Medium Term Financial Strategy 2019/20 to 2023/24

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 2019/20 to 2023/24 and is intended to be reviewed annually. The MTFS provides the financial context for the Council's resources allocation and budget setting processes.

1.3 In recent years all local authorities have faced significant reductions in Government funding. By the end of 2019/20 the Council's Settlement Funding Assessment (the main source of government grant funding) will have reduced by 56% or £2.1m from 2013/14. This equates to £73 per band D property. The Council has responded well to the grant cuts so far and has already made savings of over £2.3 million since 1st April 2014. At the same time, public expectations are increasing and there are cost pressures on some services, such as waste and recycling. The impact of changes in the economy (such as rising inflation and interest rates), together with the UK's exit from the European Union, 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 2019.

1.4 The Medium Term Financial Plan (MTFP) contained in this document (Appendix A) shows that further cuts in government funding mean that corporate savings of £400,000 are required by 2020/21. Coming on top of the savings that have already been made, and in a relatively short period, this is a challenging target, equating to around 4% of net revenue spending in 2018/19. The District Council has already made budget savings exceeding £2.3m since 2014, and further savings will not be easy to achieve.

1.5 Faced with such unprecedented cuts in government funding and a significant corporate savings target, the Council will have to become more self-sufficient and generate more income from fees and charges, local taxation and business rates, as well as critically reviewing its expenditure, if it is to continue to set a balanced budget (as required by law). The Council will achieve the savings through a combination of reduced spending and increased income.

1.6 As well as having to make savings in order to balance its revenue budget over the coming years, the Council's resources 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).

1.7 It is clear that the Council will face some difficult decisions in the coming years regarding which services and which capital projects it should prioritise within the resources (revenue and capital) that are available.

1.8 The Council's approach to meeting the Corporate Savings Target and closing the budget gap will include the exploration of further partnership working, transformational and organisational efficiencies, better procurement, better use of assets and generating extra income from new fees and charges and additional business rates. The Council has established a Commercial Board, which will explore commercial opportunities to help the Council achieve a sustainable financial future. The overall aim of this approach is that the Council will be far less reliant on government funding and will become more self-sufficient. As well as ensuring that Council services are streamlined and offer value for money, the approach will focus on income generation and investment in economic development that will lead to growth. In the longer term, this approach will provide the Council with more financial resilience than depending on government grants.

1.9 There are risks associated with this strategy, especially with regard to the delivery of the savings that are required. These risks will be mitigated by robust budget monitoring, together with contingency plans that will be used if the savings target is not achieved. Given the short timescale to achieve savings to close the savings gap in order to balance the budget for 2020/21, it is proposed that a Funding Uncertainty Reserve should be established in 2019/20, which can then be utilised in 2020/21 if the savings target is not achieved.

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 four 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 2015 - 2019 and in other service strategies;
- summarise the current financial position;
- ensure the sustainability of the Council's budget;
- set down overall parameters and objectives for future spending, together with a medium-term forecast of the financial position, identifying spending pressures and savings / efficiency targets for the next four years;
- establish an approach to setting the Council Tax based on keeping increases to a minimum whilst protecting investment in key service priorities;
- establish arrangements for the effective evaluation of the financial aspects of decision-making;
- highlight financial risks and mitigating actions.

2.2 Principles of the Strategy

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

Element	Strategy
Revenue Budget	
Sustainable Budget	To have a balanced sustainable budget in the medium-term to ensure that the Council remains in good financial health and meets the statutory requirement to set a balanced budget.
Budget Model	To use a five-year budget model on which to base short and medium-term decisions on the level of Council Tax and Revenue Reserves.
Budget Consultation	A budget consultation exercise will be carried out annually to help inform Members of stakeholders views of spending priorities and acceptable levels of Council Tax. The exercise may involve, for example use of Community Forums & the Residents' Online Panel.
Council Tax	Keep council tax increases to the level necessary to maintain the standards of service required by residents, taking into account factors such as Government policy in respect of capping levels.
Corporate Savings Target & Efficiency Plan	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. This will be shown in the Efficiency Plan.
Budgetary Control	Up-to-date, reliable information should be available for Members and Officers. Budget monitoring reports should be available on a quarterly basis for Members. Reports for budget holders should be available monthly, within 10 working days of month-end. Additional monthly reports should be provided for budgets which are significant in terms of size or risk (e.g. salaries, significant income items) and significant variances from budget. Budget holders should put in place action plans to deal with significant variances.
Working Balance	The Council will maintain a working balance of approximately 10% of its net revenue expenditure which is considered appropriate to the strategic and operational risks which the authority faces.
General Reserve	Any General Fund Balance over and above the working balance will be termed the 'General Reserve'. The General Reserve will be available for meeting 'one-off' expenditure or development items, and should only be used to fund ongoing revenue expenditure in exceptional circumstances. The Council will aim to set balanced budgets that do not require the use of the general reserve.

Element	Strategy
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 transferred to strategic reserves to finance the Capital Programme, top up the Investment Fund or to prepare for future revenue account pressures.
Service Growth	Any areas of service growth must be identified through the annual service planning and budget process, and be subject to business case appraisal. Compensating savings or additional income should always be identified.
Priorities	The District Council's priorities are those set out in the adopted Corporate Plan 2015-2019, or its successor 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 three current priorities of the District Council are (1) business growth and job creation, (2) affordable housing, and (3) market towns. The Corporate Plan also specifies the Council's wish to maintain performance for a clean and safe district, and to seek efficiencies and innovative working practices.
Strategic Reserves	Strategic reserves will be maintained for earmarked purposes in order to assist the Council in achieving its priorities. These include reserves to fund asset replacements and the capital programme, to smooth out significant items of expenditure which do not occur annually, and to provide cover for uninsured losses. Balances on reserves will be reviewed at least annually. The MTFP and future revenue budgets will include annual revenue contributions to capital reserves provided that they are affordable.
Provisions	Provision should be maintained for potential liabilities which may arise or will be incurred, such as any insurance claims which are going through the settlement procedure.
Fees and Charges	Fees and charges will be reviewed annually to maximise income, taking into account the Council's priorities, the level of inflation, and charges levied by neighbouring authorities. The Council will explore opportunities for new areas of charge.
Savings, Efficiencies and Value for Money	The Council will continue to seek efficiencies and value for money in all services through its approach to procurement, transformational and organisational changes and better use of assets, as well as generating extra income from new fees and charges and additional business rates. The Council has established a Commercial Board, which will explore commercial opportunities to help the Council achieve a sustainable financial future. The Council will continue to consider opportunities for working in partnership with other local authorities and other organisations where this will deliver efficiencies. The Council will evaluate existing partnerships to ensure they continue to deliver best value, and where that is not the case the Council will consider reducing or withdrawing funding (giving appropriate notice). This approach should reduce the impact of the savings on priority services.

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

2.3 Background

The Council's Financial Strategy was last approved in 2017. In June 2017 the Council set a Corporate Savings Target to achieve £1.7m savings by 2020/21. This was on top of savings of £1.1m achieved during the three years from April 2014 to March 2017. While significant savings have been identified since that time, further corporate savings are still required.

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

2.4 National and International Influences

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

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

- The Council may find it harder to collect sums due to it, for example for council tax and business rates. Despite the increased pressures, there has not yet been any significant deterioration in collection rates;

- The Council will face increased demands for its services to assist residents falling into hardship (such as for housing benefit discretionary hardship reliefs);
- The Council may find its suppliers and contractors at risk of liquidation, potentially affecting delivery of services;
- Inflationary pressures may be greater than assumed.

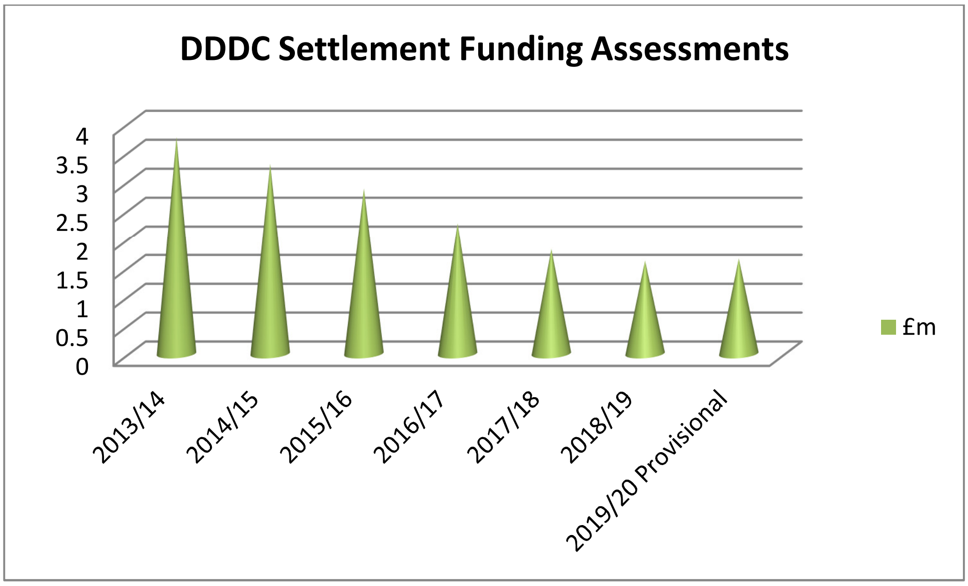
The Government has introduced a number of measures that have significant impacts on local government. The relevant items are set out below:

- Introduction of a national living wage, which is currently £7.83 per hour for all workers aged 25 and over, set to reach £9 per hour by 2020;
- New apprenticeship levy from April 2017 based on 0.5% of an employer's pay bill;
- Proposals to introduce 75% local retention of business rates by 2020/21. This will involve the transfer of additional responsibilities and the phasing out of Revenue Support Grant. The Council has joined with other Derbyshire authorities to pilot 100% rate retention in 2018/19 and to submit a bid to become a pilot for 75% rate retention during 2019/20;
- The withdrawal of the UK from the European Union brings more uncertainty and instability. It will therefore be necessary to monitor the impact of "Brexit" on the Council's finances and review plans where necessary.

Whilst the current economic outlook continues to improve there remains a great deal of uncertainty and change and it remains important that the Council has a level of reserves that allows it to withstand unanticipated financial impacts of future developments at a local and national level.

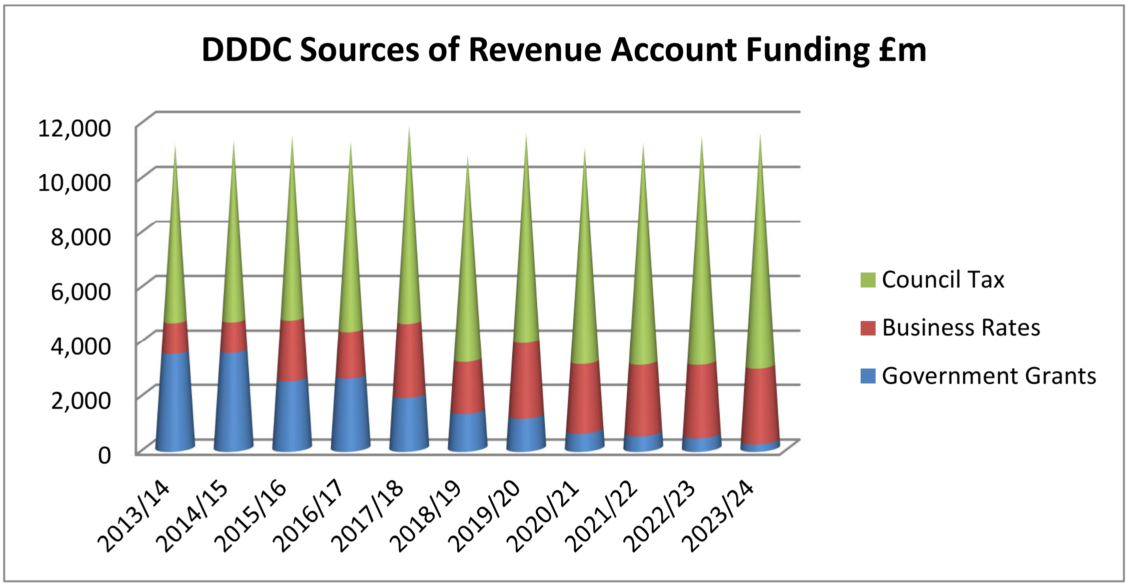
2.5 Government Funding

By the end of 2019/20 the Council's Settlement Funding Assessment (the main source of government grant funding that includes Revenue Support Grant and Business Rates Baseline Funding) will have reduced by 56% or £2.1m from 2013/14. This equates to £73 per band D property. This is illustrated on the table below:



Source: DCLG Notifications

The relative proportions (gearing) of Council funding are predicted to change significantly over the period from 2013/14 to 2023/24. The table below shows that government grants (including Revenue Support Grant and New Homes Bonus) are forecast to reduce from £3.5m (32% of funding) in 2013/14 to only £0.3m (2% of funding) in 2023/24. Business rates, as a source of funding, increase from 10% to 24% across the same period and council tax increases from 56% to 74%.



Source: DDDC Statement of Accounts and Medium Term Financial Plans

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

2.6 The Council's Priorities

The Council's priorities were set in November 2015 within a new Corporate Plan. It identifies a **thriving district** as the priority for improvement and focussed attention. The three priority target areas set by Members, in order, are:

1 - Business growth and job creation (helping new businesses to start; helping existing businesses to grow; and promoting key development sites in and around towns)

2 - Affordable housing (identifying and delivering new affordable housing sites; and improving housing opportunities for vulnerable people)

3 - Market towns (reviving stall markets; and seeking public realm improvements)

The Corporate Plan also recognises the need to maintain a clean and safe district, and to continue to seek efficiencies and innovative working practices across all areas.

This Financial Strategy is aligned with the Council's Corporate Plan and priorities. In order to ensure adequate funding for priorities, it is important that the Council's budgetary processes are aligned with corporate priorities. The following measures are in place.

- The Council produces Service Plans for all front line and support services. The service planning and budget setting process are aligned.
- All items relating to service growth are considered separately when setting the budget and in conjunction with other spending proposals in order that priorities can be set.
- All Committee reports have to include a Strategic Link (to the Corporate Plan), and have a mandatory section for Risk Assessment, including legal risks, financial risks and corporate risks.
- The Council's Capital Programme is ordered by priority, giving Members and officers a visual guide to which priorities capital expenditure is allocated.
- The top priority of the Council, business growth, not only supports the local economy but also helps generate additional Business Rates income in order to help fund the District Council's frontline service provision.

3. The Council's Current Financial Position and Outlook

3.1 The Medium Term Financial Plan & Corporate Savings Target

The Medium Term Financial Plan (MTFP) shows the Council's revised budget for 2018/19 and forecasts for 2019/20 to 2023/24. Full details are given in Appendix A; the table below provides a summary:

	2018/19 £'000s	2019/20 £'000s	2020/21 £'000s	2021/22 £'000s	2022/23 £'000s	2023/24 £'000s
Forecast spending	9,412	9,349	9,664	9,823	9,905	10,177
Transfer to / (use of) reserves	-219	592	112	112	112	20
Net spending requirement	**9,193**	**9,941**	**9,776**	**9,935**	**10,017**	**10,197**
Income from Council Tax	-5,951	-6,015	-6,197	-6,374	-6,556	-6,743
Income from business rates	-1,877	-2,735	-2,511	-2,577	-2,649	-2,726
Government Grant: Rural Services Delivery	-401	-401	0	0	0	0
Government Grant: New Homes Bonus	-473	-520	-384	-289	-218	0
Government Grant: Disabled Facilities Grants	-491	-270	-270	-270	-270	-270
Savings to be achieved	**0**	**0**	**414**	**425**	**324**	**458**

The information in the MTFP suggests that the Corporate Savings Target should be amended to "achieve savings of £400,000 by 2020/21".

3.2 Outlook and Approach to Achieving the Savings

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

- The future of government grants, especially New Homes Bonus, as 2019/20 is the last year of the government's four-year settlement
- The outcome of the government's Fair Funding Review;
- The rate of inflation, which could impact the Council should it rise above the rates assumed in the MTFP;

- The UK's intended withdrawal from the European Union, which could affect the cost of services and European grant funding;
- The value of the pound, which could affect the cost of goods and services;
- Business rates – the impact of the proposed changes to business rates including changes to the local share, funding of reliefs (especially Small Business Rate Relief), provision for appeals and the impact of revaluation exercises;
- Increases in employer pension contributions;
- Increases in the National Minimum Wage and 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).

The assumptions made in preparing the Medium Term Financial Plan are shown in Appendix A. It is possible that some of these assumptions may turn out to be too cautious or over-optimistic. Some scenario testing has been carried out to demonstrate the impact of different assumptions on the savings requirement identified in the medium term plan. The results of that testing are set out below:

	2019/20 £'000s	2020/21 £'000s	2021/22 £'000s	2022/23 £'000s
Current MTFP, as table above Surplus (-) / Deficit	0	414	425	324
Loss of new homes bonus from 2020/21 Surplus (-) / Deficit	0	798	714	542
Business Rates Income above baseline reduces to 50% of 2018/19 level from 2019/20 Surplus (-) / Deficit	523	939	974	899
No growth in council tax base from 2019/20 Surplus (-) / Deficit	0	476	542	498
Contracts due for renewal in 2020 cost extra £0.5m p.a. Surplus (-) / Deficit	0	914	925	824

Faced with such unprecedented cuts in government funding and a significant corporate savings target, the Council will have to become more self-sufficient and generate more income from fees and charges, local taxation and business rates, as well as critically reviewing its expenditure, if it is to continue to set a balanced budget (as required by law).

The Council's approach to meeting the Corporate Savings Target and closing the budget gap will include the exploration of further partnership working, transformational and organisational efficiencies, better procurement, better use of assets and generating extra income from new fees and charges and additional business rates. The Council has established a Commercial Board, which will explore commercial opportunities to help the Council achieve a sustainable financial future. The overall aim of this approach is that the Council will be far less reliant on government funding and will become more self-sufficient. As well as ensuring that Council services are streamlined and offer value for money, the approach will focus on income generation and investment in economic development that will lead to growth. In the longer term, this approach will provide the Council with more financial resilience than depending on government grants.

3.3 Capital Programme

As well as having to make savings in order to balance its revenue budget over the coming years, the Council's resources for capital funding are diminishing.

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

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

3.4 Reserves and balances

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

Revenue balances

It is essential that the Council retains a level of uncommitted balances to meet emergency, unforeseen and unknown eventualities. This includes positive opportunities that may arise as well as disastrous or onerous liabilities.

In the absence of these balances any such expenditure would fall directly on the General Fund and Council Tax requirement. This could result in significant financial consequences for service provision. As budgets have been tightened and "slack" removed, the need for adequate working balances has become even more important. Whilst it is impossible to advise on the precise level because of the uncertainty involved, it is considered prudent to retain uncommitted working balances of approximately 10% of net revenue expenditure. Working balances at

1st April 2018 are set at £1,000,000, which is considered adequate for the purpose described above.

In addition to the working balance, the Council also has a General Reserve, which stood at £1,061,543 at 1st April 2018. This is also available to meet emergency, unforeseen and unknown eventualities. However, it is important to note that balances, by their very nature, can be used only once. Therefore, the continued use of the General Reserve to support ongoing spending is not sustainable beyond the life of the available amount. A strategy which is based on the continued use of balances to support regular spending can only have a finite life. Therefore, in looking at the use of available balances regard must be taken of the future demands upon them in terms of both capital and revenue spending. In addition, interest is earned on the investment of unused balances. Utilisation of balances will therefore reduce the interest earned in future years.

For the reasons set out above, this Medium Term Financial Strategy allows the General Reserve to be used for meeting "one-off" expenditure or for "invest-to-save" proposals, but restricts its use for funding ongoing revenue expenditure unless there are exceptional circumstances. The Council will aim to set a balanced revenue budget that does not rely on the use of the general reserve.

Strategic Reserves

The Council has strategic reserves for specific purposes, which are consistent with corporate priorities, and these should continue to be earmarked for the identified purpose. This ensures the availability of the amounts in these reserves for those purposes and defrays demands on the revenue spending and general balances.

It is important that reserves are reviewed on at least an annual basis to ensure they are adequate for the purpose, but not excessive, based on an assessment of needs, an understanding of risks, and taking into account the opportunity costs of maintaining reserves. An annual review of earmarked reserves takes place in March each year as part of the budget setting process.

The table below lists the various strategic reserves, the purposes for which they are held, and the balances at 1st April 2018:

Reserve	Purpose	Balance 1st April 2018
Business Rates Fluctuations Reserve	To provide funding towards potential future losses on Non-Domestic Rates	£1,399,000 Balance considered to be appropriate at the current time but will need to be re-examined when the full details of changes to the rates retention scheme are known.
Capital Programme Reserve	To provide funding for capital expenditure	£3,115,000 Required for the five year capital programme and potential 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. The reserve was initiated with a deposit from Severn Trent Water.	£33,000 Expected to be used by 2021/22
Committed Expenditure	Annual contributions in respect of expenditure which has been committed, but service not received at the end of the financial year, therefore an accrual is not appropriate.	£262,000 Expected to be used during by 2019/20
Economic Development	To provide funding for economic development initiatives.	£220,000 Fully committed to deliver the Economic Development Plan.
Elections	Annual revenue contributions to smooth the cost of four-yearly District Council elections.	£98,000 The aim is to build up a reserve of £100,000 by 31st March 2019 towards the cost of the May 2019 election.
Grants Unapplied	The balance of grants received but not yet spent, set aside to finance expenditure in future years. Most grants an only be used for specific purposes.	£3,933,000, including £2.1m for Section 106 developer contributions. Most of the balance is committed to fund the capital programme. The Capital strategy states that the Council will seeks grants and contributions when the opportunity arises.

ICT Renewals	To provide funding for renewal of the Council's information technology equipment, including the telephone switchboard & central printing equipment.	£421,000 This balance is considered to sufficient to deliver the needs identified in the ICT Strategy.
Insurances	To provide funding for uninsured losses.	£465,000 A balance of approximately £500,000 is considered appropriate.
Investment Fund	To provide funding towards, for example, interim and temporary resources to provide additional capacity and skills to support the change agenda, subject to suitable business cases.	£569,000 Top up is possible if there is a revenue account underspend.
Job Evaluation	To provide funding for approximately 8 years for the additional cost of implementing job evaluation / single status.	£150,000 Balance considered to be adequate.
Local Plan	Annual revenue contributions to smooth the cost of four-yearly review of the local plan.	£108,000 Expected to be used during 2018/19, but the MTFP assumes annual contributions will be made to provide funding for the next public inquiry.
Member/Officer Indemnity	To indemnify Members and officers against acts or omissions subsequently found to be ultra vires, and against defence costs of criminal proceedings.	£25,000 in accordance with minute 588/05. Adequate for current needs.
Vehicle Renewals	To provide for the replacement of vehicles.	£1,042,000 Balance is fully committed. Annual revenue contributions will ensure that the balance is adequate.
Ward Member Budgets	To finance the Local Projects Fund for the four year period of office 2015-2019	£36,000 Adequate for current needs.

3.5 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 Heads of Service and the Head of Resources. The Head of Resources then prepares a budget report for Council.

Each Head of Service is responsible for ensuring that the budgets for controllable expenditure on each Service (as shown in the circulated budgetary control reports) are not exceeded. Where it appears that such a service provision shall be exceeded by an amount in excess of £10,000, the Head of Service concerned must, in consultation with the Head of Resources, inform the relevant policy committee with recommendations on how the expenditure is to be funded or defrayed.

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

Transfers (up to £10,000) of budgets, except for salaries, wages and associated costs, from one service provision to another within a relevant service portfolio may be made by Heads of Service, after consultation with the Head of Resources. For transfers exceeding £10,000 a report shall be taken to the relevant policy committee.

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

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

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

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

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

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

Each service has a designated Budget Holder. The Accountancy Section 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;

- Quarterly budget monitoring reports for the Corporate Leadership Team, which include details of salaries expenditure, income, variances over £5,000 and key reserves.

Reports will be presented to Council as follows:

- In March – revised estimates for the current year, estimates for the coming year, revenue budget and Council tax setting, updated MTFP and Efficiency Plan, five-year capital programme, treasury management strategy and investment strategy; Corporate Plan targets; Service Plans.
- In June – out-turn of revenue account and capital programme, updated MTFP and efficiency Plan and updated capital programme; Out-turn of Key Performance Indicators.
- In November – annual review of Medium Term Financial Strategy, updated MTFP and Efficiency Plan and updated capital programme; annual review of Corporate Plan; mid-year update on Key Performance Indicators.

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

4. Links to other strategies, policies and plans

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

Corporate Plan	Sets out the Council's priorities which are taken into account when preparing the capital programme, especially when evaluating new bids
Risk Management Policy and Strategy	Establishes a framework for the effective and systematic management of risk, which will ensure that risk management is embedded throughout the Council and makes a real contribution to the achievement of the Council's vision and objectives. All committee reports include a financial risk assessment. The strategic risk register includes an item relating to the Council's budget.
Capital Strategy	Sets out the Council's strategic approach to the management of its Capital Programme and provides a framework within which decisions can be made regarding capital investment and financing
Treasury Management Strategy	Sets out how the Council's investments and borrowings are to be organised, and includes treasury indicators
Minimum Revenue Provision Policy	Shows how residual capital expenditure is charged to revenue over time
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 section 3.2 of this strategy. The preparation of an efficiency plan is a key mitigating factor but, even so, this financial risk is assessed as High.

The table below identifies the key risks and mitigating actions:

Keys Risks	Mitigating actions and controls
• Lack of resources available to deliver the core Council activities • Controls not performed or overlooked due to time and resource pressures. • Cash flows are not available to maintain standards and quality of service provision. • Increase in claims made to the Council. • Initiatives, development programmes etc. around capital enhancements, car park maintenance etc. may not be performed resulting in members of the public hurt or public property damaged. • Targeted savings or additional income not being achieved. • Loss of a key source of income e.g. government grants or business rates from a large supermarket or quarry. • Increases in pay and prices are higher than forecast.	• Monthly reporting of management accounts with monitoring of variations from budgets. • Quarterly scrutiny of budgets by the Corporate Leadership Team. • The MTFP and capital programme are regularly monitored and are updated and reported to Council in March, May and November each year. • A number of services have been outsourced, with long-term agreements. The costs are structured within the outsourced contract, allowing the Council to forecast and plan budget savings effectively (except for the inflationary adjustments). • The Council has an 'investment reserve', which may be used for initiatives that will generate savings or additional income over the medium term. • The Council has insurance arrangements in place to protect itself against claims. • Savings target set and achievement monitored by Corporate Leadership Team. • Budgets have been set and balanced for and 2018/19; • This Medium Term Financial Strategy sets out the approach to achieving the savings that will be required. • Reserves established for budget uncertainties and for areas of volatility such as business rates income and waste contract price fluctuations.

6. Glossary of Terms

Budget

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

Budget Requirement (or External Funding Requirement)

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

Business Rates Baseline Funding Level

The amount of a local authority's start-up funding allocation which is provided through the local share of the estimated business rates aggregate (England) at the outset of the scheme as forecast by the Government.

Business Rates Local Share

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

The Government has announced that by the end of the current parliament, the local share of business rates will increase to 100%, though this will be accompanied by additional responsibilities. The additional responsibilities and the share between district and county councils have not yet been determined.

Business Rates Pool

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

Capital Expenditure

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

Capital Programme

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

Capital Receipts

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

Capping

This is the power under which the Government may limit the maximum level of local authority spending or increases in the level of spending year on year, which it considers excessive. It is a tool used by the Government to restrain increases in council tax. The Council Tax cap, currently 2%, means that any local authority in England that wishes to raise council tax by more than 2% above the previous year must consult the public in a referendum. Councils losing a referendum would have to revert to a lower increase in their bills.

CIPFA

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

Collection Fund

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

Collection Fund Surplus or Deficit

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

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

Contingency

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

Council Tax Base

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

Council Tax Requirement

The Council Tax Requirement is the amount that the Council needs to collect from Council Tax each year. It is the Budget (or External Funding) requirement less business rates income and non-specific grants.

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

CPI

The main inflation rate used in the UK is the CPI (Consumer Price Index). Some of the council's contracts with suppliers (such as that for waste collection) include an agreement that prices will be increased each year in line with CPI. The Chancellor's CPI inflation target is currently set at 2%.

Financial Year

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

General Fund

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

General Fund Balances

This represents amounts put aside, but not allocated to meet, any future spending commitments or unforeseen pressures. The Council's General Fund Balances include a working balance of £1m to meet emergencies and contingencies, and to assist with cash flow, as well as a General Reserve that currently stands at £1m.

Gross Expenditure

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

Minimum Revenue Provision

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

Net Expenditure

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

New Homes Bonus

Under this scheme councils receive a new homes bonus (NHB) for each new property built in the district for the first four years following completion. 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.

Non Domestic Rates (NDR)

Also known as 'business rates', see above,

Precept

The amount which a precepting authority (Derbyshire County Council, Derbyshire Police, Derbyshire Fire & Rescue and Town and Parish Councils) requires Derbyshire Dales District Council (as billing authority) to collect on their behalf in the form of council tax.

Prudential Borrowing

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

Revenue Expenditure

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

Revenue Support Grant

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

Specific Grants

These grants are for specified purposes and cannot be used on anything else, for example, housing benefits administration.

Strategic (Earmarked) Reserves

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

Treasury Management

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

Virement

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

Appendix A – Medium Term Financial Plan

	Note	Revised 2018/19 £000s	Forecast 2019/20 £000s	Forecast 2020/21 £000s	Forecast 2021/22 £000s	Forecast 2022/23 £000s	Forecast 2023/24 £000s	Forecast 2024/25 £000s
Existing Funding Requirement		**9,549**	**9,697**	**9,437**	**9,437**	**9,437**	**9,529**	**9,437**
Inflation: Pay			292	457	625	797	973	1,151
Inflation: Other			132	188	245	306	365	428
Commitments/Savings 2018/19								
Vacancies across services		(121)						
Savings from public conveniences review		(50)	(160)	(160)	(160)	(160)	(160)	(160)
Additional trade waste fees		(20)	(20)	(20)	(20)	(20)	(20)	(20)
Additional car parking fees		(100)	(240)	(240)	(240)	(240)	(240)	(240)
Markets income		20						
Planning Application fees		(50)						
Additional internment fees		(20)						
Maintenance		(38)						
Insurance retender		(19)	(38)	(38)	(38)	(38)	(38)	(38)
Other variances across services		(29)						
Leisure services transfer		290	18	(82)	(132)	(302)	(391)	(391)
Future Effects of item identified in 2018/19 MTFP								
Cost pressures of outsourced services				300	300	300	300	300
Potential increase in pension contributions following revaluation				150	150	150	150	150
Reduction to DFG spend matched to movement in reserves			(221)	(221)	(221)	(221)	(221)	(221)
Effect of other changes identified in 2018/19 MTFP			(101)	(122)	(134)	(115)	(81)	(77)
New items identified for 2019/20								
Essential user review			(25)	(25)	(25)	(25)	(25)	(25)
Create permeant elections budget				30	30	30	30	30
Allpay			10	5	1	1	1	1
RV Appeals service			5	5	5	5	5	5
Forecast spending		**9,412**	**9,349**	**9,664**	**9,823**	**9,905**	**10,177**	**10,330**
Transfers to/from reserves								
Vehicle renewal reserve annual contribution			150	150	150	150	150	150
Election reserve annual contribution			30	30	30	30	30	30
Election reserve use			(92)				(92)	
Local plan reserve annual contribution			50	50	50	50	50	50
Economic development reserve			(48)					
Apprentices			(120)					
Net revenue grants unapplied			(118)	(118)	(118)	(118)	(118)	(118)
Waste contract fluctuation reserve		212	300					
Use of reserves NDR fluctuations		(601)						
Use of reserves (S31) for 2017/18 relief awards		(130)						
Contribution to Business Rate Fluctuation Reserve		300						
ICT reserve			100					
New funding uncertainty reserve			340					
		(219)	**592**	**112**	**112**	**112**	**20**	**112**
Total Net Spending Requirements		**9,193**	**9,941**	**9,776**	**9,935**	**10,017**	**10,197**	**10,442**
Funded By:								
Revenue Support Grant	3	0	0	371	380	390	400	410
Business Rates Baseline Funding	4	(1,612)	(1,648)	(1,731)	(1,766)	(1,801)	(1,837)	(1,873)
Settlement Funding Assessment		(1,612)	(1,648)	(1,360)	(1,386)	(1,411)	(1,437)	(1,463)
Ongoing additional Business Rates (above baseline)	6	(1,028)	(1,045)	(1,050)	(1,098)	(1,149)	(1,202)	(1,257)
Business rates from renewable energy schemes		(150)	(150)	(150)	(150)	(150)	(150)	(150)
NNDR Collection Fund (surplus) / deficit		601	55					
NNDR Collection Fund Deficit from additional reliefs		130						
Net ad s31 Adjustment		182	53	49	57	61	63	60
Rural Services Delivery Grant	9	(401)	(401)					
Financing from Council Tax	5	(5,890)	(6,024)	(6,197)	(6,374)	(6,556)	(6,743)	(6,935)
Council Tax Collection Fund (surplus) / deficit		(61)	9					
New Homes Bonus	8	(473)	(520)	(384)	(289)	(218)	0	0
Disabled Facilities Grant		(491)	(270)	(270)	(270)	(270)	(270)	(270)
Total Income		**(9,193)**	**(9,941)**	**(9,362)**	**(9,510)**	**(9,693)**	**(9,739)**	**(10,015)**
Corporate Saving Target		**0**	**0**	**414**	**425**	**324**	**458**	**427**

Notes to Medium Term Financial Plan

1. Inflation on pay awards - 2019/20 based on second year agreement on current structure only. No adjustment for potential changes to grades boundaries. Subsequent years based on 2% inflationary increase on reduced staff base.
2. General inflation assumed at 3% per annum
3. SFA as in 2019/20 Provisional Local Government Finance Settlement but with the retention of an adjustment similar to the negative revenue support grant that had been planned for 2019/20.
4. Business rates baseline funding is as 2019/20 provisional local government finance settlement with annual inflationary increase of 2% from 2020/21.
5. Assumes that Council Tax will increase by 1.94% per year
   plus an additional 250 Band D equivalents (approx. £50,000 p.a.) each year in respect of new homes.
6. Assumes Business Rates Pooling from 2019/20
7. Assumes Business Rates S31 adjustment will continue to be applied to tariff
8. New Homes Bonus is awarded for 4 years from 2019/20
9. Assumes Rural Services Delivery Grant awarded until 2019/20, as provisional local government finance settlement.

January 2019