Medium Term Financial Strategy

2024/25 – 2028/29

Contents **Page**

Section 1 – Introduction

1.1 Aims and purpose of the Medium-Term Financial Strategy

This Medium-Term Financial Strategy (MTFS) provides a strategic framework and approach to long term financial sustainability of South Derbyshire District Council. It is core to the ongoing delivery of priority outcomes in the 2024 – 2028 Council Plan and aids robust and methodical planning.

Using forecasting techniques, this strategy sets out the council's most likely Medium-Term Financial plan alongside other potential scenarios surrounding known pressures, major national policy and economic issues and local priorities and factors. Good and effective financial management and planning helps the council to respond to pressures and changes because of many internal and external influences.

An overarching MTFS is good practice – it provides the strategic financial framework for the authority at a time of considerable funding and economic pressure for councils. Critically, the strategy underpins the delivery of ongoing efficiency and budgetary savings. The key overriding aim of the MTFS is it provides a high-level assessment of the financial resources required to deliver South Derbyshire District Council's strategic priorities and essential services over the next five years.

The strategy has been co-designed by elected members of the Council, the Leadership and Extended Leadership Team.

The key objectives of the MTFS are:

- Provide financial parameters within which budget and service planning should take place over the life of this strategy.
- Ensure the council meets its commitment to deliver a balanced budget on an ongoing basis and that the council's long term financial health and viability remain sound;
- Focus and re-focus the allocation of resources so that priority areas receive additional resources;
- Maximise the use of resources available to the council;
- Ensure our reserves policy is aligned with our ambitions and at the same time, protects us against unforeseen events;
- Enable the council to respond to external pressures, particularly funding reforms;
- Highlight financial risks and put mitigating controls in place;
- Enable the council to better define services based on a clear alignment between priority and affordability;
- Ensure the council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available.

1.2 Key strategies and plans

Council Plan 2024 - 2028

The Council's policy drivers are the objectives as set out in the Council Plan 2024 - 2028 which was approved by Council at its meeting on 28 February 2024. The plan sets out the Council's vision to "work together to shape our environment, drive our economy and support our communities" and our four key priorities to deliver this which are set out below, along with detail of our values that describe how we work to achieve our vision.

Priority: Shape our Environment	Priority: Drive our Economy	Priority: Support our Communities	Priority: Transform our Council
A sustainable future adapting to and mitigating climate change to deliver our net zero commitments so that future generations can thrive.	A thriving economy and place that has jobs, skills, education, infrastructure, and opportunity.	People and communities are supported to live safely, healthily and independently.	Providing modernised, high performing, value for money and customer focused services.

Our values are:

- Working together: Working as a team to serve our residents.
- Accountability: Taking ownership of the service that we deliver.
- Respect: We value and listen to each other.
- Fairness: Offering equal opportunities for all.
- Being Responsive: We have a 'can do' attitude and respond to the needs of others quickly, positively and appropriately.
- Innovative: Looking for new solutions.
- Excellence: Delivering our services to the highest possible standards.

Capital Strategy

The capital programme sets out the capital plans for the next five-year period, taking account of any capital investment required to deliver outcomes, transformational change, and Council priorities. The programme is reviewed annually to ensure projects are still in line with outcomes, and that the programme is affordable.

The Capital Strategy details the priorities of the council in terms of capital expenditure and its financing need and sources, and provides a framework for the council's capital plans to be agreed and delivered within. The Capital Strategy and supporting capital programme are approved each year in February by Council.

Since 2023, the council has actively considered capital investment through borrowing. Historically, the general approach has been to fund any capital investment through capital receipts or revenue contributions. Borrowing relating to the General Fund is expected to be £1.127 million in 2024/25, rising to £2.095 million in 2025/26 and £2.44 million in 2026/27, as set out in the Capital Strategy 2024/25 – 2028/29.

Treasury Management Strategy

The Treasury Management Strategy is reviewed annually and provides the framework within which authority is delegated to the Strategic Director (Corporate Resources) and Section 151 Officer to make decisions on the management of the council's investment of surplus funds. The Council defines its Treasury Management activities as: "Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks".

Part of the Treasury Management operation is to ensure that the cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Councils low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the Treasury Management service is the funding of the Council's Capital Programme. The Capital Programme provides a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure that the Council can meet its capital spending obligations.

This management of longer-term cash may involve arranging long or short-term loans or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet the Council risk or cost objectives.

The self-financing settlement involved the Council taking on £57.423 million of PWLB borrowing. It has been the Council's policy to make a prudent provision of revenue set aside for the repayment of these self-financing loans, line with the actual debt repayment profile. Contributions are made annually from the HRA General Reserves into a Debt Repayment reserve in readiness for the maturity. £10m is due in March 2024 and March 2027.

However, given the current outlook on the HRA General Reserve which has arisen due to several factors but in part the changes in government legislation which has impacted detrimentally on the financial position of the HRA, deferment of the 2027 repayment has been approved in the TMS for 2024/25, pending a restructuring of the self-financing loan debt repayment plan and revision of the HRA Business Plan.

Other existing key strategies and plans

The Council has a range of other key strategic documents, which include:

- **The Local Plan -** The Council's Local Plan was adopted in two parts – Part 1 in June 2016 and Part 2 in November 2017. The Plan sets the long-term vision, objectives, and strategy for the spatial development of South Derbyshire and the amount of housing and employment development required within the district over the plan period which runs to 2028. The plan also allocates strategic housing and employment sites and contains policies used in the determination of planning applications. A review of our Local Plan is currently underway and we expect our new Local plan to be approved by June 2025.

- **Climate and Environment Strategy and Action Plan -** To support the Council's Climate Emergency declaration, in January 2020 the Council developed this strategy which highlights both the climate and ecological crisis with a supporting action plan. In May 2021 and again in July 2022 the Climate and Environment Action Plan was updated to reflect the Council's pathway to carbon neutral for the councils' activities aim by 2030 and district aims of carbon neutrality before 2050.

- **South Derbyshire Action Plan for Nature** – produced by Derbyshire Wildlife Trust in 2021 on behalf of the Council, this plan provides a strategic and spatial plan for nature's recovery in the South Derbyshire District.

- **Procurement Strategy** – The Procurement Strategy 2020 – 2024 sets out the Council's strategic approach to procurement. The strategy is currently under review considering this Medium-Term Financial Strategy and changes in the Public Contract Regulations which come into force for Councils from October 2024.

- **Transformation and Business Change Plan –** The Transformation and Business Change Plan 2020 – 2024 sets out the four-year plan to support the delivery of several corporate priorities and to enable business change at the Council. Given the focus of the Council's new Council Plan on transforming services which features heavily in this MTFS, this plan will be superseded by a new Digital and Customer Improvement Plan which will form part of a new Transformation Strategy (see below).

Other key strategies and plans under development

The Council also has a range of other strategic documents under development, which include:

- **Customer Access Strategy** –The Council is currently out to consultation on its draft Customer Access Strategy which details how the Council will serve its customers in the years to come, and to define the projects and initiatives it needs to deliver to achieve its ambitions. We want local people to feel valued by their Council, trust us and have excellent customer experiences in their dealings with us, whatever channel they choose.

- **People Strategy** – The Council is currently developing a People Strategy, which will detail how we will become an employer of choice, enhance our employment experience, and implement at modern, agile, and relevant employment practices to retain, recruit, reward, develop and invest in our workforce.

- **Commercial Strategy –** This developing strategy will define what a commercial approach means for South Derbyshire and the broad principles of how we will generate additional income and create a commercial acumen across all levels of the organisation so that the Council can act in a more business-like manner to achieve better outcomes for residents.

- **Transformation Strategy** – One of the four key priorities within the Council's new Council Plan is around transforming services and this theme also features heavily in this MTFS in the pursuit of financial savings. This developing strategy will therefore set out how the Council will ensure services have the right resources and are modern, responsive, efficient and effective and how both cashable and non-cashable efficiency savings will be maximised to further better the services we deliver on behalf of residents.

Section 2 – Outlook
2.1 Political, economic, and regulatory outlook

The national fiscal and economic situation is an important consideration for the Council.

In the Office for Budget Responsibility (OBR) Economic and Fiscal Outlook report, delivered as part of the Autumn Statement in 2023, some signs of economic stability were shown, as forecasts began to improve from the previous forecasts. Slow economic growth was predicted with Gross Domestic Product (GDP – a measure of the size and health of the country's economy over a period) around ½ a per cent higher in the medium term than previous forecasts, expecting to be 0.7% growth in 2024. Inflation was predicted to fall to 4.8% by the end of 2023/24 and return to its 2 per cent target in early 2025/26 and interest rates are expected to need to remain higher for longer to bring inflation under control.

The context for managing a council's ongoing financial sustainability remains increasingly challenging. Throughout the 2023/24 several Councils have issued Section 114 notices (effectively declaring themselves bankrupt) and many others have publicly reported the potential need to do so. The combined impact of reduced grant funding, high levels of inflation and increasing demand for services have created an extremely challenging operating environment.

Currently there are several significant financial challenges for the sector including: the continued impacts of the persistent UK inflationary crisis which began in 2021; increasing service pressures in social care and homelessness; ongoing and severe recruitment challenges; restrictions on council's ability to generate commercial income; and the uncertainty surrounding local government funding.

Since 2010 the local government funding system has changed dramatically, with there now being an increasing reliance on localised funding sources such as fees and charges, but also council tax and business rates, that is in part controlled largely by central government. In Autumn 2023, various sector bodies publicly raised concerns over funding for councils. The Local Government Association (LGA) reported that Councils face a funding gap of £4 billion over the next two years.

Despite additional funding announcements made as part of the final Local Government Finance Settlement in February 2024, many councils and representative bodies have continued to publicly declare concern of a national scale. There remains no firm timetable for funding reform. As part of the settlement announcement, the Minister for Local Government, Michael Gove MP, state that the Department for Levelling UP, Housing and Communities will begin engaging with the sector over the coming months to consider reforms to local government finance in the next Parliament.

The Secretary of State also outlined in his settlement announcement the requirement for councils to produce “local productivity plans” will are expected to be published following approval by Council Leaders and Members, by July 2024. The plans are expected to cover four main areas: transformation of services to make better use of resources; opportunities to take advantage of technological advances and maximising data-informed decision making and service design; ways to reduce wasteful spend within systems, including specific consideration of expenditure on consultants and EDI programme; barriers preventing activity that Government can help to reduce or remove.

Against this economic, political, and regulatory position is the status of local government audit in England. Since 2020, a significant number of local audits have not been completed and remain outstanding. The government, working with the Financial Reporting Council (FRC) and other system partners, is taking steps to clear the backlog, and put the system on a sustainable footing moving forward. Local audit is acknowledged and upheld as both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework. The backlog in the publication of audited accounts has grown to an unacceptable level.

2.2 The Council’s own Strategic Outlook

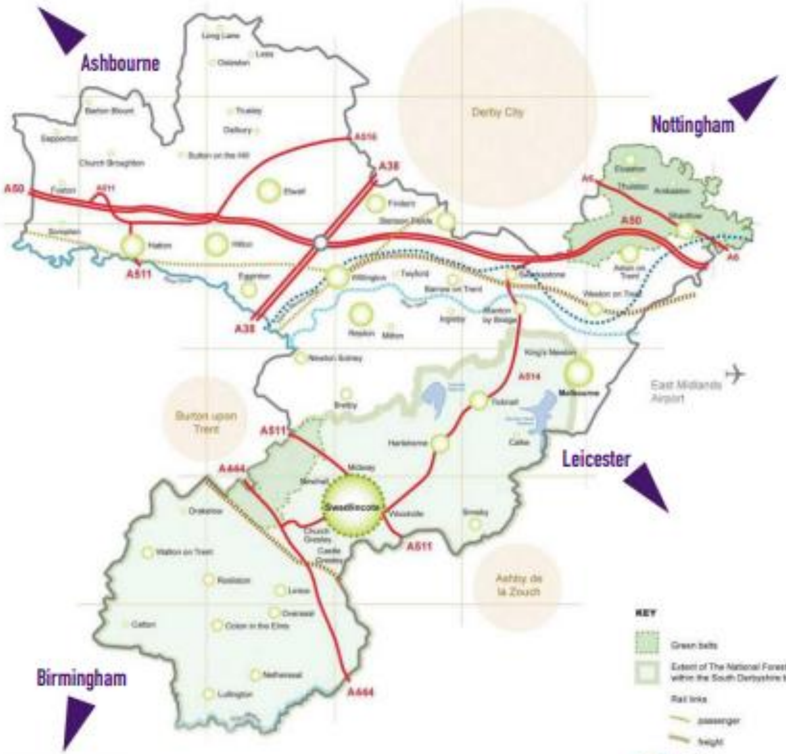
About South Derbyshire

South Derbyshire, located in the centre of England, covers an area of 112 square miles, adjoining the City of Derby to the north, Burton on Trent to the west, and Ashby-de-la-Zouch to the east. It includes the rolling countryside to be found in the valleys of the Rivers Trent and Dove, with historic settlements, including Melbourne, Ticknall, and Repton, and the market town of Swadlincote. A significant part of the district is rural, which attracts visitors and people seeking relaxation or a good work-life balance.

The main population and employment centre of the district is Swadlincote, with a population of some 40,000. New housing development has led to a rapid growth in the district in recent years, and the construction of further homes is anticipated. Other sizeable settlements include the attractive Georgian town of Melbourne and the villages of Hilton, Hatton, Repton, and Willington. The National Forest is at the heart of South Derbyshire and is a key asset to the district, a unique national initiative to create a new forest in what was one of the least wooded areas of the country. In the last 25 years, over 9 million trees have been planted, creating an attractive environment and quality of life. Around one third of the National Forest is within the District of South Derbyshire.

South Derbyshire
Heart of the National Forest

For many years, the District has been the fastest growing in Derbyshire and is currently one of the fastest growing in England outside of the South-East.



There are 107,200 people living in the District (2021), compared to 94,611 in the 2011 Census - a 13% growth in population.

57% of people live in an urban area and 43% of people live in a rural area of the District (ONS).

The total population of the District is forecast to be 120,342 by 2028 (ONS).

ONS - Office for National Statistics.

2.3 Local Government Funding

How the system works
Broadly, councils receive funding from three main sources – direct from central government in the form of grant, from local businesses in the form of a local tax on commercial properties (business rates) and a local tax on residential properties (council tax). Across these different systems, there is interplay between how much grant is received, how much business rates are retained (before being passed back to central government as part of the 50% retention system) and how much a council can generate locally in council tax.

Central government grants can be ringfenced and relate to specific areas of activity (such as homelessness) or be general and make up 'core funding'. Grant funding in the form of core funding (particularly Revenue Support Grant) has declined in recent years overall for all councils. But for those who have achieved housing growth, grant funding may have been sustained or even increased due to the incentivised New Homes Bonus.

Business rates are a tax on commercial properties paid by businesses and are known as National Non-Domestic Rates or 'NNDR'. Business rates are part of a national system and although collected locally, the system is mainly controlled by central government. This includes the setting of rates via the Valuation Office Agency (VOA). Today, the Business Rates Retention System determines how much of the income collected by a council can be retained. The system allows for 50% of rates to be retained locally, after a 'tariff' or 'top-up' is applied depending on whether a council is deemed able to generate business rates based on their local economic circumstances. The remaining 50% is transferred back to central government. However, the system has become increasingly flawed in recent years because the amounts that each council gets to retain in the system is fixed at the original assessment made in 2013. The fix for this flaw – the 'resetting of the business rates baseline' has been outstanding now for several years. The consequence of the system flaw means that councils who have generated growth in their area are able to retain much larger amounts of rates locally but may lose this sharply when the system is reset.

Council tax applies to residential properties and is paid by residents. The total tax paid in an area will include a precept for the Police and Crime Commissioner as well as the County and District, and where relevant Parish or Town Council. Although a local system, the government impose a system of referendum limits meaning that increases are capped. For districts, this has been at the highest of 2.99% or £5 for several years. A council could seek to raise its share of council tax beyond the cap set by government, but to do so they would need to hold a local referendum for residents to vote upon and the costs of undertaking a referendum are likely to outweigh the benefit of a higher than cap increase, certainly in the early years. Further central controls limit the local discretion round council tax, including no flexibility on certain exemptions on properties (such as student discounts) and no flexibility to raise council tax for different bands at different rates.

2024/25 Local Government Finance Settlement and proposed Changes to the Local Government Funding Regime
The one-year 2024/25 local government finance settlement provided means that understanding our funding post March 2025 is extremely difficult. Changes to the funding regime that have been anticipated for several years as part of the Review of Needs and Resources and Business Rates Reform remain delayed with no clear timetable from government communicated. A review of Business Rates Retention (BRR) was announced in 2013/14. The call for evidence on the fundamental review of Business Rates closed in December 2020 but there is still no resolution on how this should be taken forward. This will be alongside further consideration of a possible reset of accumulated business rates growth and how this might be applied. There have been various consultations concerning the future of the New Homes Bonus, but no detail

has been confirmed. As part of the 2024/25 settlement, the Secretary of State has committed to a review of local government funding being taken forward in the next parliament.

In the 2023/24 Local Government Finance Settlement, a new “Funding Guarantee” was introduced to ensure that all councils saw at least a 3% increase in their core spending power. South Derbyshire received £1.748 million, in part due to the reduction I its New Homes Bonus award, as the bonus payment profile diminished in line with its planned phase out of legacy years payments. This funding was confirmed for 2024/25 in the settlement. Coupled with New Homes Bonus, the grants now make up broadly 25% of in-budget funding for the Council.

Local Authority Audit
Since 2020, a significant number of local audits have not been completed and remain outstanding and this has impacted South Derbyshire. At the time of writing, the annual draft Statement of Accounts for South Derbyshire for 2021/22 and 2022/23 are published and publicly available, but the audits have not been completed. Confirmation of the plans for completion of this outstanding audit work from the council’s appointed auditors Ernst and Young LLP is being sought.

2.4 The makeup of funding for South Derbyshire District Council

Core Spending Power
The illustration below, provided by financial benchmarking provider LG Improve, shows the current position of Core Spending Power (the governments measure of funding) for South Derbyshire against the Derbyshire district and all district councils’ average positions. This position highlights the risk for South Derbyshire in relation to its reliance on New Homes Bonus and grant (in the form of “Funding Guarantee”). “SFA” in this context refers to the Settlement Funding Assessment and it essentially the level of Business Rates the government assumes for the Council. However, the level of Business Rates retained by the Council is much higher due to the growth generated in the system and retained pending the resetting of the baseline, and additional amounts retained due to the council’s participation in the Derbyshire Business Rates pool.

Illustration 1 – Core Spending Power 2024/25

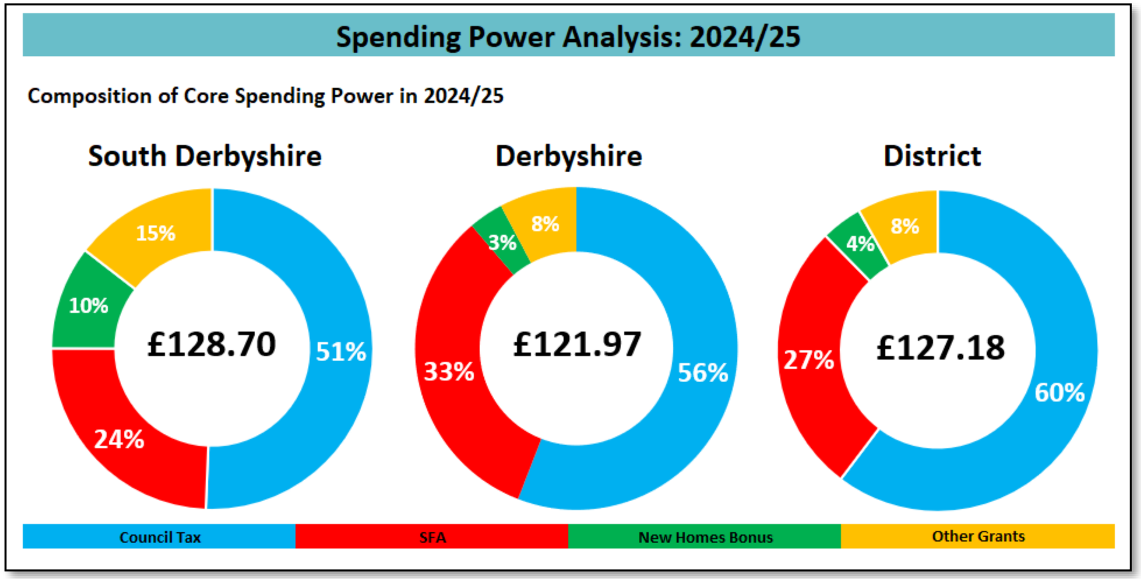
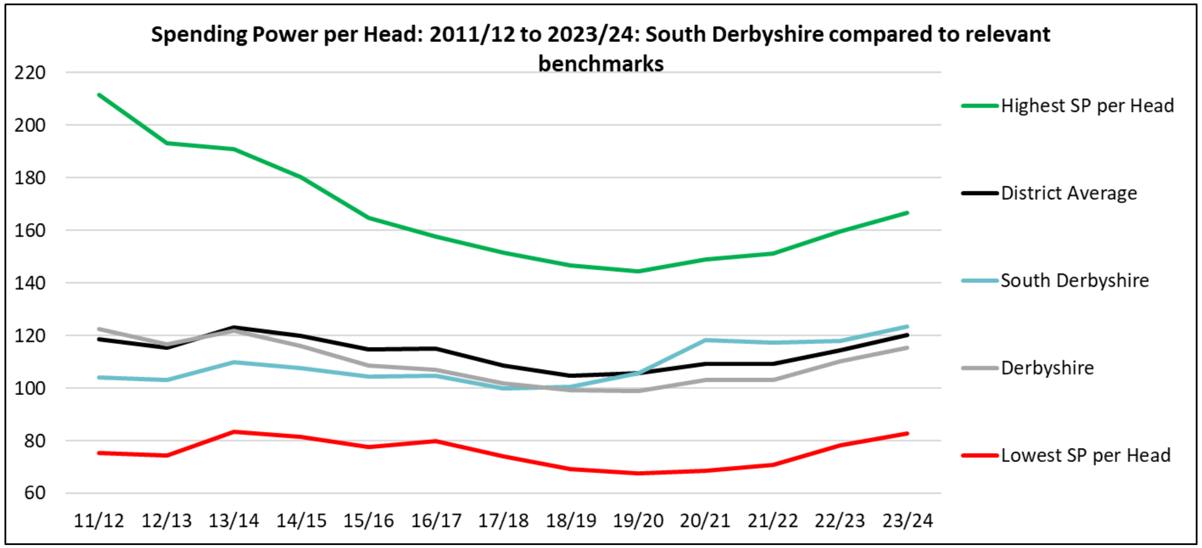


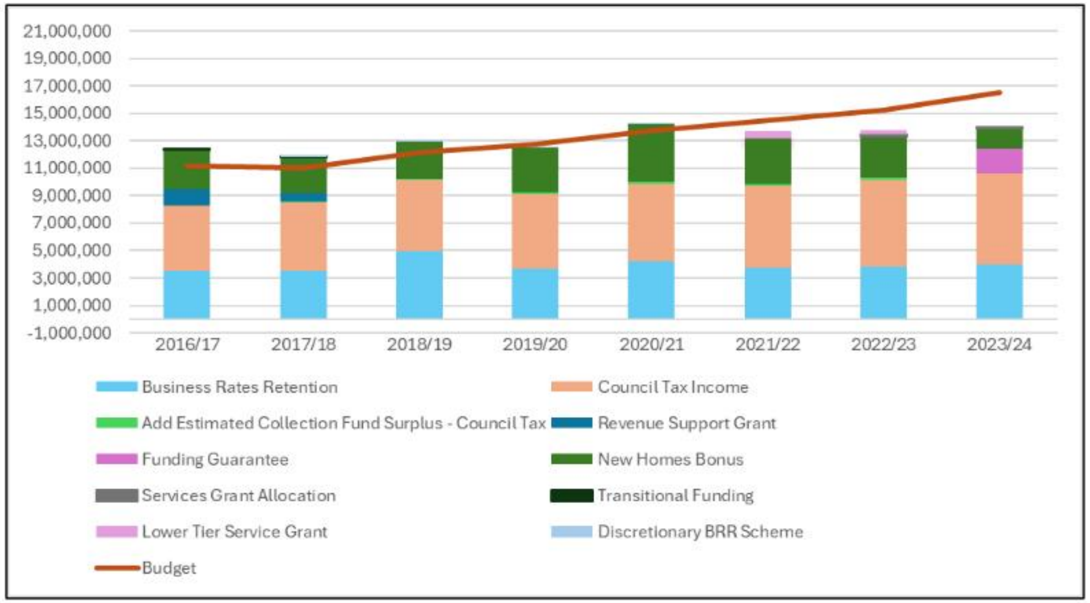
Chart 1 – Spending Power per head of the Council compared to other Districts

Sources of funding and how they have changed over time
Like all councils, funding composition has changed in recent years. From 2018/19 Revenue Support Grant ('RSG') funding, which had until then been a source of funding for the Council, was no longer provided. RSG has made a return in 2023/24 and is forecast into future years.

As illustrated in Chart 2 below, New Homes Bonus has provided a substantial amount of core funding over time, to be replaced in 2023/24 by the Funding Guarantee as part of the 2023/24 Local Government Finance Settlement and a new guarantee to ensure that all councils saw at least a 3% increase om core spending power. Without tis, the Council would have lost c. £1.7 million of funding between the 2022/23 and 2023/24 years.

Chart 2 – Sources of Funding – Historical Analysis





Council Tax
Despite significant population and housing growth in the district in recent years, Council Tax income on a per capita basis remains lower quartile in comparison to other district councils (Chart 3). This is in part due to the Council previously having a low tax base in 2011/12 (Chart 4), with a higher proportion of properties banded A – C which serves to reduce the council tax base overall.

However, the council's Band D position per head remains lower quartile (Chart 5). This is despite the Council having seen the fastest taxbase per head growth out of English district councils since 2011 to date. Although this has served to increase the level of council tax funding for the Council, it has only served to marginally improve the council tax income per head position. This is a combination of a low Band D value itself because of lower-than referendum limit increases since 2011 (as set out in Table 1 below).

Although the taxbase has increased dramatically in later years, the tax base itself remains median when compared to peers. This can be attributed in part to a higher proportion of lower banded properties in the area and the number of households who receive support via the Council's Council Tax Support, both of which have the effect of reducing the Band D numbers.

Within Derbyshire, South Derbyshire has the lowest value Band D in the area in 2023/24 (Illustration 2). Despite the Council taking advantage of the 2.99% increase in 2024/25, South Derbyshire will remain the lowest. In contrast, taxbase per head is the highest in Derbyshire.

The charts below are from the council's financial benchmarking provider LG Improve.

Chart 3 – Council Tax Income per head

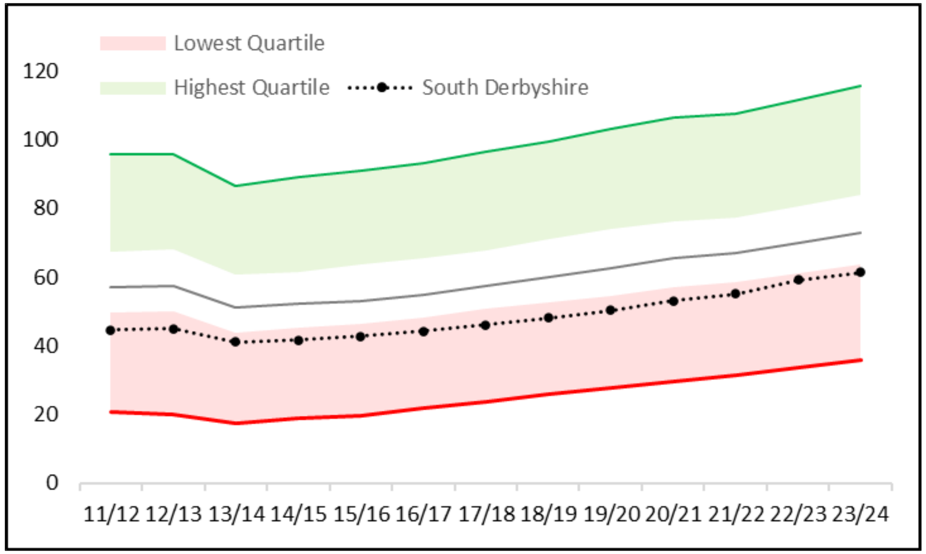


Chart 4 – Taxbase per head

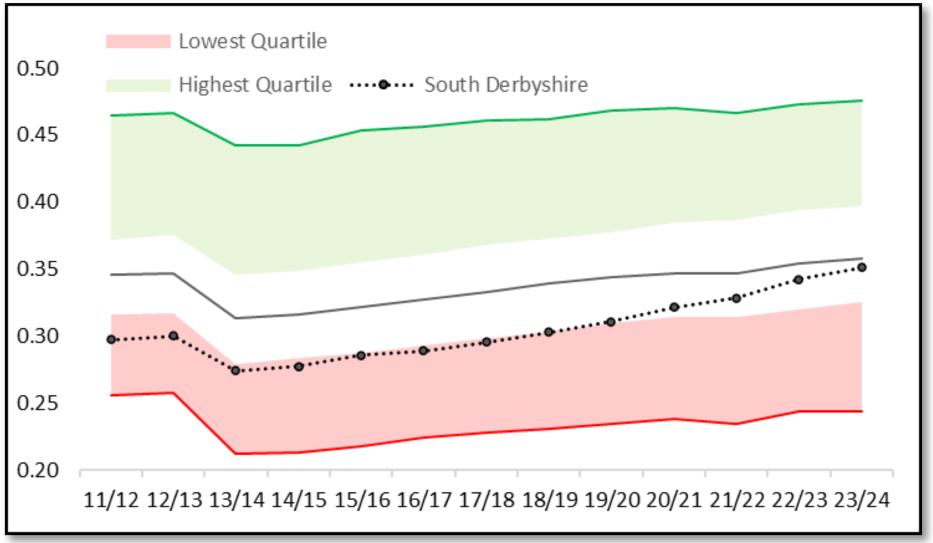


Chart 5 – Band D Council Tax

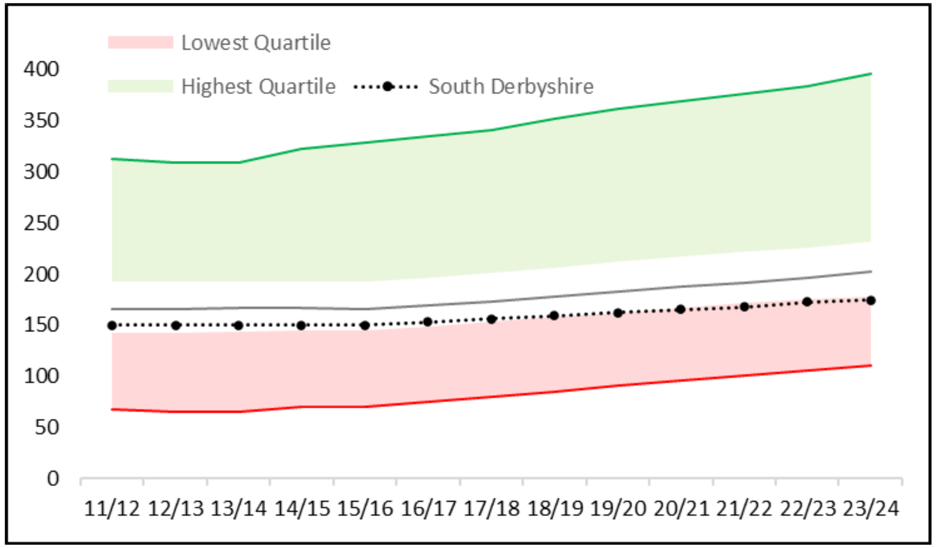
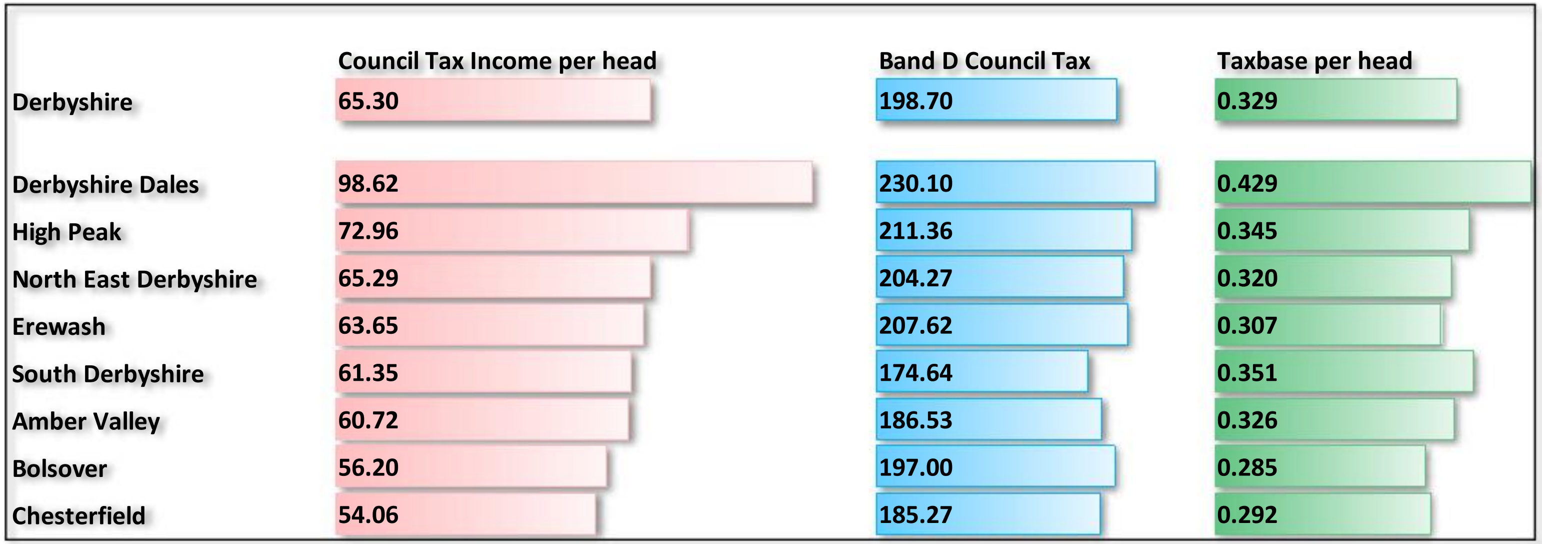


Table 1 – Council Tax Band D for South Derbyshire 2011/12 – 2024/25

Year	band D	£ increase	% increase
11/12	150.25		
12/13	150.25	0.00	0.00%
13/14	150.25	0.00	0.00%
14/15	150.25	0.00	0.00%
15/16	150.25	0.00	0.00%
16/17	153.18	2.93	1.95%
17/18	156.17	2.99	1.95%
18/19	159.21	3.04	1.95%
19/20	162.31	3.10	1.95%
20/21	165.48	3.17	1.95%
21/22	167.96	2.48	1.50%
22/23	172.91	4.95	2.95%

23/24	174.64	1.73	1.00%
24/25	179.86	5.22	2.99%

Illustration 2 – Council Tax Band D for Derbyshire District Councils 2023/24



Business Rates

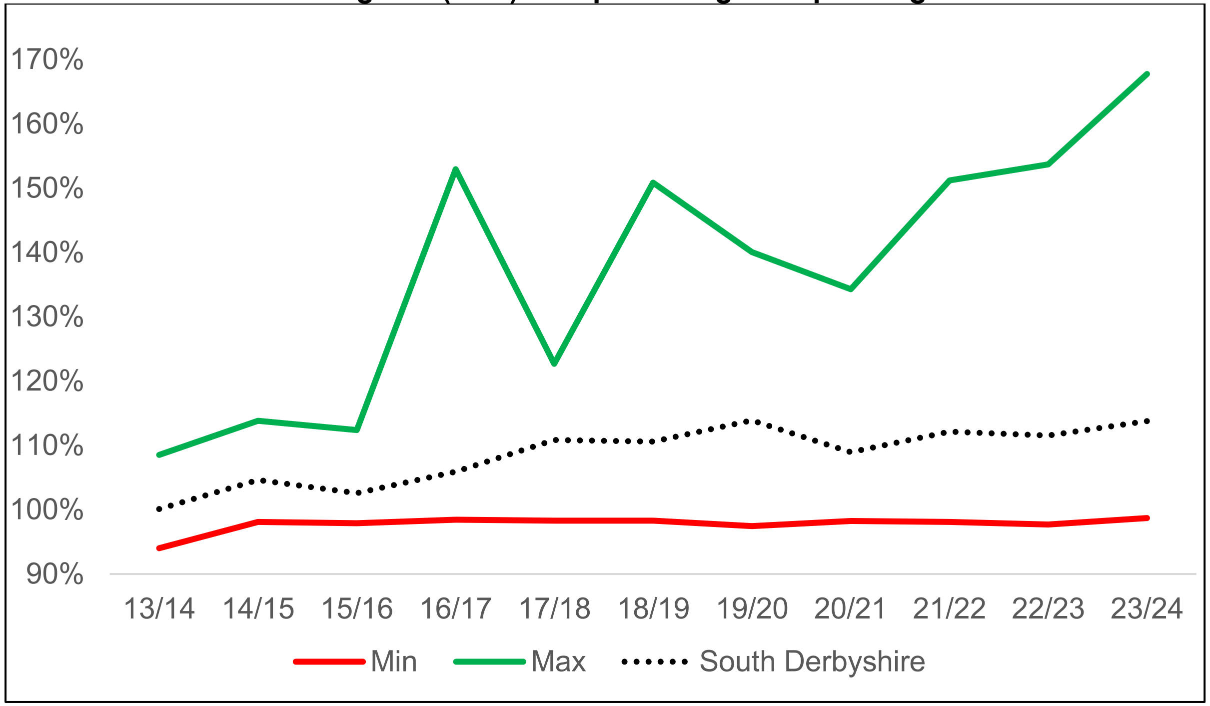
The Council has benefit from business rates growth above the baseline set in 2013 under the current Business Rtae Retention System. Additionally, the Council has benefit through its participation in the Derbyshire Business Rates Pool, which allows for a greater proportion of growth to be retained centrally rather than being passported back to central government.

Assuming a resetting of the business rates baseline is taken forward, this will impact the Council adversely, both through the reduction in its retained rates under the system, but also through its additional rates retained through participation in the Derbyshire Business Rates Pool.

The chart below from financial benchmarking provider LG Improve shows the position of the Council’s business rates gain as a percentage of its spending power compared to other district councils.

In their Financial Resilience Index, the Chartered Institute of Public Finance and Accountancy (CIPFA) categorise South Derbyshire as ‘Higher Risk’ in relation to ‘Growth Above Baseline’ indicator which is calculated as the difference between the baseline funding level and the retained rates income, over the baseline funding level and compared to other district councils in England.

Chart 6 – Business rates gain / (loss) as a percentage of Spending Power



Locally generated income

The council is set to generate £2.9 million in local fees and charges in 2024/25 (excluding commercial estates income). Some of this income comes from statutory services which the council must provide and for which the level of fees or charges it can levy dictated by central government. For some other areas, there is discretion over the level of fee or charge and indeed over the service.

Table 2 – Top Five General Fund Income Streams

Area	2022/23 Actual	2023/24 Forecast	2024/25 Budgeted
Planning Fees	£747,308	£750,000	£865,000
Refuse Collection and Disposal	£397,316	£424,000	£365,000
Rents (Log Cabins)	£289,235	£260,500	£222,214

Licensing	£231,380	£209,529	£219,000
Leisure Fees	£229,778	£158,570	£96,763

The latest publicly available data via CIPFA's [Financial Resilience Index] shows that South Derbyshire is considered 'Higher Risk' when the ratio of fee and charges income as a proportion of service expenditure is compared to that of other district councils.

Whist this is likely a result of some chosen areas of service that remain free of charge (such as car parking and green waste), there is the need for the council to ensure its income position is built on solid foundations in respect of cost recovery and member understanding.

The Council charges a proportion of its expenses to the Housing Revenue Account – a separate ringfenced account maintained for Council Housing – for services and supplies it consumes. The charge for 2024/25 is budgeted at £1.74 million.

Additionally, the Council has benefit in recent years from high interest earnt on it's reserves which it has placed on short-term investments in line with the Treasury Management Strategy. Around £850,000 is forecast to be earnt in 2024/25 on the General Fund.

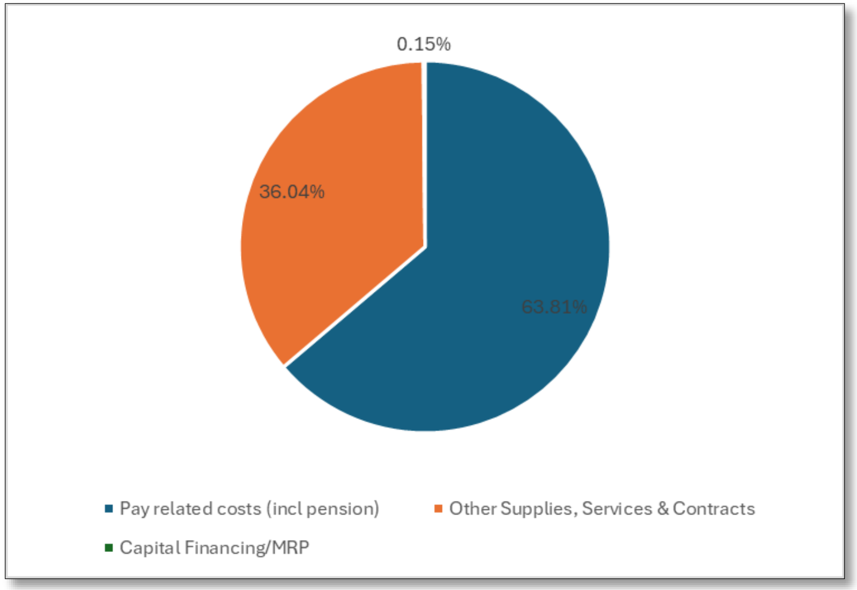
2.5 Council spending

In 2024/25, the Council is budgeted to spend £17.1 million on pay related costs. Pay related costs make up the largest area of spend (64%) for the Council. The spend includes all relevant on-costs such as national insurance, employers pension, the additional lump sum pension contributions that the Council is required to make to the Derbyshire Pension Fund and an allowance for an assumed pay award, which for 2024/25 is 3.5%.

The other biggest area of spend relates spend on supplies and services, which makes up 36%, which is £9.7 million for 2024/25. This is a broad category and covers a wide range of spend, much of which is contracted. Like pay costs, spend on supplies and services is subject to inflationary pressures.

Finally, capital financing is the revenue cost of borrowing and the Minimum Revenue Provision (MRP) that the Council is required to make under accounting regulations. For 2024/25 this amount is £40,000 but this will increase over the life of the medium-term financial plan as the Council has begun to take forward investment in existing and new assets financed through borrowing.

Chart 7 – Key Areas of Council Spend



2.6 Reserves and Reserves Level Risk Assessment

It is important that the Council has sufficient reserves and balances to enable it not only to maintain its financial standing but also to ensure that the Council can realise its service provision expectations.

The Council's unallocated general reserves is estimated to be £11.8 million by March 2025, which represents 67% of its net expenditure for the 2024/25 year.

Table 3 – Reserves Forecast

Type of Reserve	Opening Balance - April 2023	Estimated use of Reserves 2023/24	Estimated Balance March 2024	Estimated Use of Reserves 2024/25	Estimated balances March 2025
General Fund Unallocated Reserves	£15,222,148	£3,220,257	£12,001,891	£227,737	£11,774,154
Earmarked Reserves	£12,504,150	£241,741	£12,262,409	£3,245,651	£9,016,758
Total Useable Revenue Reserves	**£27,726,298**	**£3,461,998**	**£24,264,300**	**£3,473,388**	**£20,790,912**

Capital Reserves	£2,281,797	£1,244,362	£1,037,435	£274,928	£762,507
Capital Grants unapplied	£1,449,529	£381,012	£1,068,517	£458,606	£609,911
Total Useable Capital Reserves	**£3,731,326**	**£1,625,374**	**£2,105,952**	**£733,534**	**£1,372,418**
Total General Fund Reserves	£31,457,624	£5,087,372	£26,370,252	£4,206,922	£22,163,330

In their Financial Resilience Index, the Chartered Institute of Public Finance and Accountancy (CIPFA) categorise South Derbyshire as 'Lower Risk' in relation to 'Level of Reserves' indicator which is calculated as the current level of reserves to the Council's net revenue expenditure.

Further analysis from the Council's financial benchmarking provider LG Improve is shown below.

Chart 8 – General Fund Useable Revenue Reserves as a percentage of Spending: comparison to peers

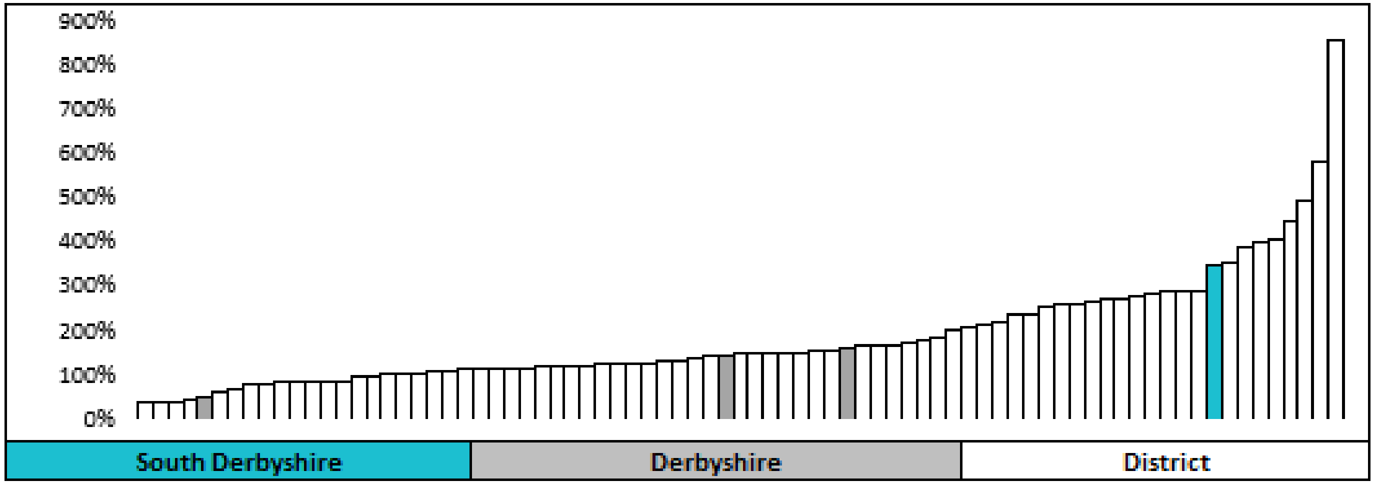
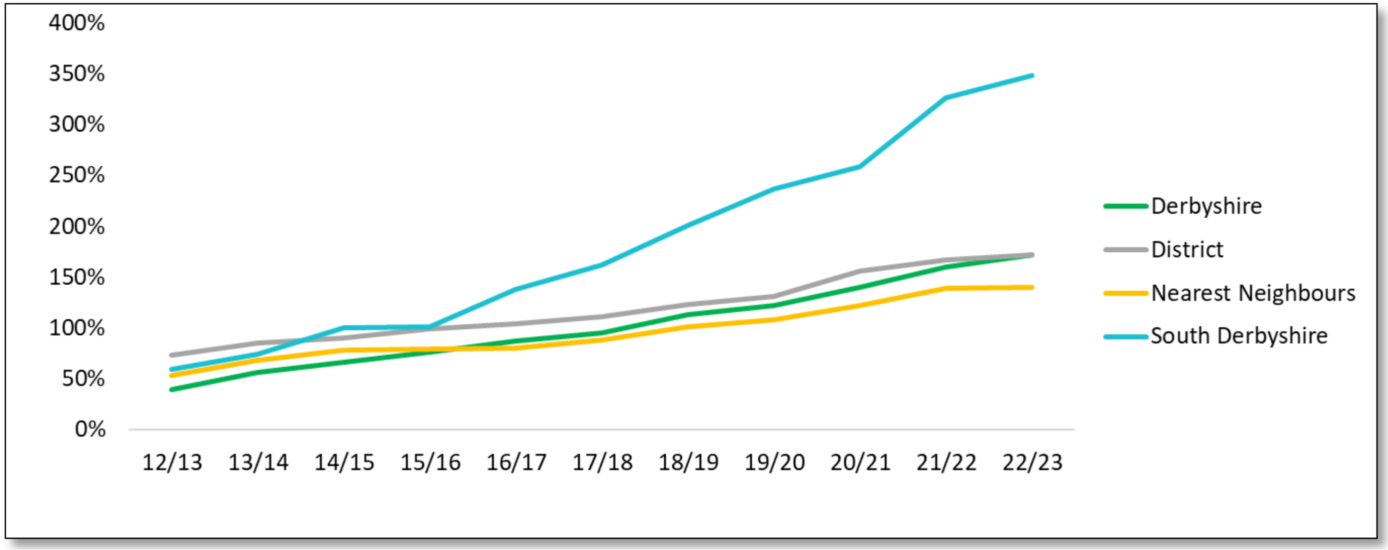


Chart 9 – General Fund Useable Revenue Reserves as a percentage of Net Revenue Expenditure



Assessing financial risk and determining an adequate reserves level

At its meeting on 28 February 2024, Council approved the minimum level for General Fund reserves in line with the risk assessment below which indicates that level should be £1.35 million as a requirement to fall back on, should all the potential risks happen concurrently and at their most extreme each year.

Table 4 - Risk Assessment for the General Fund Balance 2024/25

Risk	Likelihood	2024/25 Value *(based on in-year impact only)*
Natural disasters and national emergencies The Bellwin Scheme provides financial assistance to local authorities in the event of a national emergency or disaster, subject to an authority contributing to the total costs by an amount equivalent of 0.2% of its approved budget. For this Authority this would require approximately £50k. Business Continuity - It is difficult to anticipate the cost of such an event that would affect the Authority's business continuity, although it is likely to be substantial. The Council's response to the pandemic has enabled the organisation to be fully agile and more able to respond to emergencies whilst maintaining service delivery. However, for illustrative purposes, £100k is assumed.	**Low** **Medium**	**£50,000** **£100,0000**
National Economic Issues As was evident through the COVID-19 pandemic and cost-of-living crises, Councils have been relied on to deliver financial assistance to businesses and residents. The New Burdens funding doctrine covers additional costs that the Council bears in delivering central government burdens. The Office for Budget Responsibility's forecast for inflation suggest that inflation will return to 2% by April 2025. However, in the meantime, additional pressures in relation to service demands are expected to continue to emerge. The Council has assessed potential impacts in this area around utilities, insurance impacts arising from property revaluations or price volatility and excess pay award above budgetary assumptions. In total, the Council could expect in the region of £300,000 - £500,000 of additional pressures in year.	**High**	**£300,000 - £500,000**
Grant Funding The Council sometimes seeks external funding/grants for one-off projects. If the expected projected outturns are not achieved, repayment of funding or grant may be required.	**Low**	**£100,000**

Property Assets The identification of unplanned major works to the Council's property portfolio could give rise to a budget pressure. As a responsible owner and with a duty to care, the Council could be expected to fund major works at short notice. Although the initial response would be to look to re-phase the capital programme, this may not be feasible, and additional revenue funding may be required, or prudential borrowing.	**Medium**	**£100,000**
Legal Issues It would be prudent for the Authority to make provision for an unfavourable outcome of any legal action taken against it, which could be made on a range of different grounds, including compensation payments, equal pay, discrimination, and corporate manslaughter. Where the Council provides a paid service to a third party that does not directly relate to any statutory duty, the Council may require Professional Indemnity Insurance. This insurance cover is not automatically arranged and if it isn't, and a claim arises the Council could be deemed liable for resulting costs.	**Medium**	**£500,000**
Total Financial Risk Exposure		**£1,150,000 - £1,350,000**

2.7 Capital Strategy and Capital Programme

The capital programme sets out the capital plans for the next five years, covering the same timeframe as the medium-term financial plan to ensure all plans are co-ordinated. The programme is reviewed annually to ensure projects are still in line with outcomes, and that the programme is affordable.

The Capital Programme Strategy details the priorities of the council in terms of capital expenditure and provides a framework for the council's capital plans to be agreed and delivered within. The Capital Programme Strategy and supporting capital programme are approved each year in February by Council.

The revenue impact of capital, including financing, interest, Minimum Revenue Provision (MRP) and impacts to revenue expenditure and income because of capital spend are accounted for in the revenue budget and medium-term financial plan.

The total value of the Capital Programme for 2024/25 is £9.8 million, made up of £6.7 million on the General Fund and £3.1 million on the HRA. Over the five-year plan, the programme totals £34.6 million, with £14.8 million bring General Fun and the remaining £19.8 million relating to the HRA.

Several new schemes were approved as part of the 20204/25 budget that are financed through borrowing. This has represented a change in the council's approach to investing in assets, in line with its budget approach, representing a prudent approach to ensuring services have the appropriate asset maintenance in place.

Section 3 - The Council's Financial Outlook

3.1 Forecast financial position 2024/25 – 2028/29

The Council's medium-term financial plan, aligned with the budget position for 2024/25, estimates a cumulative budget gap over the period of £14.5 million. The budgeted deficits arise and widen year on year are largely because of the assumed withdrawal of new homes bonus, the resetting of the business rates baseline and introduction of fair funding.

The General Fund Medium-Term Financial Plan is set out in Appendix 1.

Chart 10 below illustrates that over the life of the plan, reserves would be depleted if action were not taken whilst Chart 11 sets out the forward forecast of funding assumed against the level of revenue spend.

Chart 10 – Budget Gap and Impact to Reserves

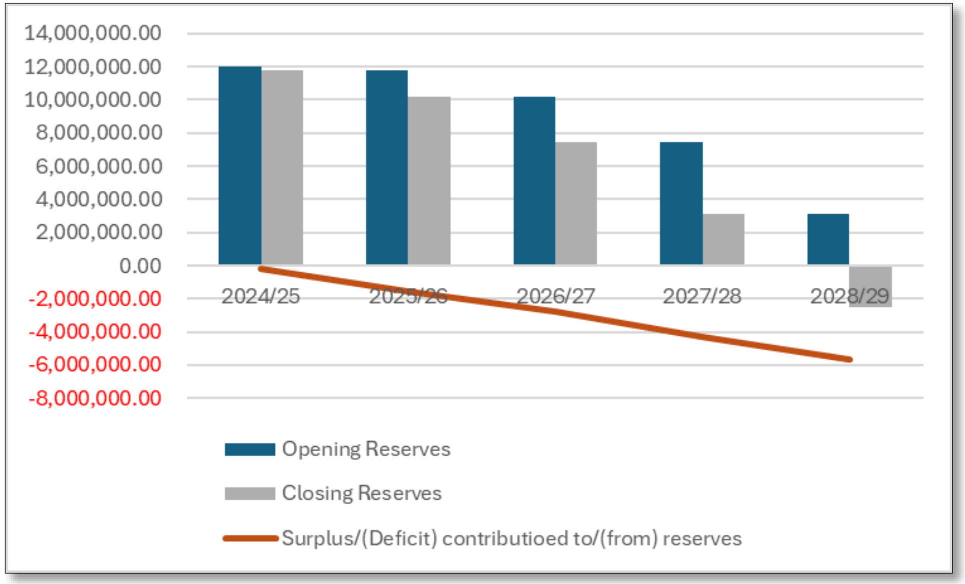
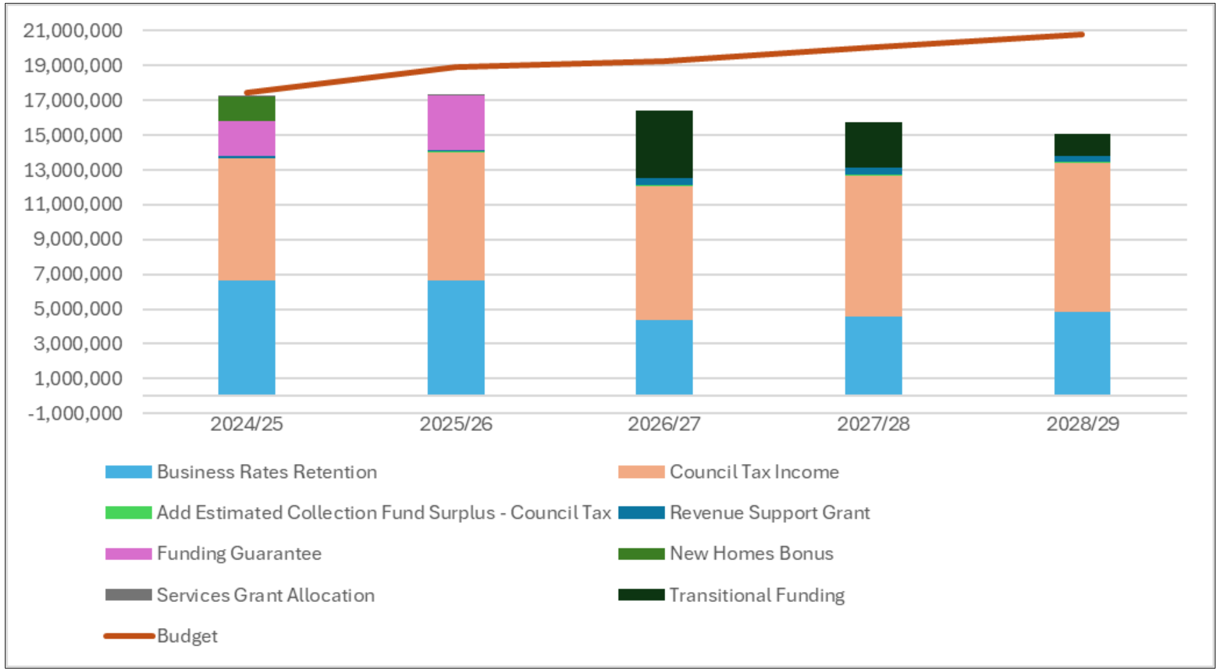


Chart 11 – Sources of Funding, Forward Forecast



3.2 Key Assumptions to forecasts

Key areas of funding, expenditure and income are continually assessed and reviewed to determine the most realistic future position.

Assumptions concerning funding have been carefully selected in consultation with the Council's funding advisor Pixel Financial Management who also supply a financial forecasting model used to forecast a range of potential outcomes associated with potential funding reform scenarios.

For key areas of spend (supplies, services, contracts, utilities, fuel and insurance), inflation forecasts from the OBR's latest economic report are used. For pay related costs, the assumed pay award is also based on the OBR's inflationary forecast.

A list of all assumptions can be found in Appendix 1.

3.3 Scenario and Sensitivity Analysis

Scenario analysis allows for the best and worst-case scenarios for the Council to be determined. The chart below sets out the range of outcomes for the budget gap (shown as a negative figure), or surplus (shown as a positive) based on the assumptions being either more favourable or more adverse overall.

The 'No Funding Reform' scenario shows the position if the funding system was not reformed, and the local government finance system continued as it currently is (and arguably has done for several years). Whilst this is highly unlikely scenario, it provides an additional illustration of the extent to which funding reform drives the council's projected budgetary gaps.

Chart 12 – Comparison of Budget Gaps under different scenarios

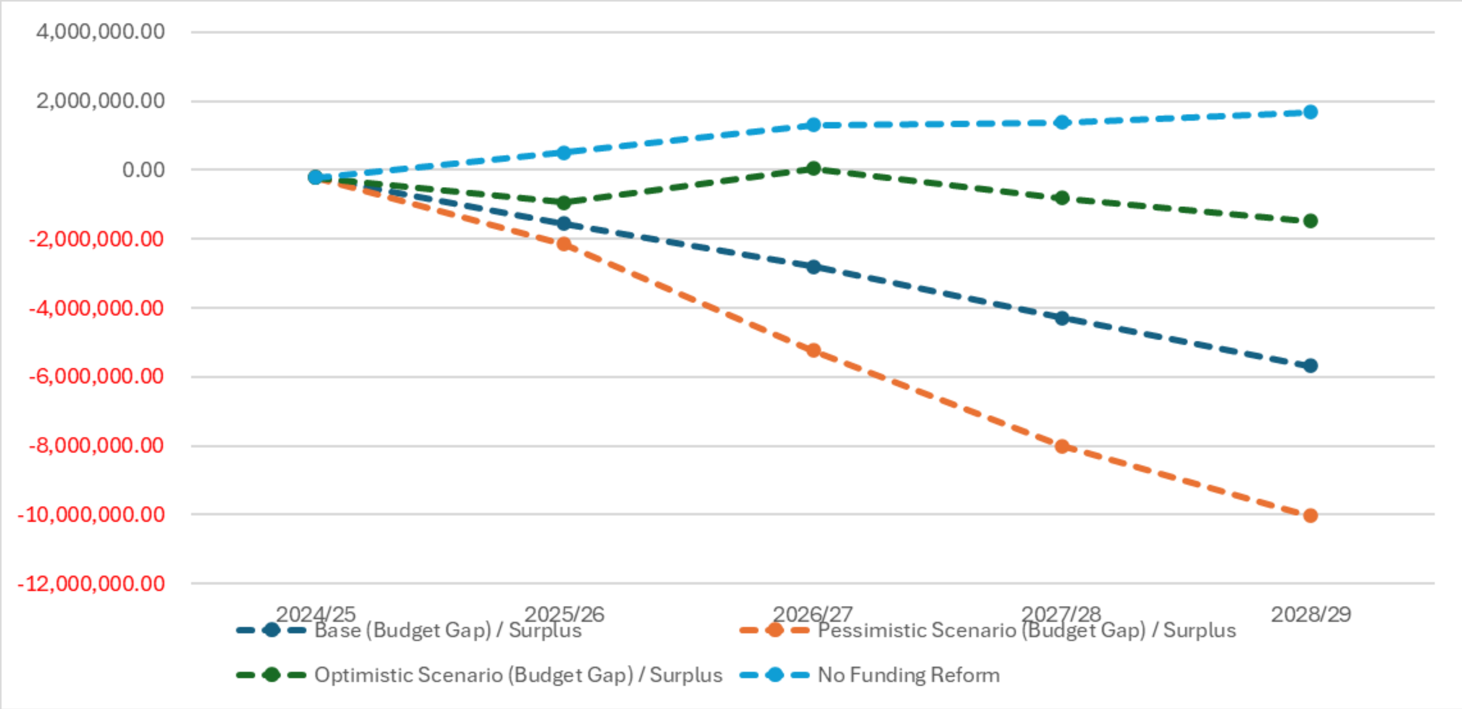
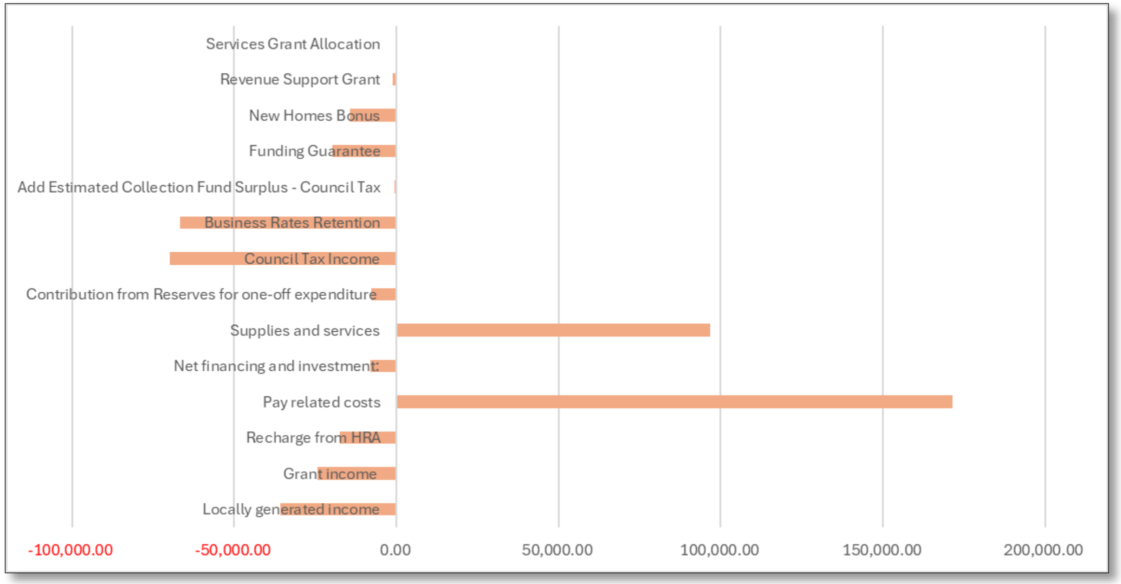


Table 5 - Comparison of Budget Gaps under different scenarios

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Base (Budget Gap) / Surplus	-228	-1549	-2799	-4298	-5674
Pessimistic Scenario (Budget Gap) / Surplus	-228	-2155	-5237	-8004	-10024
Optimistic Scenario (Budget Gap) / Surplus	-228	-946	35	-823	-1481
No Funding Reform	-228	510	1310	1379	1669

Since most of the future years' financial strategy and model is based on a series of assumptions, the further into the future projections run, the higher the risk that these assumptions are more volatile than anticipated. As such, a relatively small change in key underlying assumptions can produce a significant change in the forecast. The key sensitivities of the financial plan are set out in below, which shows the impact of a 1% change in assumptions, based on 2024/25 levels as a starting point.

Chart 13 – Annual impact of 1% change in key sensitivities



Section 4 - The Housing Revenue Account

4.1 The 30 Year Housing Revenue Account Business Plan
The Housing Revenue Account is a 'ring fenced' account. As such, it cannot receive any financial assistance from the General Fund or the Council Taxpayer. It is essential, therefore, that the HRA can fully meet its statutory obligations and business plan ambitions from the housing stock and from other qualifying income, such as capital receipts arising from the sale of HRA assets.

At the time of writing this report, a review of the Housing Service is currently underway, with the findings of this review due to be presented to the Housing and Community Services Committee in the coming months. One of the recommendations arising from this review will be the need for the service to refresh it's 30 Year Housing Revenue Account Business Plan, which was last produced in 2016. This long-term strategic plan will set how the council will, for the next 30 years continue to invest in its housing stock and meet the needs of present and future tenants.

Noting this position, this Medium-Term Financial Strategy does not set out the financial strategy for the HRA in full. This is because the HRA has other key economic, social and political drivers and a different operating context which should be considered in its own right. As such, the refreshed 30-year HRA Business Plan will review in detail the HRA financial position and strategy to take the service forward.

4.2 Forecast financial position 2024/25 – 2028/29

The revenue budget position for 2024/25 sets out the costs of delivering current levels of service within a rental income envelope of £14.3 million, which includes a rent increase of 7.7%, the maximum level under the governments social rent policy.

The position for 2024/25 is a balanced budget, with £1.2 million contributed from the reserves to balance a budget gap.

Over the five years from 2024/25 to 2028/29, the cumulative position on the HRA is an overall contribution to reserves (surplus) position of £1.07 million.

The HRA projections are set out at Appendix 3.

4.3 Key context and features of the HRA
There are a range of features of the HRA and economic and outlook conditions which are important, some of which are set out below.

- Rent Policy – The government has a history of intervening in rent policy. Many council tenants who have a low household income will have their rent paid by Universal Credit and Housing Benefit however this passes the burden on to the national welfare bill.

- Borrowing - The Housing Revenue Account (HRA) Subsidy System was replaced in April 2012 with a new regime of self-financing. Under the previous arrangements, Councils had to pay an annual amount from tenants' rents into a national funding system. This reduced the Council's ability to control and influence local spending resources available to them and impacted on investments to the housing stock. As part of the HRA self-financing process the Council took on a debt of £57.4 million and additional £1.3 million which was the total outstanding debt on the HRA at the time. Therefore, the opening self-financing debt level was £58.7 million as of April 2012. In return for taking on this debt, the Council is now able to keep its rental income in full and use it to fund housing stock and estate improvements, as well as providing opportunities to build new homes and regenerate outdated and unsustainable stock. As part of the Treasury Management Strategy 2024/25 approved at Council in February 2024, the Council decided it would no longer set aside revenue for the purposes of debt repayment and consider the refinancing of HRA self-financing loans.

- Impacts of inflation - Like the General Fund, the HRA is subject to volatility in respect of inflation but does have a greater ability to absorb the effects due to the rent formula (CPI = 1%) remaining at 1% above inflation.

- Energy costs – the HRA is vulnerable to volatility in heating and power costs within its sheltered accommodation and other accommodation that has communal areas. The ability for the HRA to recover these costs is limited, because the Council does not currently charge separately for power or heating in the form of service charges or heating charges.

- Right-to-Buy Sales – Several sales through Right to Buy are taken forward each year. Whilst the Council does add to its stock, this has not kept pace with RTB sales and there is a net reduction which serves to reduce rental income over time.

- HRA Capital – The Council is currently commissioning a stock condition survey which will layout the amount of work required to keep the current stock up to standard.

- General Fund Recharges - Recharges between the General Fund and the HRA are undertaken on a proportionate and fair basis and in line with the services consumed.

As the Housing Service review concludes, a timetable for the refresh of the HRA Business Plan will be taken forward. This will outline the long-term future for a sustainable HRA.

Section 5 – Delivering a balanced budget.

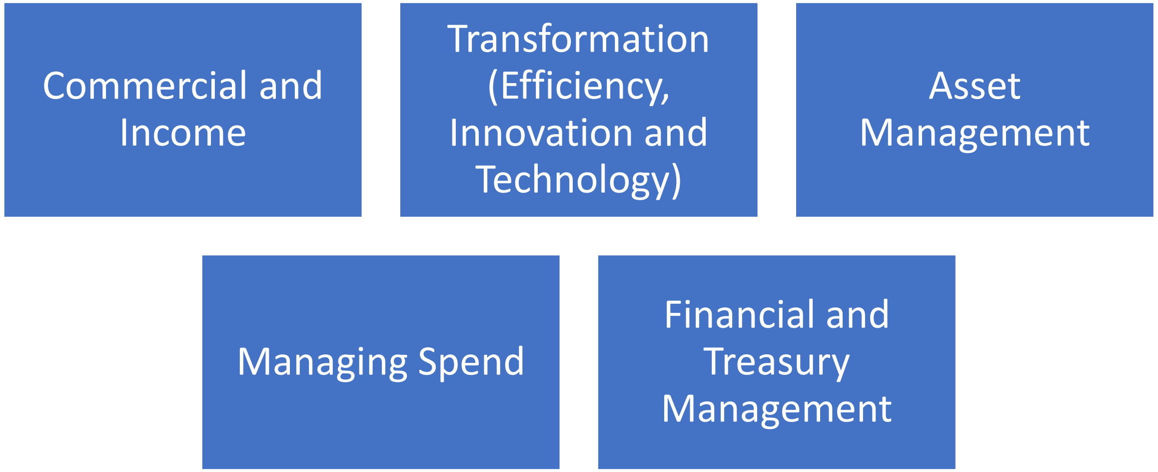
5.1 Sustainable Finance Plan

The Sustainable Finance Plan sets out how the Council will achieve savings over the life of the medium-term financial plan period. It will be a "living" document that will be reviewed and updated regularly.

The below themes set out how savings will be identified and delivered. Elected members, the Leadership Team and Officers at Head of Service level were engaged in identifying these themes as part of the co-design approach to this strategy.

There are five themes in total and each are set out below in detail.

Illustration 3 – Sustainable Finance Plan Themes



Each theme includes a target financial saving to be achieved over the life of this strategy. The value of these savings has been developed based on the budget position in 2024/25 and an assessment of realistic but challenging savings that can be achieved.

Sustainable Finance Plan Themes

Commercial and Income

Linked strategies – Commercial Strategy (including Corporate Charging Policy)

This theme is about maximising our revenue income generated through fees and charges, developing our commercial awareness and acumen, and ensuring our services achieve the most optimum commercial position.

As above, latest publicly available data shows that the council is considered higher risk when the ratio of fee and charges income as a proportion of service expenditure is compared to that of other district councils. This position will be explored further through the Commercial and Income theme, through identification to delivery of enhancements to the council's key strategic income maximisation opportunities.

It will be driven by the development of a Commercial Strategy which will support the delivery of the Council Plan 2024 – 2028 and forms a key element of this Medium-Term Financial Strategy. It will set out in detail how the Council will:

- Maximise existing income and generate new income streams – ensuring financial contribution meets the cost of service or contributes to fixed costs. Included will be a new Corporate Charging Policy to guide service areas effectively and practically in meeting this fundamental principle.
- Deliver commercial efficiencies and savings through developing a commercial culture where managers and staff are empowered to innovate, whilst being risk aware.
- Research, develop and implement business cases for viable commercial investment opportunities.
- Keep things simple, working to identify and overcome barriers to commercial opportunities.
- Ensure the Council has sufficient and appropriate arrangements for governance of commercial activities.

Additional income generated.
Based on the CIPFA Financial Resilience Index, our fees, and charges to service expenditure ratio in 2021/22 was 18% against the maximum position of all districts of 57%. Comparison data for 2022/23 and beyond isn't available on the CIPFA index, however, we know that our position in the years since 2021/22 is as follows:

Table 6 – Fees and Charges to Service Expenditure Ratio Analysis and Target Position

Year	Fees and charges to service expenditure ratio	Value of locally generated income
2022/23	16%	£3,387,532
2023/24	13%	£3,176,820
2024/25 (budgeted)	11%	£2,888,749
Target	20%	£5,252,270 (at 2024/25 value)

There are likely two service areas that the Council doesn't charge for that comparators may – these are in relation to charges for the provision of green waste household collections and car parking.

The proposed target position for this ratio is 20% by the end of the plan period. This would equate to an additional £2.4 million of income using the 2024/25 budgeted position.

Savings included in the plan are therefore based on a target of 2% income year on year across the board, to ensure current income levels match pace with pay and inflation. Further targets for the enhancement and commercialisation of existing income the development and implementation of new income streams is then included which will take the Council to the 20% level by the end of the plan period.

Table 7 Commercial and Income

	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL
Maintenance of cost recovery on current income		90,000	100,000	110,000	120,000	420,000
Enhancement and commercialisation of existing income		200,000	225,000	250,000	275,000	950,000
Development and implementation of new income			1,400,000	1,400,000	1,900,000	4,700,000
TOTAL	**-**	**290,000**	**1,725,000**	**1,760,000**	**2,295,000**	**6,070,000**

Transformation (Efficiency, Innovation and Technology)

Linked strategies – Customer Access Strategy, People Strategy, Transformation Strategy

This theme is ultimately about reviewing and improving our services. We will do this by comparing ourselves to and learning from others, making best use of well-established tools in the local government sector around benchmarking, case studies, pilots, and peer reviews. We will explore and pursue the sharing of resources, assets, and delivery of services through identifying, forging new and enhancing existing strategic alignments with partners from both the public and private sector. This will include maximising relationships with stakeholders and partners to deliver on the council's objectives.

A core focus of this theme will be the review of services to ensure the Council can deliver services within its financial means. Service reviews will initially focus on high financial and/or customer value services but once the strategy programme is embedded be part of a rolling programme. Benchmarking will be used to identify high spending services and customer feedback and benchmarking to identify those of high customer value.

Models of alternative delivery, including sharing resources, assets and jointly delivering services with other councils will be considered to identify financial savings but also improve resilience and services to customers. This theme will also link with the emerging People Strategy to capture any financial or efficiency savings delivered through the council fulfilling its aspiration to become an employer of choice.

Finally, this theme will also capture the financial savings achieved through the deployment of new technology and artificial intelligence (AI). As such it will link closely with our emerging Transformation Strategy and the plans we are already scheduled to take forward around digital improvements.

Savings generated

Savings included in the plan are based on a conservative estimate around the savings attributable to supplies and services through sharing of resources, since it is recognised that efficiencies in this are more likely to arise from staffing costs and there is an expectation that where this is the case, staffing resource will be redeployed to other areas.

Table 8 – Transformation (Efficiency, Innovation and Technology)

	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL
Total Savings		50,000	50,000	150,000	250,000	500,000

Asset Management

Linked strategies – Asset Management Strategy, Fleet Replacement Strategy, Climate and Environment Strategy

The Council is responsible for 110 assets on the General Fund, comprising Council offices, Green Bank Leisure Centre, Rosliston Forestry Centre, the Old Town Hall, the Depot, Community Centres, Pavilions, Public Conveniences, Parks, Land, Allotments, Car Parks, Cemeteries and an investment portfolio of shops, offices, and industrial units. Including lettings at Rosliston the General Fund investment portfolio generates current revenue more than £600,000 per annum.

This theme will predominantly focus on optimising asset performance, ensuring that the costs associated with the running and maintenance of assets is as cost-effective as possible. The Council will also undertake a review its asset base with a view to identifying opportunities for the Council to reduce ongoing liabilities through divestment or enhance its commercial income performance through optimising asset performance or acquiring new assets. Divestment will be considered where assets have significant current or future liabilities or where ownership fails to align with the Council's non-financial objectives.

Savings and additional investment portfolio income generated
Savings included in the plan are based on an early assessment of the likely reduction in annual running costs by the council deciding to create a new leisure centre and civic offices.

Table 9 – Asset Management

	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL
Total Savings			500,000	700,000	900,000	**2,100,000**

Managing spend

Linked strategies – Procurement Strategy (including Contract Management Guide)

The Council has a wide range of contracts in place for the delivery of equipment and services. In 2024/25, forecast spend on supplies and services is £9.7 million across the General Fund alone.

Several changes are due to take place in 2024 centred around procurement and contract management at the Council.

The first of these is linked to the new internal delivery model for procurement support at the Council. Following approval to add to the council's staffing establishment, a new in-house Procurement Officer post will be created. This post will work alongside a newly procured shared service arrangement – to replace the current contractual arrangements which cease in April 2024 - to ensure the Council can effectively manage all its procurement and spend management needs.

The Procurement Strategy which will be updated to align procurement practices with the new Public Procurement Regulations which come into force for councils in October 2024. As part of this review, the Council will also review its procurement practices to realign its purchasing objectives with those of the new Council Plan. This will include how the council will achieve social value, environmental improvements, and value for money across its tragic contracts and every day spend. Of relevance will be the Council's ability to achieve better financial outcomes by using its commercial approach and enhancing its purchasing power by undertaking joint procurements.

The Procurement Strategy will also develop a set of principles to guide officers in effective contract management. This Contract Management Guide will set out the expectations of officers and managers in monitoring contract delivery and effectiveness and tackling poor performance.

As part of the annual review of the Constitution, the council's Contract procedure Rules will be updated to reflect modern ways of working. This will realise efficiencies in staff-time which will be redeployed into services.

Further work linked with this theme will focus on the roll out of training and awareness raising around modern, efficient, and effective procurement practices and contract management practices.

Savings generated
Savings included in the plan are based on a prudent estimate around the likely position achievable through renewed working practices in procurement and contract management that will ultimately result in savings.

Table 10 – Managing Spend

	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL
Total Savings		160,000	320,000	480,000	480,000	**1,440,000**

Financial and Treasury Management

Linked strategies – Medium Term Financial Strategy, Treasury Management Strategy, People Strategy

This theme will achieve financial savings through several measures that link with financial management practices.

The first is a general campaign to improve the internal financial management culture of the council through training of leaders and managers to ensure we have the appropriate capabilities to understand and manage finance, understand the financial health of the organisation and their role in this context. This work will also place responsibility for financial management at the appropriate level across the council and will link with the refresh of the council's Finance Procedure Rules within the Constitution. Whilst the Council has already adopted the CIPFA Financial Management Code (Appendix 2), further enhancements in line with the Code should be taken forward.

There will be a focus on the council's Budget and Policy framework and its ability to achieve the optimum budget position for the Council. Work around this will include budget analysis and the delivery of ongoing continuous improvement to the council's budgeting approach and techniques.

Key areas of spend will be reviewed. This will include a review of the model deployed for relieving double taxation for residents living in parished areas, which arises because of expenditure incurred by the district council in the urban core (and which is delivered by the Parish Councils in parished areas).

This theme will also explore further opportunities to manage the council's treasury position (debt and investments) to achieve more lower borrowing costs or better investment returns.

Savings and additional treasury management income generated

Savings included in the plan are based on budget analysis, a review of the current double taxation model ("Concurrent Functions Grants") and enhanced treasury management.

Table 11 – Financial and Treasury Management

	2024/25	2025/26	2026/27	2027/28	2028/29	TOTAL
Total Savings	40,000	160,000	260,000	260,000	260,000	**980,000**

The Sustainable Finance Plan

The below Sustainable Finance Plan sets out the savings of £11.09 million the Council expects to make over the coming fiver year period. The plan compares to the cumulative forecast budget gap position of £14.5 million, meaning that this plan meets most budget gaps but not all.

Table 12 - The Sustainable Finance Plan

	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Commercial and Income		290,000	1,725,000	1,760,000	2,295,000	**6,070,000**
Transformation (Efficiency, Innovation and Technology)		50,000	50,000	150,000	250,000	**500,000**

Asset Management			500,000	700,000	900,000	**2,100,000**
Managing our spend		160,000	320,000	480,000	480,000	**1,440,000**
Financial and Treasury Management	40,000	160,000	260,000	260,000	260,000	**980,000**
Total	**40,000**	**660,000**	**2,855,000**	**3,350,000**	**4,185,000**	**11,090,000**

5.2 Reserves Strategy

The Council has established its minimum level of reserves at £1.35 million for 2024/25. Given the reserves position forecast at the end of March 2025, there is £10.4 million of general reserves forecast to be available to support the council's financial position. To ensure appropriate visibility over this reserve, it will be set aside in a newly established "Sustainable Finance" reserve.

This Sustainable Finance reserve will be utilised to balance any budget deficits from 2025/26 where the effect of the Sustainable Finance Plan doesn't close budget gaps in full. The dedicated reserve also presents the Council with an opportunity to utilise them to finance projects or initiatives that will generate additional income or reduce expenditure under the themes set out in this strategy.

The Section 151 Officer will maintain overall responsibility for this reserve and its use for the financing of projects and initiatives will require approval of the Section 151 Officer and be subject to the normal decision-making process of the Council, in line with the Scheme of delegation set out in the Constitution.

5.3 Medium Term Financial Strategy position

Bringing the position of the current medium term financial plan, the Sustainable Finance Plan, and the reserve strategy together, the overall revised position is detailed below, and the Council can expect to balance its budget over the medium term. This position is contingent on the Sustainable Finance Plan savings of £11.09 million being delivered over the period and the balance of the Sustainable Finance Reserve.

If the forecasts crystalise, the charge would be circa £7 million available for the Council to consider making use of to deliver its plans.

In addition, to illustrate how the Councils sustainability plan serves to close the budget gap over time the assumptions have been extrapolated over the next 10 years. As the trends in growth and income generation are projected over 10 years the budget gap diminishes over time - such that by 2031/32 annual spend is managed within the projected funding with surplus balances achieved and reserves replenished.

Table 13 – General Fund position after Sustainable Finance Plan

	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Revenue Surplus (-) / Deficit as per Medium Term Financial Plan 2024/25 - 2028/29	227,737	1,549,207	2,799,395	4,297,825	5,674,352	14,548,516
Total Sustainable Finance Plan savings / additional income	-40,000	-660,000	-2,855,000	-3,350,000	-4,185,000	-11,090,000
Remaining Surplus (-) / Deficit to be met from Reserves	187,737	889,207	-55,605	947,825	1,489,352	3,458,516

Table 14 – Use of reserves to balance the General Fund

	2024/25	2025/26	2026/27	2027/28	2028/29
Opening Sustainable Finance Reserve		10,424,154	9,534,947	9,590,552	8,642,727
Contribution from reserves to balance the General Fund	n/a	889,207		947,825	1,489,352
Contribution from the General Fund to reserves			- 55,605		
Closing Sustainable Finance Reserve	10,424,154	9,534,947	9,590,552	8,642,727	7,153,375

* The budget gap predicted for 2024/25 is already included in the reserves forecast

Chart 14 – General Fund Position after Sustainable Finance Plan

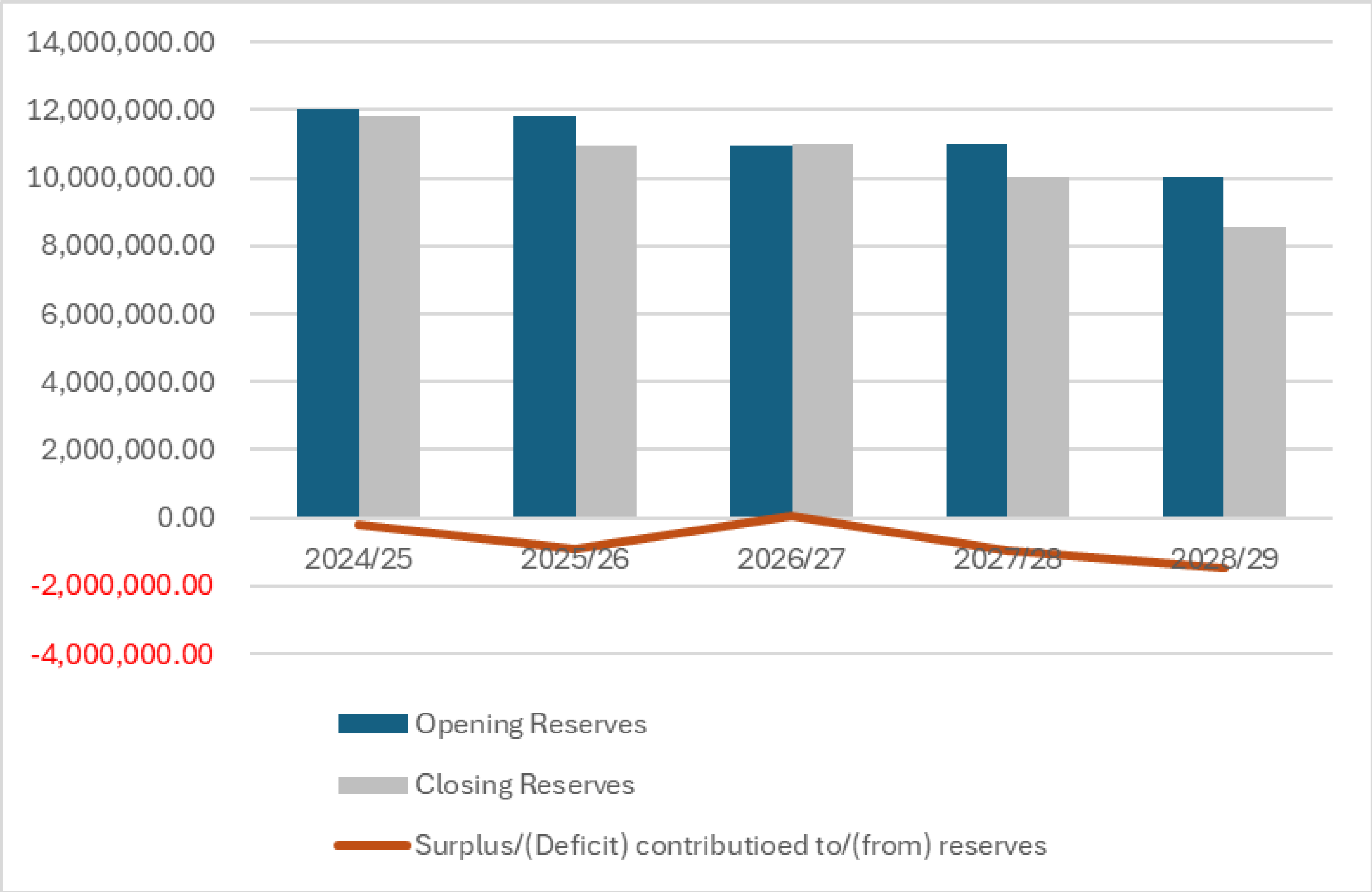
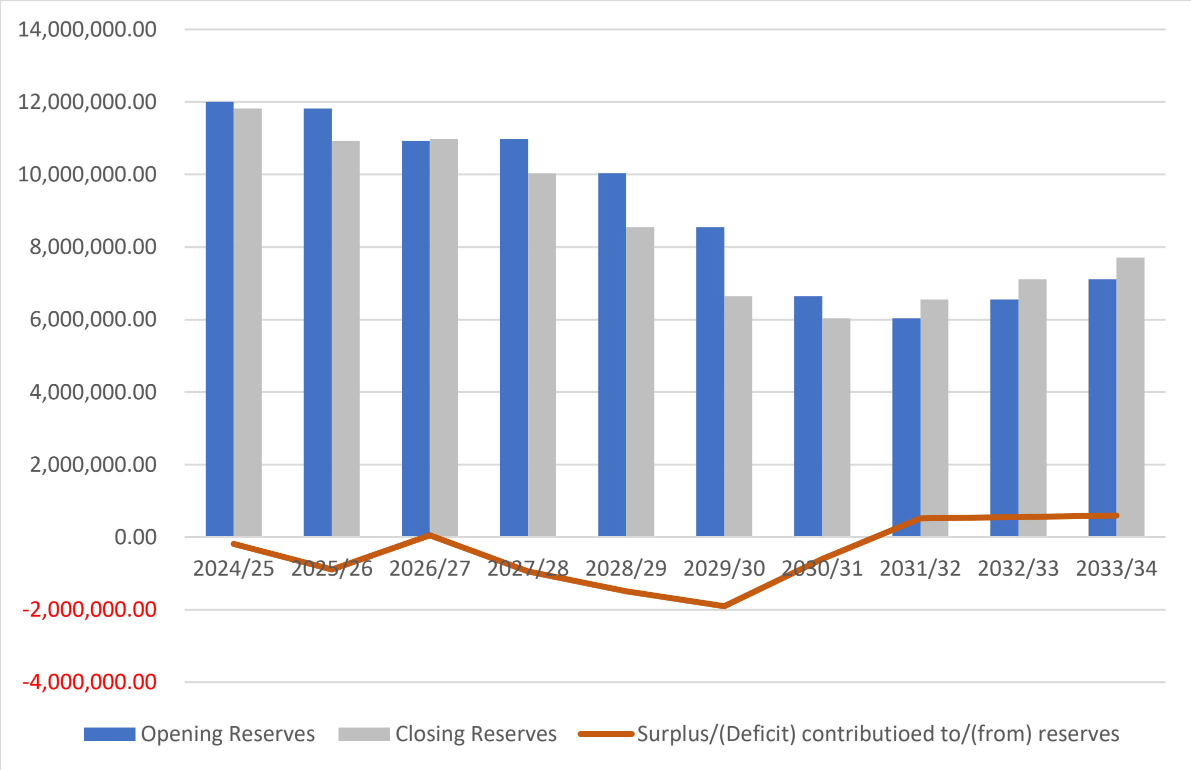


Table 15 – General Fund position after Sustainable Finance Plan (10 years)

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Revenue Surplus (-) / Deficit per MTFP	227,737	1,549,207	2,799,395	4,297,825	5,674,352	7,146,520	6,925,643	6,899,370	6,865,575	6,823,857
Total Sustainable Finance Plan	-40,000	-660,000	-2,855,000	-3,350,000	-4,185,000	-5,241,975	-6,320,090	-7,419,766	-7,419,766	-7,419,766
Surplus (-) / Deficit to be met from Reserves	187,737	889,207	-55,605	947,825	1,489,352	1,904,545	605,553	-520,396	-554,191	-595,909

Chart 15 – General Fund Position after Sustainable Finance Plan (10 years)



Section 6 – Delivery, Monitoring and Review
The plan will be reviewed as part of setting the forthcoming year's budget and refined as necessary.

As detailed above, the Sustainable Finance Plan will be a 'living document' that is rebased at the beginning of each financial year to look 5 years ahead, and to consider any changes in the assumed level of savings that are deliverable over the period. This practice will continue for the period of this Medium-Term Financial Strategy, and beyond should the council not be in a position where its annual net expenditure is within its funding envelope.

Each theme will be sponsored by a member of the Leadership team, who will lead the council in the delivery of savings in their area. The Chief Executive will retain overall accountability.

Each theme Lead will facilitate the design and implementation of initiatives, working with officers and members to undertake necessary options appraisals and bring forward individual decisions, in line with the council's established decision-making processes as set out in the Constitution.

Financial planning is a continuous process and the need for constant monitoring of our current and future financial position is heightened now more than ever before because of the risks associated with the uncertain economic conditions and outlook in respect of local government funding.

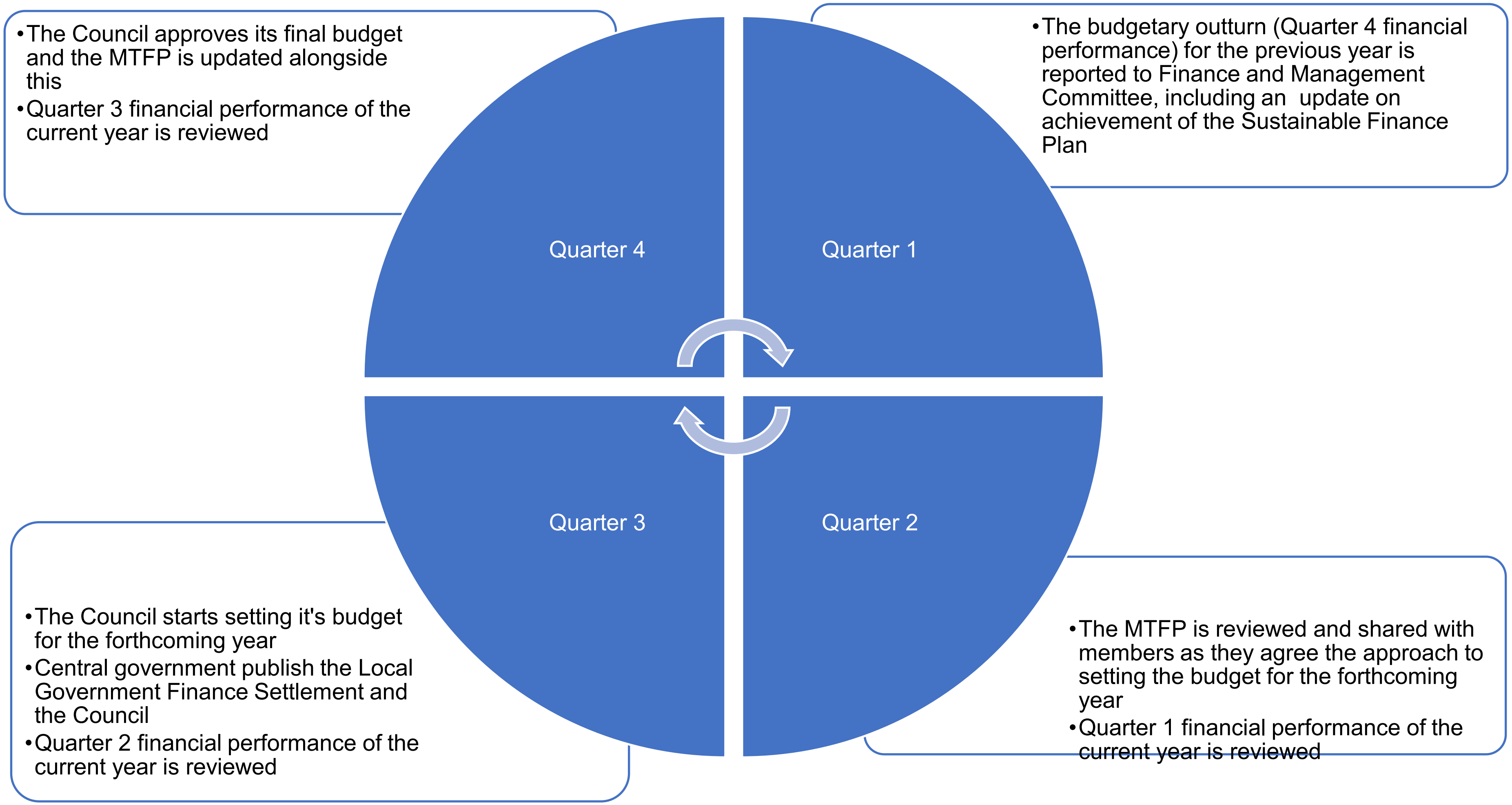
There are already well-established processes monitoring budgets which include regular monitoring and outturn reports to Committee. This regular reporting will be extended to report on the progress of savings delivery in the Sustainable Finance Plan.

The Section 151 Officer will retain ownership of the Sustainable Finance Plan, facilitating updates as part of the medium-term financial plan process.

An updated rolling five-year medium term financial plan and the refreshed Sustainable Finance Plan for making forthcoming savings will be presented to members annually alongside the forthcoming years' draft budget for approval and again at the final budget stage.

The below sets out the financial management cycle for the Council.

Illustration 3 – the Councils Financial Management Cycle



The Council will review its Medium-Term Financial Strategy every 4 to 5 years

APPENDIX 1

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
Budget Setting 2024/25

	Projection £ 2024.25	Projection £ 2025.26	Projection £ 2026.27	Projection £ 2027.28	Projection £ 2028.29
BASE BUDGET					
Environmental & Development	8,607,637	8,866,950	8,958,851	9,289,114	9,649,140
Housing & Community	4,006,223	3,761,714	3,564,494	3,627,984	3,725,630
Finance & Management	7,236,282	7,839,603	8,070,160	8,302,519	8,536,985
Net Service Expenditure	**19,850,141**	**20,468,267**	**20,593,506**	**21,219,616**	**21,911,755**
Accounting Adjustments					
Reverse out Depreciation	-1,633,229	-1,633,229	-1,633,229	-1,633,229	-1,633,229
Contribution from Reserves for one-off expenditure	-784,892				
Minimum Revenue Provision (MRP)	40,000	42,000	44,000	46,000	48,000
Additional MRP for Capital bids		14,000	222,000	423,000	453,000
	-2,378,121	**-1,577,229**	**-1,367,229**	**-1,164,229**	**-1,132,229**
TOTAL ESTIMATED SPENDING	**17,472,021**	**18,891,038**	**19,226,277**	**20,055,388**	**20,779,526**
FINANCING					
Business Rates Retention	-6,668,000	-6,673,299	-4,347,720	-4,591,156	-4,849,541
Services Grant Allocation	-16,061	-85,176	0	0	0
Funding Guarantee	-1,978,784	-3,101,732			
New Homes Bonus	-1,441,000	0	0	0	0
Council Tax Income	-6,980,186	-7,311,082	-7,710,229	-8,104,811	-8,535,372

Revenue Support Grant	-105,252	-115,542	-445,780	-410,502	-372,272
Transitional Funding			-3,868,154	-2,596,093	-1,292,989
Add Estimated Collection Fund Surplus - Council Tax	-55,000	-55,000	-55,000	-55,000	-55,000
TOTAL FINANCING	**-17,244,283**	**-17,341,831**	**-16,426,883**	**-15,757,562**	**-15,105,174**
Revenue Surplus (-) / Deficit	**227,737**	**1,549,207**	**2,799,395**	**4,297,825**	**5,674,352**
TOTAL GENERAL FUND SURPLUS (-) / DEFICIT	**227,737**	**1,549,207**	**2,799,395**	**4,297,825**	**5,674,352**

GENERAL FUND RESERVE BALANCE

Balance b/fwd	-12,001,891	-11,774,154	-10,224,947	-7,425,552	-3,127,727
Revenue Surplus (-) / Deficit	227,737	1,549,207	2,799,395	4,297,825	5,674,352
Capital Contributions	0	0	0	0	0
Balance c/fwd	**-11,774,154**	**-10,224,947**	**-7,425,552**	**-3,127,727**	**2,546,625**

APPENDIX 2

Assumptions to the General Fund Medium Term Financial Plan (Base)

Item	2024/25 Assumption	Future Years Assumptions
Pay costs	3.5%	2% per annum.
Employer pension costs	£174,000 additional employer contribution, as per the 2022 triennial valuation report	£174,000 for 2025/26 as per triennial valuation. 2026/27 and beyond assumes the same level.
Members allowances	3.5%	2%
Supplies and services	As per cost pressures outlined in the 2024/25 budget	2%
Insurance		3%
Capital financing/MRP		This is now aligned with the Capital Programme 2024/25 – 2028/29 and includes MRP on fleet.
Fuel		2%
Utilities		2%
Recharge income from the HRA		Movement is in line with overall movement in the General Fund
Council Tax	2.99% increase and council tax base as approved by FMC 11 January 2024	2.99% council tax increase and growth rate of 2.6%
Retained Business Rates	Based on the NNDR1 position for 2024/25. Also includes a prudent estimate for the retained rates arising from participation in the Derbyshire Business Rates Pool.	As per separate detailed technical computations in line with the national rates system, as advised by the council's funding advisor and their strategic financial modelling tool.
New Homes Bonus	As per the Local Government Finance Settlement 2024/25.	Scheme is abolished from 2025.
Services Grant		Nil
Revenue Support Grant		Nil
Lower Tier Services Grant	Nil	Nil
Funding Guarantee	As per the provisional Local Government Finance Settlement 2024/25.	Nil
Contribution from reserves	As required to balance the budget	As required to balance the budget
Locally generated income	As per budgetary proposals for 2024/25 and fees and charges.	3% for cemeteries. No other assumed increases. This is an area subject to further review and links with the emerging MTFS.

Damping (transitionary funding)	Nil	Transitionary funding to ease in the effect of the Fair Funding review and business rates baseline reset, assumed to be implemented in 2026/27. The payments are triggered when there is a change in core spending power (funding) of more than 5% between any year.
Interest Receivable	4% Interest rate assumed based on treasury advisors Arlingclose's strategy review.	2% in line with Office for Budget Responsibility forecasts for inflation and interest post April 2025.

APPENDIX 3

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - 2024/25

	2024.25 Forecast £'000	2025.26 Forecast £'000	2026.27 Forecast £'000	2027.28 Forecast £'000	2028.29 Forecast £'000	2029.30 Forecast £'000	2030.31 Forecast £'000	2031.32 Forecast £'000	2032.33 Forecast £'000	2033.34 Forecast £'000
INCOME										
Rental Income	-14,026	-14,304	-14,589	-14,880	-15,176	-15,479	-15,787	-16,102	-16,423	-16,751
Non-Dwelling Income	-106	-108	-112	-115	-118	-121	-125	-128	-132	-136
Supporting People Grant	0	0	0	0	0	0	0	0	0	0
Other Income	-185	-185	-185	-185	-185	-185	-185	-185	-185	-185
Total Income	**-14,317**	**-14,597**	**-14,886**	**-15,180**	**-15,479**	**-15,785**	**-16,097**	**-16,415**	**-16,740**	**-17,072**
EXPENDITURE										
General Management	2,676	2,737	2,799	2,863	2,928	2,995	3,063	3,133	3,204	3,278
Supporting People	1,194	1,232	1,273	1,315	1,361	1,408	1,459	1,512	1,568	1,628
Responsive	2,711	1,986	2,034	2,083	2,133	2,185	2,239	2,294	2,350	2,408
Planned Maintenance	2,352	2,153	2,205	2,259	2,315	2,371	2,429	2,489	2,550	2,612
Bad Debt Provision	131	143	145	148	151	154	157	161	164	167
Interest Payable & Receivable	802	802	802	501	501	502	502	502	172	172
Depreciation	5,156	5,157	5,157	5,158	5,159	5,160	5,161	5,161	5,162	5,163
Net Operating Income	**705**	**-387**	**-471**	**-853**	**-931**	**-1,010**	**-1,087**	**-1,163**	**-1,570**	**-1,644**
Known variations:										
Reversal of Depreciation	-5,156	-5,157	-5,157	-5,158	-5,159	-5,160	-5,161	-5,161	-5,162	-5,163
Capital Expenditure	2,820	3,200	3,550	3,900	4,000	2,489	2,403	1,805	2,301	1,627
Disabled Adaptations	300	300	300	300	300	300	300	300	300	300
Asbestos and Health & Safety Surveys	100	100	100	100	100	100	100	100	100	100
Debt Repayment - Balance of Depreciation	1,436	1,057	707	358	259	1,771	1,858	2,456	1,961	2,636

Major Repairs Reserve	500	500	500	500	500	500	500	500	500	500
Asset Replacement Earmarked Reserve	0	0	0	54	57	60	63	66	69	73

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - 2024/25

	2024.25 Forecast £'000	2025.26 Forecast £'000	2026.27 Forecast £'000	2027.28 Forecast £'000	2028.29 Forecast £'000	2029.30 Forecast £'000	2030.31 Forecast £'000	2031.32 Forecast £'000	2032.33 Forecast £'000	2033.34 Forecast £'000
Additional Debt Repayment Transfer	455	0	100	0	0	0	0	0	0	0
Capital works non-traditional properties	0	0	0	0	0	0	0	0	0	0
Options Appraisal Smallthorne Place	0	0	0	0	0	0	0	0	0	1
Potential Pay Award	0	0	0	0	0	0	0	0	0	0
ICT Upgrades	0	0	0	0	200	0	0	0	0	0
Rent Loss Provision	0	0	0	0	0	0	0	0	0	0
Pension Valuation 2023/24	0	0	0	0	0	0	0	0	0	0
Increase in Electricity Tarrif	0	0	0	0	0	0	0	0	0	0
HRA Surplus (-) / Deficit	**1,160**	**-387**	**-371**	**-799**	**-674**	**-950**	**-1,024**	**-1,097**	**-1,501**	**-1,570**

HRA General Reserve

HRA Reserve B/fwd	-2,254	-1,093	-1,480	-1,851	-2,650	-3,323	-4,274	-5,298	-6,396	-7,897
(Surplus) / Deficit for year	1,160	-387	-371	-799	-674	-950	-1,024	-1,097	-1,501	-1,570
HRA Reserve C/fwd	**-1,093**	**-1,480**	**-1,851**	**-2,650**	**-3,323**	**-4,274**	**-5,298**	**-6,396**	**-7,897**	**-9,467**

RESERVES

Debt Repayment Reserve

Balance B/fwd	-354	-2,245	-3,302	-4,109	-4,467	-4,726	-6,497	-8,355	-811	-2,772
Depreciation balance	-1,436	-1,057	-707	-358	-259	-1,771	-1,858	-2,456	-1,961	-2,636
Transfers to reserve	-455	0	-100	0	0	0	0	0	0	0
Repayment of loan	0	0	0	0	0	0	0	10,000	0	0
Reserve C/fwd	**-2,245**	**-3,302**	**-4,109**	**-4,467**	**-4,726**	**-6,497**	**-8,355**	**-811**	**-2,772**	**-5,408**

Earmarked Reserve

Balance B/fwd	-200	-200	-200	0	0	0	0	0	0	0
Vehicle Replacement Transfer to Reserve	0	0	0	0	0	0	0	0	0	0
Software Upgrade	0	0	0	0	0	0	0	0	0	0
Asset Replacement	0	0	200	0	0	0	0	0	0	0
Reserve C/fwd	**-200**	**-200**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - 2024/25

	2024.25 Forecast £'000	2025.26 Forecast £'000	2026.27 Forecast £'000	2027.28 Forecast £'000	2028.29 Forecast £'000	2029.30 Forecast £'000	2030.31 Forecast £'000	2031.32 Forecast £'000	2032.33 Forecast £'000	2033.34 Forecast £'000
Major Repairs Reserve										
Balance B/fwd	-4,987	-5,487	-5,987	-6,487	-6,987	-7,487	-7,987	-8,487	-8,987	-9,487
Transfers to reserve	-500	-500	-500	-500	-500	-500	-500	-500	-500	-500
Earmarked non-traditional properties	0	0	0	0	0	0	0	0	0	0
Reserve Drawdown	0	0	0	0	0	0	0	0	0	0

Reserve C/fwd	**-5,487**	**-5,987**	**-6,487**	**-6,987**	**-7,487**	**-7,987**	**-8,487**	**-8,987**	**-9,487**	**-9,987**

New Build Reserve

Capital Receipts B/fwd	-2,884	-3,496	-4,108	-4,719	-5,331	-5,943	-6,554	-7,166	-7,777	-8,389
Acquisitions in year	0	0	0	0	0	0	0		0	0
RTB Receipts in year	-612	-612	-612	-612	-612	-612	-612	-612	-612	-612
Borrowing in year	0	0	0	0	0	0	0	0	0	0
Balance c/fwd	**-3,496**	**-4,108**	**-4,719**	**-5,331**	**-5,943**	**-6,554**	**-7,166**	**-7,777**	**-8,389**	**-9,001**

CIPFA Financial Management Code

Principles