shown in detail at Appendix A, 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.

The Medium-Term Financial Plan (MTFP) shows the Council's proposed budget for 2024/25 and forecasts for 2025/26 to 2028/29. Full details are given in Appendix A; the table below provides a summary:

Table 1: 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**

The MTFP includes the impact of several key developments for the council over the MTFP period. The Medium-Term Financial Plan shown above demonstrates that, while there is a balanced budget for 2024/25, savings of £1.138m being required to balance the budget for 2025/26. It also shows that further grant losses are expected from 2026/27 onwards 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 3.4.

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, the MTFP assumes a significant reduction in government grants and retained business rates from 2026/27.

3.2 Reserves and balances

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

The estimated position on the Council's Reserves and Balances as at 31st March 2024 and 31st March 2025 is detailed in Appendix B. A number of points need to be taken into account and these are set out below.

Working Balances

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.

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 principles set out in this Medium-Term Financial Strategy state that it is considered prudent to retain uncommitted working balances of approximately 10% of net revenue expenditure. Subject to the approval of full Council on 29th February 2024 for a transfer from the General Reserve, the level of uncommitted working balances at 31st March 2024 will be £1.4m, which is equal to 10% of annual net revenue spending.

Use of Balances

The effect of the Council's spending proposals and commitments on the General Reserve is shown in the Medium-Term Financial Plan in Appendix A and a summary of reserves is given in Appendix B. It can be seen that the estimated General Reserve balance is £3,122,060 at 31st March 2024.

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.

It should be noted that this Medium-Term Financial Strategy allows the General Reserve to be used for meeting “one-off” expenditure or for “invest-to-save” proposals but restricts its use for funding ongoing revenue expenditure to exceptional circumstances.

Strategic Reserves

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 strategic reserves are given in Appendices B and C.

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 considering the opportunity costs of maintaining reserves. An annual review of strategic reserves is given at Appendix C. 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.

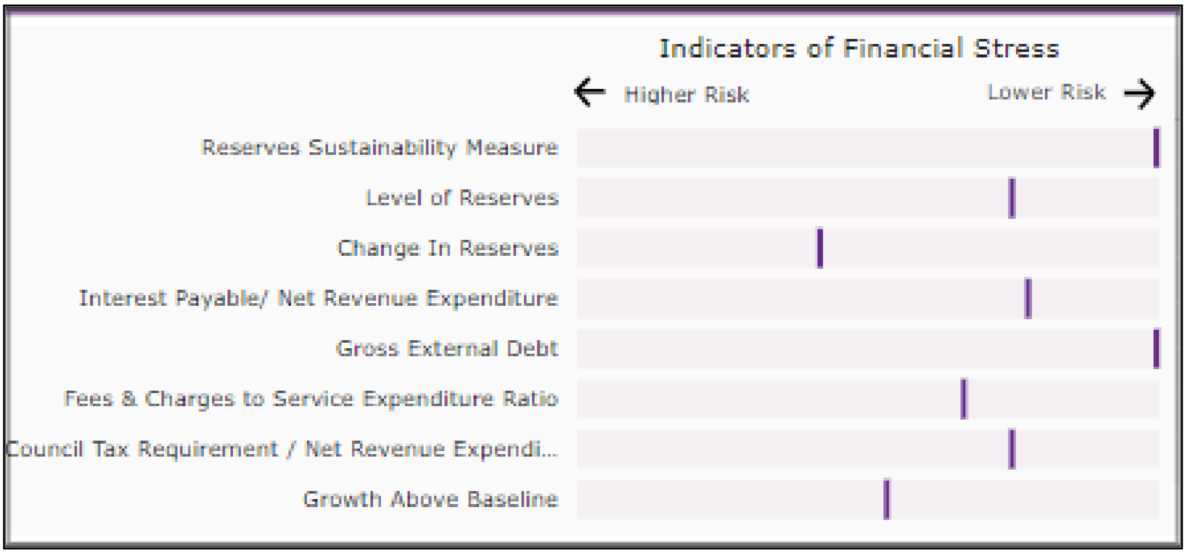
Following this review of reserves, strategic reserves are estimated to total £11 million at 31st March 2024, reducing to £7 million at 31st March 2025.

3.3 Financial Resilience

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.

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 4: CIPFA Financial Resilience Index Summary 2022/23



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”.

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 5: CIPFA Financial Resilience Index: Debt and Reserves Relative to Income 2022/23

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 B 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.

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. Any residual balance could be considered for a transfer to the Capital Programme Reserve or "Invest To Save" Initiatives, or to mitigate against future funding pressures.

3.4 Outlook and Approach to Achieving the Savings

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

- The future of government grants;
- The outcome of the government's Fair Funding Review;
- Business rates – the impact of the proposed changes to business rates including changes to the funding baseline and local share, funding of reliefs (especially Small Business Rate Relief), provision for appeals and the impact of revaluation exercises;
- Rising inflation rates (which increase the cost of services);
- The impact of the cost-of-living crisis, especially on collection rates for council tax, business rates and income from fees and charges;
- The value of the pound, which could affect the cost of goods and services;
- Increases in employer pension contributions;
- Nationally agreed pay awards, increases in the National Living Wage and changes in the Apprentices Levy;
- The impact of future welfare reforms, which could increase the cost of the Council Tax Support Scheme and Housing Benefit Overpayments;
- Increases in demand for services;
- Achievement of the savings required (see below);
- Potential for a reduction in the cost of leisure services, as the Council's cost is expected to reduce over the life of the contract;
- Potential costs to improve or replace assets, such as waste collection vehicles;
- The impact of volatility in the markets for recycling materials.

The assumptions made in preparing the MTFP are shown in Appendix A. 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, shown below.

Table 2: 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**

As can be seen in table 2 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.

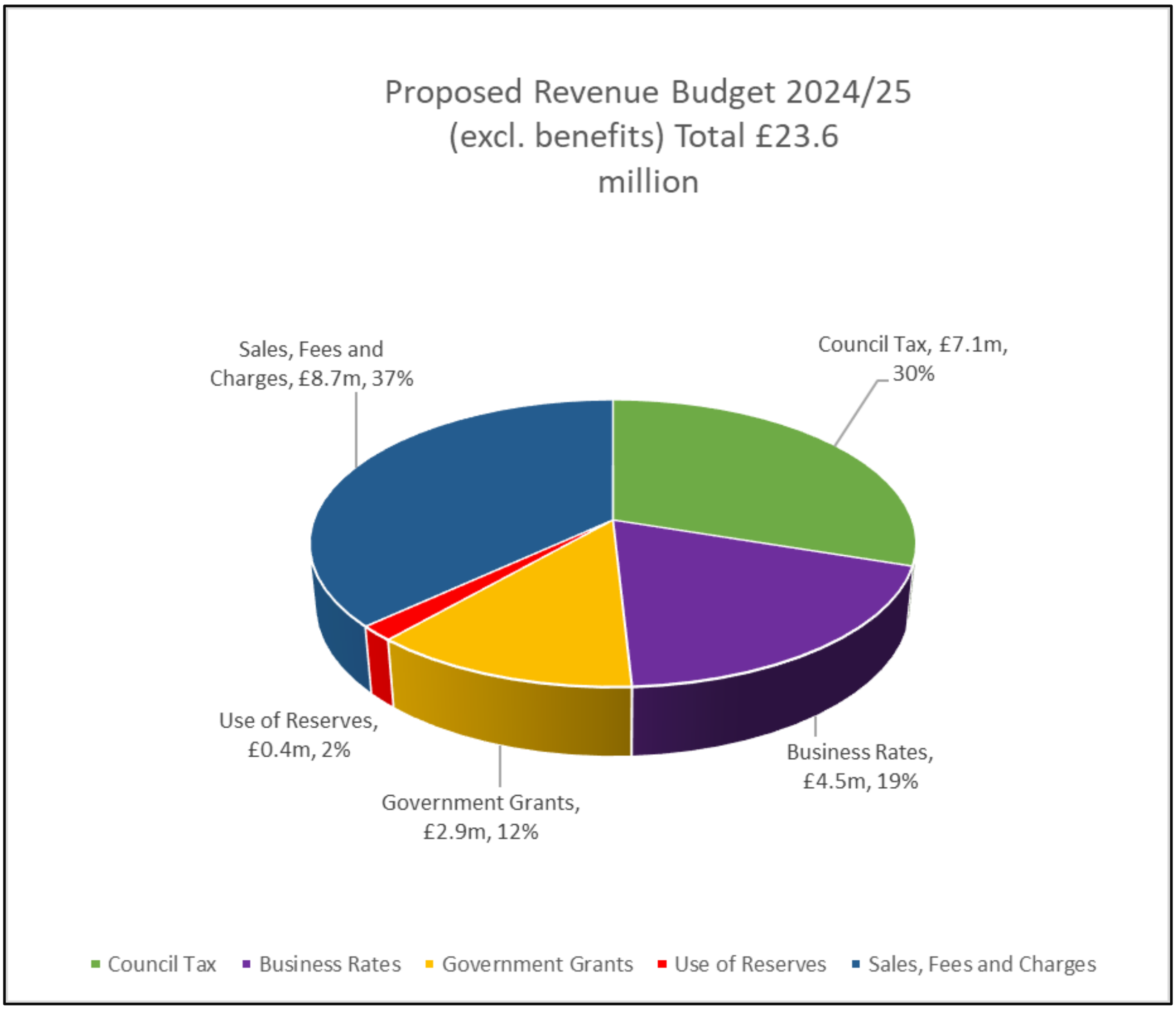
The Council has reserves and balances that would be available to use to balance the budget should unexpected changes arise with insufficient time to address them before the budget has to be set. However, the use of reserves to balance the budget is not sustainable. It is proposed that, during 2024/25, 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.

Given the uncertainties involved in forecasting beyond 2025/26, and the current levels of the general reserve and working balances (see above), 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.

3.5 Income from fees and charges

Income from fees and charges plays an important and significant role in balancing the Council's budget. The chart below shows that for 2024/25 forecast income from sales, fees and charges amounts to £8.7m and makes up 37% of all income, i.e. more than council tax.

Chart 6: Forecast revenue income 2024/25



The most significant sources of income from fees and charges forecast for 2024/25 are car parking £2.7m and waste collection (including recycling credits) £2.5m.

The Council will explore new revenue income streams as a tool to close the budget gap in future years. The MTFP includes new revenue income streams arising from 2026/27 from capital programme investments.

3.6 Capital Programme

As well as having to make savings to balance its revenue budget over the coming years with the resultant pressures on revenue reserves, the Council's resources for capital funding are becoming depleted. This presents a high risk in terms of funding availability for future capital projects. The Council could, of course, consider borrowing for future capital schemes, but the resulting borrowing costs may not be affordable for the revenue account, unless the asset will generate a revenue income stream to offset borrowing costs.

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

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

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

3.7 Budgetary Control & Monitoring the Plans

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

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

A rolling budget is maintained throughout the year, using forecast outturns to reflect changes arising in year, virements and supplementary budgets. Quarterly budget monitoring reports are prepared for the Corporate Leadership Team and are presented to the Governance & Resources Committee or full Council.

Each Service Director is responsible for ensuring that the budgets for controllable expenditure on each Service (as shown in the circulated budgetary control reports) are not exceeded and that there are no significant shortfalls in income. Where it appears that such a service provision shall be exceeded by an amount more than £10,000, the Service Director concerned must, in consultation with the Director of Resources, inform the relevant policy committee with recommendations on how the expenditure is to be funded or defrayed.

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

Directors may authorise virements (transfers of budgets) of up to £10,000 from one service provision to another within their respective directorate budget portfolio after consultation with the Director of Resources. Virements from £10,000 to £30,000 within or between directorate portfolios, or by the use of a reserve set aside for the specific purpose, may be approved by the Director of Resources. For virements / budget transfers exceeding £30,000, a report shall be taken to the Governance and Resources Committee.

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

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

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

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

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

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

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

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

Reports will be presented to Council as follows:

- In February / March – Quarter 3 revenue budget monitoring report, revenue budget and Council tax setting for the coming year, updated MTFP, five-year capital programme, treasury management strategy, corporate and commercial investment strategies; Corporate Plan targets.
- In May / June – out-turn (Q4) of revenue account and capital programme for previous financial year, updated capital programme for current year and next four years, updated MTFP; Out-turn of Key Performance Indicators.
- In September – Quarter 1 revenue budget monitoring report.
- In November – Quarter 2 revenue budget monitoring report, annual review of Medium-Term Financial Strategy, updated MTFP and updated capital programme; annual review of Corporate Plan; mid-year update on Key Performance Indicators.

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

4. Links to other strategies, policies and plans

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

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

5. Risk Management

There are significant risks associated with the Medium-Term Financial Strategy. The uncertainties associated with medium-term financial planning are set out in sections 2 and 3 of this strategy. The retention of adequate reserves and the preparation of a savings plan are key mitigating factors but, even so, this financial risk is assessed as High.

The table below identifies the key risks and mitigating actions:

Keys Risks	Mitigating actions and controls
• Lack of resources available to deliver the core Council activities or to replace capital assets. • Controls not performed or overlooked due to time and resource pressures. • Cash flows are not available to maintain standards and quality of service provision. • Increase in claims made to the Council. • Initiatives, development programmes etc. around capital enhancements, car park maintenance etc. may not be performed resulting in members of the public hurt or public property damaged. • Targeted savings or additional income not being achieved. • Loss of a key source of income e.g. government grants or business rates from a large supermarket or quarry. • Increases in pay and prices are higher than forecast. • Income from investments is affected by an unforeseen significant fall in interest rates.	• Monthly reporting of management accounts with monitoring of variations from budgets. • Monthly scrutiny of significant budget variances, overall staffing costs and major income items by the Corporate Leadership Team. • The MTFP and capital programme are regularly monitored and are updated and reported to Council or the Governance & Resources Committee. • Several services have been outsourced, with long-term agreements. The costs are structured within the outsourced contract, allowing the Council to forecast and plan budget costs / savings effectively (except for the inflationary adjustments). • The Council has insurance arrangements in place to protect itself against claims. • Budgets have been balanced for 2024/25 and are due to be approved on 29 February 2024; • This Medium-Term Financial Strategy sets out the approach to achieving the savings that will be required. • The savings target is set and achievement monitored by Corporate Leadership Team (though achievement of savings for 2026/27 and beyond is “on hold” at present). • The working balance and general reserve balance are considered to be sufficient at present to meet costs arising from emergencies and unforeseen events. • Reserves have been established for areas of volatility such as business rates income and waste contract price fluctuations.

6. Glossary of Terms

Budget

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

Business Rates

These rates, called National Non-Domestic Rates, are the means by which local businesses contribute to the cost of providing local authority services.

Budget Requirement (or External Funding Requirement)

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

Business Rates Baseline Funding Level

The amount of a local authority's start-up funding allocation which is provided through the local share of the estimated business rates aggregate (England) at the outset of the scheme as forecast by the Government. This is due to change from 2026/27 – See Business Rates Local Share.

Business Rates Local Share (Retention)

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

The Government has announced that the local share of business rates will increase to 75%, though this will be accompanied by additional responsibilities and a change in the business rates baseline funding level. The additional responsibilities, baseline funding level and the share between district and county councils have not yet been determined. It is currently expected that these changes will be introduced in the financial year 2026/27.

Business Rates Pool

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

Capital Expenditure

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

Capital Programme

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

Capital Receipts

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

Capping

See Council Tax Referendum Principles

CIPFA

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

Collection Fund

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

Collection Fund Surplus or Deficit

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

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

Contingency

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

Core Spending Power

A measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the Local Government Finance Settlement (LGFS). The definition, broadly speaking, is spending power from council tax, Government revenue grants and the local share of business rates

Council Tax

A local tax on domestic property, set by local authorities, calculated by deducting any funding from reserves, income it expects to raise and general funding it will receive from the Government, in order to meet its planned spending.

Council Tax Base

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

Council Tax Referendum Principles (Capping)

This is the power under which the Government may limit the maximum level of local authority spending or increases in the level of spending year on year, which it considers excessive. It is a tool used by the Government to restrain increases in council tax. 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.

This means that a shire district council 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. Councils losing a referendum would have to revert to a lower increase in their bills.

Council Tax Requirement

The Council Tax Requirement is the amount that the Council needs to collect from

Council Tax each year. It is the Budget (or External Funding) requirement less business rates income and non-specific grants.

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

CPI

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

Financial Year

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

General Fund

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

General Fund Balances & General Reserve

This represents amounts put aside for, but not allocated to meet, any future spending commitments or unforeseen pressures.

The Council's General Fund Balances include a working balance of £1m (£1.4m from 31 March 2024, if approved by Council on 29 February 2024) to meet emergencies and contingencies, and to assist with cash flow. Any General Fund Balance over and above the working balance is termed the 'General Reserve'. The Council's General Reserve currently stands at £3m.

The Council's Medium Term Financial Strategy states that the General Reserve will be available for meeting 'one-off' expenditure or development items and should only be used to fund ongoing revenue expenditure in exceptional circumstances. The Council will aim to set balanced budgets that do not require the use of the general reserve.

Gross Expenditure

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

Government Grants

Part of the cost of the Council's services is paid for by central government from its own tax income. These grants are of two main types. Some (Specific Grants and Supplementary Grants) are for particular services such as Housing Benefits. Others are in aid of services generally such as the Rural Services Delivery Grant.

Local Government Finance Settlement (LGFS)

The Local Government Finance Settlement is the annual determination of funding distribution to local authorities as made by the Government and debated by Parliament.

Medium Term Financial Plan (MTFP)

The Medium-Term Financial Plan (MTFP) identifies the estimated financial commitments of the Council alongside the likely level of resources available to it over the next five financial years. It provides a financial overview against which budgets will be set, highlighting any future savings requirements.

Minimum Revenue Provision

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

Net Revenue Expenditure

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

New Homes Bonus

Under this scheme local authorities receive a new homes bonus (NHB) for each new property built in the district. There is also a payment in respect of empty homes brought back into use. Payments are based on match funding the council tax raised on each property with an additional amount for affordable homes. It is paid in the form of an un-ringfenced grant, which the government has announced will cease after 2024/25.

Non Domestic Rates (NDR)

Also known as 'business rates', see above,

Precept

The levying of an amount by one authority that requires another authority to collect income on its behalf.

The Council Tax Collection Fund meets the precepts from the major preceptors i.e. the County Council, Police Authority and Fire and Rescue Service) as well as making a payment to the Council's own General Fund.

"Local precepts" are raised by Town and Parish Councils. These are paid from the Council's General Fund and are part of Derbyshire Dales District Council's Council Tax Requirement.

Prudential Borrowing

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

Reserves
This is a council's accumulated surplus income (in excess of expenditure) which can be used to finance future spending.

Revenue Expenditure

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

Revenue Support Grant

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

The introduction of **Negative Revenue Support Grant** has been deferred by the government for several financial years but has not been ruled out. As revenue support grant is phased out and replaced by greater business rates retention, some councils will have to pay income back to government as part of the business rates top up and tariff system. This "payback" is known as Negative Revenue Support Grant. It is likely to be revisited as part of the government's review of the business rates baselines and the Fair Funding Review.

Specific Grants

These grants are for specified purposes and cannot be used on anything else. An example of a specific grant is that for housing benefits administration. Specific grants are usually accounted for in the services to which they relate.

Strategic (Earmarked) Reserves

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

Treasury Management

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

Virement

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

Working balance
The purpose of the working balance is to meet emergencies and contingencies, and to assist with cash flow. The Council's Medium-Term Financial Strategy states that the Council will maintain a working balance of approximately 10% of its net revenue expenditure, which is considered appropriate to the strategic and operational risks which the authority faces.

Appendix A – Medium-Term Financial Plan (February 2024)

	Approved Budget 2023/24	Revised Budget 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Base Service Funding Requirement (NCS)	**13,570**	**14,563**	**13,915**	**13,915**	**14,378**	**14,588**	**14,950**
Adjustment for Service Costs Funded from Reserves				**0**	**0**	**0**	**0**
Inflation							
Pay Awards				224	229	235	235
Contracts				49	50	52	52
Fees and Charges				(101)	(104)	(107)	(107)
General Inflation				0	0	0	0
Waste Management Contract				152	156	161	161
Gas				1	1	1	1
Electricity				14	14	15	15
Water				1	1	1	1
Fuel				4	4	4	4
Pressures/Savings - Recurring							
Potential increase in pension contributions following revaluation				0	150	0	0
Home Options Co-ordinator				(24)	(23)	0	0
Climate Change				0	(88)	0	(198)
Restructure of Regen & Policy				61	0	0	0
Travellers Temporary Post				0	(33)	0	0
Clean and Green & Licensing Apprentices				(23)	0	0	0
Housing Apprentices				(17)	(16)	0	0
Environmental Health Graduate				(24)	0	0	0
Additional Housing pressures - funded by use of revenue grants unapplied reserve				(73)	0	0	0
Housing Rents increased income				(34)	0	0	0
Discretionary Council Tax Discounts and Affordable Housing financed by 2nd Homes Premium				200	0	0	0
Ashbourne Reborn Communications post				(11)	(33)	0	0
Freedom leisure additional costs				(2)	(32)	0	0
Additional pressures on the Local Plan budget over and above reserves held				66	(66)	0	0
Updated Base Service Funding Requirement (NCS) for Next Year	**13,570**	**14,563**	**13,915**	**14,378**	**14,588**	**14,950**	**15,114**
Non Service Items (debt repayment etc...)	**97**	**(866)**	**(166)**	**234**	**234**	**234**	**234**
Net Revenue Expenditure	**13,667**	**13,697**	**13,749**	**14,612**	**14,822**	**15,184**	**15,348**
Transfers to/(from) reserves relating to Collection Fund Accounting	0	270	(451)	0	0	0	0
Transfers to/(from) reserves for current year	(1,562)	(2,389)	(375)	(128)	(10)	(10)	(10)
Contributions to reserves for future years costs							
Local plan reserve	30	30	30	30	30	30	0
Economic Development Reserve	0	0	30	30	30	30	0
Vehicle renewal fund	50	50	300	300	300	300	0
Major Repairs Reserve	17	17	27	33	33	33	0
	17						
Total Net Spending Requirements	**12,202**	**11,675**	**13,310**	**14,877**	**15,205**	**15,567**	**15,338**
Funded By:							
Revenue Support Grant	(65)	(65)	(69)	(86)	848	863	879
Business Rates Baseline Funding	(1,738)	(1,738)	(1,787)	(1,803)	(1,818)	(1,833)	(1,849)
Settlement Funding Assessment	**(1,803)**	**(1,803)**	**(1,856)**	**(1,889)**	**(970)**	**(970)**	**(970)**
Compensation for under-indexing the business rates multiplier	(567)	(567)	(793)	(910)	0	0	0

Retained Business Rates Income less Baseline Funding (including S31)	(1,585)	(1,854)	(1,898)	(2,031)	(2,967)	(2,163)	(1,412)
Business rates from renewable energy schemes	(264)	(264)	(311)	(264)	(264)	(264)	(264)
NNDR Pool	177	177	542	517	221	305	393
Forecast NNDR Collection Fund (surplus)/Deficit	202	202	(284)	0	0	0	0
Council Tax Collection Fund (surplus) / deficit	100	100	181	0	0	0	0
New Homes Bonus	(241)	(241)	(116)	0	0	0	0
Rural Services Delivery Grant	(471)	(471)	(545)	(545)	(545)	(545)	(545)
Services Grant	(68)	(68)	(12)	(17)	0	0	0
Funding Guarantee	(627)	(627)	(915)	(830)	0	0	0
2nd Homes Council Tax Increase	0	0	0	(200)	(200)	(200)	(200)
Financing from Council Tax	(7,055)	(7,055)	(7,303)	(7,569)	(7,845)	(8,130)	(8,425)
Total Income	**(12,202)**	**(12,471)**	**(13,310)**	**(13,738)**	**(12,570)**	**(11,967)**	**(11,423)**
Corporate Saving Target	**0**	**(796)**	**(0)**	**1,139**	**2,635**	**3,600**	**3,915**

MTFP notes and assumptions

1. Negative RSG from 2026/27 onwards.

2. Assumed NNDR receipts as per current pool arrangement. Changes to future distribution not confirmed.

3. Assumed Business Rates reset in 2026/27.

4. Effect of NNDR Collection Fund balance is offset by transfers from earmarked reserves.

5. Rural Services Delivery Grant not confirmed beyond 2024/25, but it has been assumed that this level of funding will continue.

6. Assumed New Homes Bonus discontinued after 2024/25.

7. Funding Guarantee Grant and Services Grant assumed to continue for 2025/26 only.

8. Assumes additional income for second homes premium from 2025/26 onwards.

9. Council tax income assumes: a. Additional 195 band D properties in each year from 2025/26 onwards, plus b. 2.99% annual increase in band D council tax.

Appendix B - Summary of Reserves, Revenue Balances and Provisions (including proposed transfers to / from reserves and balances, to be approved 29 February 2024)

Revenue Funding	Balance at 31st March 2023 £	Contribution in 2023/24 £	Budgeted transfers (to)/from in 2023/24 Revenue £	Requested transfers (to)/from reserves	Use in 2023/24 Capital £	Proposed Transfer of 2023/24 Underspend to Reserves*	Forecast Balance at 31st March 2024 £	Budgeted Contribution in 2024/25 £	Proposed transfers (to)/from in 2024/25 Revenue £	Estimated (Use)/contribution in 2024/25 Capital £	Estimated Balance at 31st March 2025 £
Revenue Balances											
General Fund Working Balance	(1,000,014)	0	0	0	0	(400,000)	(1,400,014)	0	0	0	(1,400,014)
General Reserve	(3,777,386)	0	0	255,326	0	400,000	(3,122,060)	0	0	0	(3,122,060)
	(4,777,401)	**0**	**0**	**255,326**	**0**	**0**	**(4,522,075)**	**0**	**0**	**0**	**(4,522,075)**
Capital Balances											
Capital Receipts	(1,977,814)	(400,000)	0	0	574,450		(1,803,364)	(110,000)	0	1,337,793	(575,571)
Capital Grants Unapplied	(1,900,813)	(5,574,601)	0	0	4,795,381		(2,680,033)	(14,010,703)	0	17,513,246	822,510
	(3,878,628)	**(5,974,601)**	**0**	**0**	**5,369,831**		**(4,483,398)**	**(14,120,703)**	**0**	**18,851,039**	**246,938**
Earmarked Reserves											
Business Rates Fluctuations Reserve	(1,675,496)	0	0	(270,000)	0		(1,945,496)	0	450,724	0	(1,494,772)
Capital Programme reserve	(956,984)	0	0	0	632,739		(324,245)	0	0	111,354	(212,891)
Carsington Improvements	(33,452)	0	0	0	0		(33,452)	0	0	0	(33,452)
Committed Expenditure Reserve	(538,005)	0	104,049	181,917	0		(252,039)	0	39,902	0	(212,136)
Corporate Plan Priority Reserve	(201,471)	0	0	(508,406)	0	(225,579)	(935,456)	0	0	51,896	(883,560)
Customer Innovation Project	(76,166)	0	76,166	0	0		(0)	0	0	0	(0)
Economic Development Reserve	(140,769)	0	54,931	0	9,896		(75,942)	0	0	38,104	(37,838)
Elections Reserve	(188,056)	0	167,757	0	0	(70,453)	(90,753)	0	(30,000)	0	(120,753)
Funding Uncertainties Reserve	(508,406)	0	0	508,406	0		0	0	0	0	0
Information Technology Reserve	(282,166)	0	0	9,530	155,737		(116,899)	0	10,000	30,000	(76,899)
Insurances Reserve	(464,473)	0	0	0	0		(464,473)	0	0	0	(464,473)
Investment Fund / Invest to Save Reserve	(562,510)	0	0	0	0		(562,510)	0	0	0	(562,510)
Recruitment and Retention Reserve	(150,000)	0	0	0	0		(150,000)	0	0	0	(150,000)
Local Plan Reserve	(113,879)	0	50,000	55,443	0		(8,435)	0	(30,000)	0	(38,435)
Member / Officer Indemnity	(25,000)	0	0	0	0		(25,000)	0	0	0	(25,000)
Major Repairs Reserve	(12,660)	0	(16,955)	0	0		(29,615)	0	(27,000)	0	(56,615)
Revenue Grants Unapplied	(9,305,465)	(397,473)	1,077,590	325,542	4,056,828		(4,242,978)	0	326,002	2,477,376	(1,439,600)
Vehicle Renewals reserve	(549,302)	0	(50,000)	0	495,133		(104,169)	0	(300,000)	386,000	(18,169)
Waste Vehicles Reserve	0	0	0	0	0	(500,000)	(500,000)	0	0	0	(500,000)
Waste Fluctuations Reserve	(912,116)	0	0	0	0		(912,116)	0	0	0	(912,116)
Ashbourne Reborn Reserve	(175,000)	0	0	0	0		(175,000)	0	0	0	(175,000)
	(16,871,376)	**(397,473)**	**1,463,538**	**302,432**	**5,350,333**	**(796,032)**	**(10,948,578)**	**0**	**439,628**	**3,094,730**	**(7,414,220)**
TOTAL	**(25,527,405)**	**(6,372,074)**	**1,463,538**	**557,758**	**10,720,164**	**(796,032)**	**(19,954,051)**	**(14,120,703)**	**439,628**	**21,945,769**	**(11,689,357)**

Appendix C - Annual Review of Strategic Reserves (February 2024)

Reserve	Purpose	Forecast Balance 31/03/25	
Business Rates Fluctuations Reserve	To provide funding towards potential future losses on Non-Domestic Rates	(1,494,772)	Balance considered to be appropriate at the current time.
Capital Programme reserve	To provide funding for capital expenditure	(212,891)	Required for the five-year capital programme and future liabilities not yet in the programme. It is recommended that annual contributions are made from revenue, if affordable, to ensure a sufficient balance for future capital projects. Top up is possible if there is a revenue account underspend.
Carsington Improvements	To provide grants towards projects in Parishes bordering Carsington Reservoir.	(33,452)	This balance is considered sufficient to deliver the project.
Committed Expenditure Reserve	Amounts set aside in respect of expenditure which has been committed, but service not received, at the end of the financial year.	(212,136)	Most of the balance is committed to fund future costs.
Corporate Plan Priorities Reserve	To provide a source of funding for Priority Projects emerging from the new Corporate Plan.	(883,560)	Balance considered to be appropriate at the current time.
Economic Development Reserve	To provide funding for economic development initiatives.	(37,838)	Fully committed to deliver economic development plan.
Elections Reserve	Annual revenue contributions to smooth the cost of four-yearly District Council elections.	(120,753)	Aim is to replenish the reserve to ensure sufficient funding for the next elections.
Information Technology Reserve	To provide funding for renewal of the Council's information technology equipment, including telephony & central printing equipment.	(76,899)	This balance is considered sufficient to deliver the needs identified in the ICT strategy.
Insurances Reserve	To provide funding for uninsured losses.	(464,473)	A balance of approximately £450,000 is considered appropriate.
Invest to Save Reserve	To provide funding towards projects that will provide additional capacity and skills to support the change agenda and to kick start investments, subject to suitable business cases.	(562,510)	Earmarked to fund Capital Programme in 2025/26.
Recruitment and Retention Reserve	To provide funding for the additional cost of recruitment and retention.	(150,000)	Balance considered to be adequate.
Local Plan Reserve	Annual revenue contributions to smooth the cost of four-yearly review of the local plan.	(38,435)	Annual contributions will be made to provide funding for the next public inquiry. Balance is expected to be adequate.
Member / Officer Indemnity	To indemnify Members and officers against acts or omissions subsequently found to be ultra vires.	(25,000)	Adequate for current needs.
Major Repairs Reserve	To provide funding for major repairs and improvements to housing property owned and let by the Council.	(56,615)	The aim is to build up a reserve to provide adequate funding for future repairs.
Revenue Grants Unapplied	The balance of grants received but not yet spent, set aside to finance expenditure in future years. Most grants can only be spent on ring-fenced areas depending on the restrictions included in the grant funding agreements.	(1,439,600)	Most of the balance is committed to fund future costs.
S106 Reserve	The balance of S106 contributions received but not yet spent, set aside to finance expenditure in future years as permitted within legal agreements.	(312,724)	Most of the balance is committed to fund the capital programme. The Capital strategy states that the Council will seek grants and contributions when the opportunity arises.
Vehicle Renewals reserve	To provide for the replacement of vehicles.	(18,169)	Balance is fully committed. Annual revenue contributions will ensure that the balance is adequate.
Waste Fluctuations Reserve	To provide funding to offset the impact of additional expenditure or lost income associated with waste and recycling services	(912,116)	Balance considered to be adequate.
Waste Vehicles Reserve	To provide for the replacement of waste vehicles.	(500,000)	The current waste vehicle fleet cost £3.6m to acquire. It is recommended that annual contributions are made from revenue, if affordable, to ensure a sufficient balance for replacement in 2028/29, to avoid the additional costs of borrowing or leasing. Top up is possible if there is a revenue account underspend.
Ashbourne Reborn Reserve	To provide funding to the Ashbourne Reborn regeneration project.	(175,000)	This balance is considered sufficient to deliver the project.
Total		**(7,414,220)**	