Appendix 1

# 2023/24 MEDIUM TERM FINANCIAL STRATEGY

***To secure the financial health and viability of the Service in the future and develop sustainable financial plans to make Derbyshire Safer together***

Derbyshire
Fire & Rescue Service
Making Derbyshire Safer Together

## OUR VALUES – WHAT IS IMPORTANT TO US?

**LEADERSHIP:** WE LISTEN, DEVELOP & CHAMPION **OUR PEOPLE**

**RESPECT:** WE VALUE THE **OPINIONS OF OUR PEOPLE**

**INTEGRITY:** OUR ACTIONS WILL ALWAYS BE **WELL INTENDED**

**OPENNESS:** **WE WON'T HIDE ANYTHING** & WILL SHARE OUR EXPERIENCES & KNOWLEDGE

**TEAMWORK:** WE WILL ACHIEVE **MORE TOGETHER**

**AMBITION:** WE WILL ALWAYS DO **THE BEST WE CAN**

# Our Vision – 'Making Derbyshire Safer Together'

**The Medium Term Financial Strategy will reflect Our Vision, Values, Service Priorities and National Code of Ethics**

## Summary
## Purpose

The purpose of the Medium-Term Financial Strategy (MTFS) is to provide information to Members, officers, the public and other stakeholders on the Authority's planned revenue and capital expenditure and it's financing over the next four years.

The Service's financial strategy balances the application of our savings, reserves, treasury management, capital, borrowing, investment, and council tax strategies in order to provide value for money to the taxpayer and to safeguard frontline service provision to the community.

## Our approach

Each year the Service is required by statute to prepare and approve an annual budget and to set a Council Tax precept. These cannot be affectivity agreed without considering the longer-term forecasts, objectives and priorities.

The strategy supports affordable, sustainable service delivery through the planned use of revenue budgets, capital budgets, reserves and balances. It contains or is shaped by our:

- Reserves Strategy
- Council Tax Strategy
- Treasury Management Strategy
- Investment (Property, Equipment, Transport) Strategies
- Workforce Planning Strategy
- Savings Strategy and
- Capital Strategy

The Strategy will be updated as further information becomes available and key assumptions change.

The full detail of the impact on Derbyshire Fire and Rescue Services budget from 2023/2024 will not be known until the detailed work around growth requirements and savings has been undertaken, and the draft local government finance settlement, which is subject to change, has been published.

The Authority's External Auditors have consistently issued unqualified audit reports and positive Annual Audit Letters to Members. It is a statutory requirement under Section 33 of the Local Government Finance Act for the Authority to produce a balanced budget. In years recent years DFRS required a contribution from the Strategic Risk Reserve to present Members with a balanced budget for approval but were able to make in year savings to put the budget on a more sustainable footing.

The previous MTFP and MTFS were heavily influenced by the Covid 19 pandemic and the subsequent recovery period. Anticipation of a response by the Government to address the increased level of spending and national debt, used to fund the pandemic measures, introduced greater planning uncertainty.

National and international attention was quickly diverted from Covid following the invasion of Ukraine in February 2022 by Russian forces. The ensuing chain of events compounded the pressure on the national finances and global supply markets which are now being felt explicitly by households as the cost-of-living crisis.

**2022 / 2023 Medium Term Financial Plan**

The 2022/23 Financial settlement was largely favourable to the Fire Service as the government avoided a sharp return to austerity, favouring a longer-term plan to address the increased debt level. Additional grant was received via the Revenue Services Grant which funded the newly introduced National Insurance pressures. This grant was indicated to be one off and so while welcomed, did not provide any longer-term clarity.

During this time interest rates remained at record lows and the service saw the opportunity to fund future capital investment through new borrowing. The 2022/23 capital programme included schemes for 3 new build fire stations combining the need for investment with affordable financing.

Continued levels of low inflation and as a result manageable pay awards did not factor as significant pressures within future budget plans.

## 2022 / 2023 Financial Performance

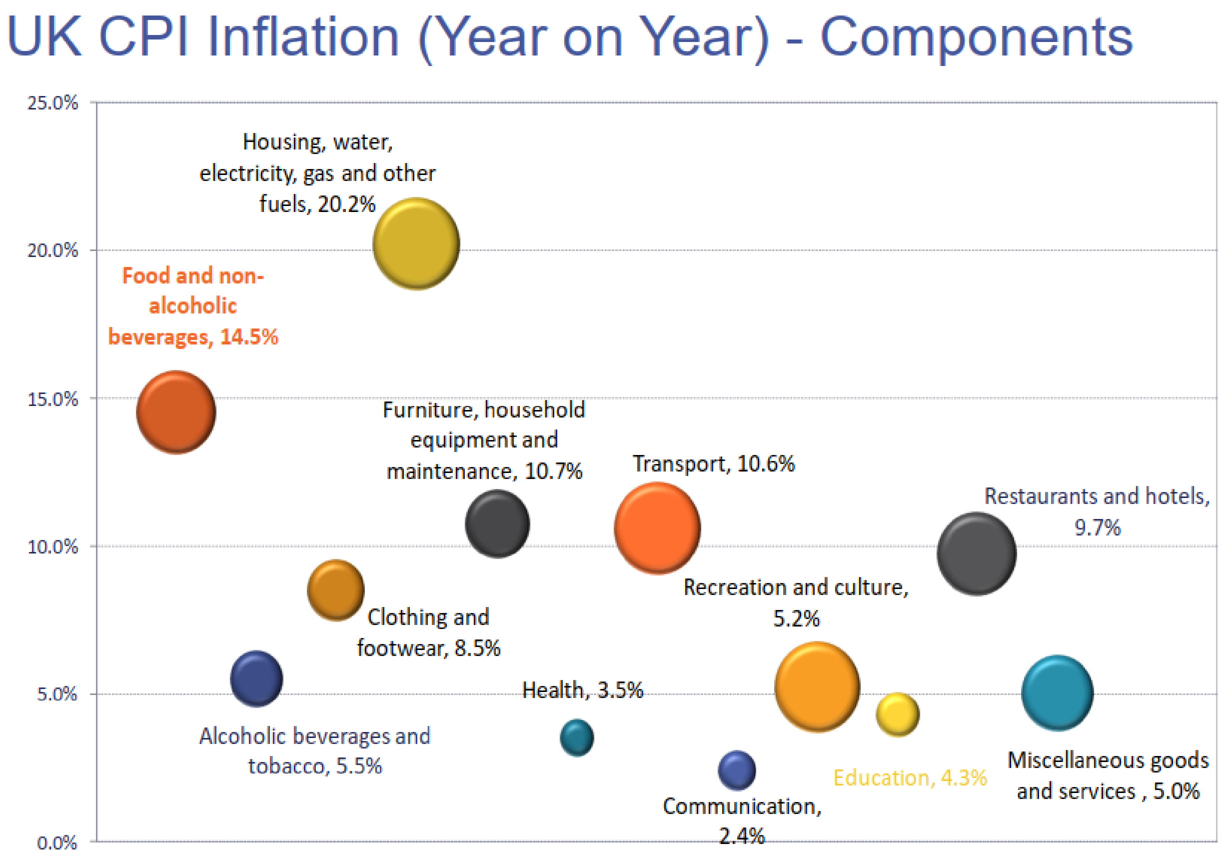
The financial pressures resulting largely from the ongoing war in Ukraine have been well documented in the media for many months. Increasing costs of Energy, Fuel, Inflation and Interest Rates have affected all household budgets and the Fire Service has felt similar pressures. The changes in the most material assumption are shown in table 1.

Table 1 Planning assumption Nov 21 v Nov 22

| | November 2021 | November 2022 | Effect £ |
|---|---|---|---|
| Pay Award | Up to 2% | 4% Green +5% | £1m |
| Inflation | Sep 3.1% | Sep 10.1% | £300k |
| Fuel | £1.19/ltr | £1.54/ltr | £80k |
| Electricity | £0.15 / KWh | £0.25 / KWh | £100k |
| Interest Rate | 0.01% | 3.00% | £300k income |
| PWLB 40yr Rate | 1.50% | 4.51% | £30k / £1m |
| Building Cost Indices | 3.5% | 9.6% | Investments become unaffordable |

The effect of increasing inflation affects budgets differently. Confusingly the UK uses both CPI and RPI as measures of inflation. The main difference between the measures is that RPI includes mortgage interest payments and so is more sensitive in house prices and interest rates. Both measures use the basket approach. This is the change in price of over 700 typical goods and services purchased by households. As an aggregate of all of these prices neither measure show the range of inflation affecting different products and industries. The full range of inflation is illustrated in table 3 below.

Table 3 UK Inflation Components September 2022




The effect of inflation on household budgets and workers has increased to pressure from Unions for higher wages. Throughout 2022/23 many unions have pushed for strikes and the UK has seen walkouts across several industries. Many of these disputes are still to be resolved with further strike action expected in Rail, Postal Services and Health. Within the Fire Service the potential for industrial action remains very real and the proposed 5% pay award may not be the final award.

The Fire Service budget is highly geared towards pay as over 70% (£33m) of expenses relate to employee costs. As a result the financial position of the service is extremely sensitive to changes in pay assumptions and variations of only 1% create significant pressures.

Within the current year the potential pay award has been factored in but partially offset by other favourable variances within the year. These variances have been explained in other reports but notably are largely one off and so do not relieve the ongoing budget pressure. The current year position is circa a £0.5m overspend including the additional £1m pay award pressure.

**Government Funding**

The Government has faced significant pressure to ease the cost-of-living burden on households. Rather than being able to reduce national borrowing and address the cost of the furlough scheme, and other Covid related reliefs, borrowing has been seen to increase as support to cap energy costs has been introduced. The government still faces pressures for support as interest rates and rising inflation continue to put pressure on individuals.

The Governments direction and fiscal policy has changed significantly during the year with a more direct approach to tackling debt being adopted. Following a change in leadership the new Chancellor has warned of a more austere period for all. In deed much of the new proposals from the Chancellor affect personal tax with the aim of increasing tax revenues for the Government. These are combined with restriction to public sector spending. The recent budget announcement initially may have not been as severe as feared but more understanding will be available once specific details have been released. The statement included several areas that will impact on the Fire Services budget.

- Departmental spending will not be increased and fixed in cash terms for 2 years. How this translates into the Fire Service is yet to be established as a number of options are open to the Government.
- Council Tax flexibility will allow Fire services to raise the precept by an additional 1% to 3%.

The current Derbyshire Fire and Rescue Service precept ranges from £53.89 to £161.68. The average, as measured as a Band D property equates to £80.84. Each 1% increase in the precept represents a charge of 81p per year and generates circa £256,000 annual income for the service.

**What is the scale of the challenge?**

The service has continued to monitor the changing environment and its impact on service proposals. Due to the increasing costs of construction and debt financing proposals for new build stations at New Mills and Glossop have been deferred. Tenders are still awaited for a third station at Matlock which will be received early in 2023. The tenders will be reviewed for affordability and value for money in light of the new environment. Removing the cost of this capital investment from forecast reduces the budget gap by £0.4m, based on cost within the last published MTFP but by more than £1.1m based on the increased updated costs.

As noted, the potential pay awards pose a significant risk for the service. Current projections include the 2022/23 support staff award and the proposed 5% for operational staff. A desire to cap public sector pay to 2% for 2023 onwards has been announced by the government and pay forecasts are therefore included at this level. Whilst limiting the impact of a larger pay increase to one year reduces the budget gap it introduces a significant risk. If inflation levels continue at current or even reduced rates unions and negotiating bodies will be keen to avoid real term pay cuts for members and will likely push for higher increases.

Savings have been achieved through base budget reviews and these have been included as permanent savings. In addition the service has been able to take advantage of increased interest rates and returns on cash investments made during the year.

The previous MTFS and MTFP highlighted the risk of reductions to income sources such as Council Tax and NNDR. Whilst a reduction did occur during the pandemic the service was fully compensated for the loss through government grant. Levels of Council Tax have been seen to increase during the last year as new build housing has continued to grow the base. The current resulting gap is shown in Table 2 below.

Table 2. MTFP Budget gap

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|---|
| Published Gap | 330 | 1,008 | 1,358 | 1,615 |
| | | | | |
| Pay Awards | 1,000 | 1,002 | 1,004 | 1,006 |
| Defer Capital Investment in Stations | | | | (887) |
| Inflation | 150 | 300 | 300 | 300 |
| Energy | 100 | 200 | 200 | 200 |
| Fuel | 80 | 160 | 160 | 160 |
| Underspends / Base Review | (750) | (250) | (250) | (250) |
| Investment income | (200) | (300) | (200) | (100) |
| Growth in Collection fund | | (500) | (600) | (700) |

| | | | | |
|---|---|---|---|---|
| | **496** | **1,023** | **1,121** | **1,344** |
| Approved use of reserves | **(323)** | | | |
| Shortfall | **173** | **1,023** | **1,121** | **1,344** |

**2023/ 2024 Medium Term Strategy**

The previous strategy focused on taking advantage of cheap borrowing and maintaining revenue reserves at a level to enable the service to be responsive to changing conditions. A distinct change in strategy is now required.

The service will now seek to pause major capital investment and avoid at all possible the need to undertake any new borrowing. The Bank of England indicate that reducing inflation is a key aim and the use of increased interest rates is the key tool being utilised. However, inflation and interest rates are forecast to peak during 2023 and subsequently begin to reduce. This would also allow time for the construction industry to stabilise and the service to review its investment needs. Investment decisions will then be able to be revisited at a time when affordability and value for money have improved.

Other required capital investment will be financed through reserves in the short term to again avoid borrowing at peak interest rates. The other planned investments include the new appliances which will continue to be included in the capital programme.

The service has identified areas of savings and base budget reviews that reduce the overall budget gap. It is vital a commitment to realising all the identified savings in business cases is made to avoid creating an over budget provision. Work on these and other areas of efficiency and savings will continue. Savings will continue to be investigated under the themes previously identified;

- The Capital Programme
- Vehicles Review (Fleet, equipment & maintenance).
- Vacancies
- Ways of working
- Apprenticeship / Training Review
- Use of the estate
- Use of technology (This is one of our Service Priorities)

The service holds sufficient reserves to bridge the budget gap in the short term and allow savings proposals to be designed and fully implemented.

## Our Capital Strategy

The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a Capital Strategy to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and take account of stewardship, value for money, prudence, sustainability and affordability.

The main objectives of the Capital Strategy are:-

- To ensure that capital investments and the management of resources contribute fully to the Authority's Vision, Values and Priorities as outlined in 'Our Plan'
- To ensure efficient use of limited resources and assets with regard to affordability and risk
- To provide a framework for the management and monitoring of the Capital Programme
- To ensure the most cost-effective use is made of existing assets and new capital investment

Our approach

The service remains committed to ensuring the facilities provided are fit for purpose. However, at this time investment in future new build stations is being reviewed to ensure any resulting expenditure is affordable and represent value for money for the residents of Derbyshire.

Our commitment to the safety of our residents and fire fighters will be maintained and investments in necessary appliances and equipment will continue.

*Capital Expenditure*

Capital expenditure is incurred on the acquisition or creation of assets, or expenditure that enhances or adds to the life or value of an existing asset. These are assets that yield benefits to the authority for a period of more than one year, e.g., land, buildings, vehicles.

The Capital Programme is the Authority's plan of capital works for future years and how they are to be financed.

## Financing the Capital Programme

The Authority can invest in a capital programme as long as its capital spending plans are affordable, prudent and sustainable.

The main sources of finance for capital spending are as follows:

- Capital Receipts (from sale of the Authority's assets)
- Capital Grants
- External Contributions
- Earmarked Reserves
- Revenue Contributions
- Prudential Borrowing

The Prudential Code requires the Authority to report on a number of indicators in relation to Treasury Management activities; these are reported fully to Members in the Treasury Management Strategy in February and then throughout the year in capital and prudential indicator monitoring reports. With regard to borrowing, the Authority must report on the operational and authorised limit of debt. The operational boundary takes account of the Authority's existing debt plus the most likely estimate of capital expenditure and financing for the year. The authorised limit sets the maximum external borrowing for the Authority and cannot be exceeded during the year.

The service will seek to avoid new borrowing during this time of peaking interest rates so as to prevent long term debt financing commitments.

## Governance Arrangements

It is important that an appropriate governance framework is in place to support the Capital Strategy and as such the following procedures are in place:

- All schemes included in the Capital programme must be approved by Fire Authority;
- The budget for each capital scheme is assigned under the control of one project manager;
- Officers monitor the progress of the Capital Programme on a monthly basis;
- Progress of the Capital Programme is reported to Fire Authority on a quarterly basis;
- The authority's Financial Regulations and Standing Orders provide strict guidelines in relation to capital budgets and variations to spend.

**Knowledge and Skills**

In order to manage the Capital Programme the Authority employs qualified and experienced staff.  Access to courses is provided to enable staff to keep skills up to date and complete their Continuing Professional Development (CPD) requirements.

The Authority also procures, where required, expert advice and assistance externally.

The Authority ensures that Members are suitably qualified to undertake their governance role.

## Our Treasury Management Strategy

The overall objectives of our Treasury Management Strategy are as follows:

- To ensure sufficient funding is available for day-to-day activities and capital projects through the effective management of cash flow;
- To seek to reduce the financial impact on the revenue account of net interest costs through optimal levels of borrowing and investment levels;
- To ensure the security of investments and liquidity of funds. To maximise income from the Authority's investments after ensuring these two considerations are met.

## Background

A detailed Treasury Management Strategy is approved by Fire Authority annually.

Derbyshire Fire and Rescue Authority have a statutory responsibility to safeguard prudence and sustainability of its capital investment. The Local Government Act 2003 (the Act) and supporting regulation requires the Authority to 'have regard to the CIPFA Prudential Code and the CIPFA Treasury Management Code to set Prudential and Treasury Indicators for the next three years.

It is a statutory duty under Section 3 of the Act and supporting regulations, for the Authority to determine and keep under review how much it can afford to borrow, referred to as the 'Affordable Borrowing Limit'.

The Authority must have regard to the Prudential Code when setting the Authorised Limit, which requires that total capital investment remains within sustainable limits and has an acceptable impact upon future council tax levels.

## Approach

In contemplation of its Treasury Management Strategy, the Authority gives due consideration to the following:

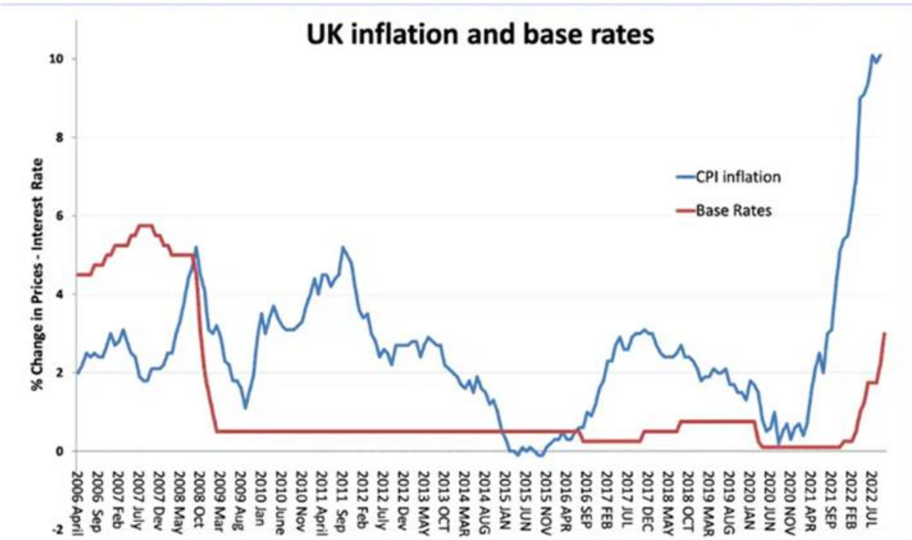
- Prudential and Treasury Indicators
- Treasury limits in force and Treasury 'risk'
- Borrowing requirements
- Interest rate prospects
- The security of capital and

- The liquidity of investments.

The Authority values both security and liquidity above financial return and employees Treasury practices to safeguard investments. The Authority also engages with Treasury advisors to benefit from expert advice and experience.

Increasing interest rates have presented the service with an opportunity to realise greater investment gains. This has benefit of reducing the current pressures on the MTFP. However the service will continue to pursue liquidity and security over gain in its treasury activities.

Table 4




The detailed strategy will be presented with the detailed MTFP in the Budget report for the Fire Authority.

## Our Savings Strategy

### Background

Savings are required to bridge the gap between spending pressures and reductions in government funding. The Authority is facing continued and increasing pressure to:

- Find even more savings to balance the budget over the medium term
- Achieve and maintain financial stability over the medium and longer term
- Deliver agreed priorities and objectives, including meeting changing statutory and legislative duties
- Deliver value for money for local people and taxpayers, through working together with our partners

It is evident that additional savings will still need to be delivered between now and 2026/2027 in order to balance the budget. An updated position will be reported to Members in February 2023 as part of the Medium-Term Financial Plan and 2023/2024 budget setting process including proposed savings for the service.

Work has already identified savings plans for 2023/24 after reviewing capital financing assumptions and approaches as well as work to challenge existing fleet, assets and equipment strategies. These will be presented for approval at the Fire and Rescue Authority.

The main themes are included below and form the basis of a Programme being managed through the Programme Board.

- The Capital Programme
- Vehicles Review (Fleet, equipment & maintenance).
- Vacancies
- Ways of working
- Apprenticeship / Training Review
- Use of the estate
- Use of technology (This is one of our Service Priorities)

## RESERVES STRATEGY 2023/2024

The Authorities strategy is to hold appropriate balances to provide contingency funding, to manage spend profiles across financial years, to hold grants and contributions received separate until utilised and to allocate funding to future strategic projects and identified risks.

Due to the increase in interest rates and rising cost of borrowing the service will replace, as far as possible any debt financing within the capital programme with the use of reserves.

### Background

The requirement for a local authority to maintain financial reserves is acknowledged in legislation: the Local Government Act 1992 requires billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

In accordance with the 1988 Local Government Finance Act the Chief Finance Officer (Section 151 Officer) must report if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that expenditure will exceed resources.

The External Auditors are not responsible for prescribing the optimum or minimum level of reserves for individual authorities or for authorities in general, but they are required to review and report on the level of reserves and balances. The External Auditors' view as to whether an authority has strong financial management and sound financial standing will be supported by their review of the process used to determine and approve the level of reserves.

### Determining the level of reserves

The Reserve Strategy is reviewed annually to ensure that it remains relevant and up to date, reflecting the medium to long term needs of the Authority. Determining the appropriate level of reserves is a balance of holding a prudent level of financial security for unforeseen pressures against using funds for investment into the service.

The Authority holds several different reserves, each of which are explained in this Strategy, and all support the prudent and sustainable approach to budget setting, which has existed for many years.  Reserves are held for several reasons.

The Authority holds reserves which fall into two distinct categories:

- General Reserves: these are necessary to fund any day-to-day cash flow requirements and also to provide a contingency in the event of any unexpected events or emergencies, and
- Earmarked Reserves: these have been created for specific purposes and involve funds being set aside to meet known or predicted future liabilities.

Such reserves are intended to smooth the expenditure profile and avoid liabilities being met from Council Tax or the need to make offsetting savings in the year that expenditure is incurred.

There is not a standard recognised formula for determining the level of reserve that each local authority should maintain. It is the responsibility of the Section 151 officer to recommend an appropriate level for Reserve balances. In establishing an appropriate level the local circumstances and the potential issues/risks that may occur across the medium term are considered. In determining an appropriate level of reserves for Derbyshire Fire and Rescue Service the range of risks and issues that should be taken into account include the following:

- The possibility of predicted shortfalls in future years of the MTFP requiring additional savings to be delivered.  Such savings may need additional time to develop or initial investment to enable a saving to be realised,
- To provide cover for extraordinary or unforeseen events occurring: given that the purpose of the fire and rescue service is to respond to emergency situations, there is always the potential for additional, unexpected and unbudgeted expenditure to occur,
- The commitments falling on future years as a result of capital plans and proposals to improve/develop the asset held by the Authority. Having reserves would mitigate the impact on the revenue budget of borrowing and/or revenue contributions to capital,
- The risk of inflation,
- Enable the Authority to resource one-off policy developments and transformation initiatives without causing an unduly disruptive impact on Council Tax,
- Spread the cost of large-scale projects which span several years,
- Impacts of the McCloud pension case and significant costs relating to the remedy. The actual funding of the remedy and compensation remains unknown but could impact on the Authority.

**General Reserves**

The General Reserve provides a contingency to cushion the impact of unexpected events and exceptional costs and in extreme circumstances would be used to provide a working cash balance to cushion the impact of uneven cash flows. The General Reserve is held as an emergency fund and so is not used in day-to-day operations.

There has been considerable debate about the level of general reserves that are being held by authorities. Whilst there is no specified minimum general reserve level, many authorities have adopted 5% of the net revenue budget as an appropriate level.

For Derbyshire Fire Authority, the level of General Reserve at 31 March 2022 stood at £1.9m which is in line with 5% of the budget. Although the Revenue budget may change from year to year the General Reserves will be maintained at £1.9m whilst this is sufficiently close to the target level.

In addition to the General Reserve the authority holds several other non-earmarked reserves. These are identified below:

**Strategic Risk Reserve** – This is the main reserve used by the authority to meet unforeseen pressures above current budgetary provision where a specific reserve does not exist. In addition the reserve can be used to provide temporary funding to cover delays or shortfalls in delivering IRMP programme savings and to provide an unallocated reserve to cushion the impact of funding cuts.

**Capital Receipts Reserve** – Used to hold capital receipts from the sale of fixed assets until they are used as funding for further investment in the capital programme.

**Earmarked Reserves**

In addition to General Reserves the Fire Authority has several earmarked reserves. These have been set aside to support capital and revenue expenditure in future years. They contain funds identified by the authority and grant income that remains unspent.

An annual review led by the Director of Finance and Senior Management Team is undertaken to ensure all earmarked reserves carried forward into the following financial year are still justified with clear plans for their usage. In addition future risks and the need to create or increase reserve balances is considered.

During the year end the treatment of any resulting underspend is considered and allocated to:

1. earmarked reserves to meet future risk,
2. to increase General Reserves (at the discretion of the S151 officer),
3. to the Capital development Reserve to reduce the need for future borrowing.

The forecast levels reflect the planned usage of reserves to meet anticipated expenditure. The main earmarked reserves are explained below.

**Capital Development Reserve –** To support the Capital Programme and the Authority's commitment to longer term planning while cushioning the impact of any borrowing. Used to fund future capital programme schemes where borrowing is less desirable in particular assets with shorter lives e.g., ICT. In additional the reserve gives flexibility to finance investment not strictly meeting the capitalisation criteria e.g. hosted or managed ICT systems.

**Grant Reserves** – Used to hold individual Grants received by the Authority that are currently unused or span more than one year. These include:

- Grenfell Infrastructure Grant
- Building Risk Grant
- Protection Uplift Grant
- Protection Grant – Accreditation
- Section 31 Grant
- ESN Grant

**Covid-19 –** Emergency Funding balance held to fund ongoing cost of additional Covid 19 activities and increased costs.

**Workforce Planning –** Held to ensure that a high level of training provision is in place to replace the potential skills loss predicted following the implementation of the McCloud remedy.

**Pensions Risk Reserve** – To provide for the potential liabilities falling on the Service from the various legal challenges including McCloud and Sergeant.

**Protecting the Most Vulnerable** – Established to safeguard prevention activities currently undertaken with partner agencies in the main, and to support schemes and partners in providing health and wellbeing support to the most vulnerable members of our community.

**PPE** – To provide resources for investment in PPE enhancement and replacement in addition to annual budgets.

## Our Council Tax Strategy

### Background

Council Tax receipts make up approx. 75% of the Services income. It is subject to significant central control, much of which is contained in primary legislation. For several years a 2% cap has been in place for Fire Authority precept increases. For 2023/24 and additional 1% flexibility has been granted.

The Authority has looked to limit council tax increases as far as possible but has also to consider its financial resilience considering projected budget deficits, pay and price inflation, rising employer pension contributions, and other budget pressures. Band D Council Tax for 2022/23 is set at £80.84. The Authority considers precepting options as the only significant measure it controls to support investment into the Service and to assure that the future resilience of Derbyshire communities is not compromised. Precepting options will continue to be considered alongside the level of available reserves and borrowing as well as investment needs.

## Other Supporting Strategies and documents

The Medium-Term Financial Strategy supports other key Corporate Strategies and documents such as:

- Integrated Risk Management Plan (Our Plan) (IRMP)
- Scheme of Delegation
- Financial Regulations
- Anti-Fraud and Corruption Strategy
- People Strategy
- Asset Management Plan
- Procurement, HR and ICT Strategies

These documents are key in embedding the Authority's Vision, Priorities and Values and serve to ensure that the Service has the financial resource, people, ICT and property resources necessary to deliver its priorities.

## Glossary of Technical Terms

**Baseline Funding Level**
The amount of an individual authority's *Start Up Funding Assessment* for the year provided through the *local share* of the *Estimated Business Rates Aggregate* (uprated each year in line with Retail Price Index).

**Budget**
A statement of the authority's policy expressed in financial terms.

**Business Rates Baseline**
Determined for individual authorities at the outset of the business rates retention scheme by dividing the *local share* of the *Estimated Business Rates Aggregate* between billing authorities based on their proportionate share.

**Capital Programme**
The authority's plan of capital works for future years. Expenditure on the acquisition of fixed assets or expenditure that adds to the life or value of an existing fixed asset.

**Derbyshire Police and Fire Partnership (DPFP)**
Derbyshire Police and Fire Partnership (Limited Liability Partnership), a legal entity established to manage the build of the new joint headquarters and training centre.

**Estimated Business Rates Aggregate**
The total business rates forecast at the outset of the business rate retention scheme to be collected by all billing authorities in England in 2013/2014, uprated year on year.

**Limited Liability Partnership**
A legal business entity whereby the partners have limited liabilities.

**Local Government Departmental Expenditure Limit (LG DEL)**
The government budget that is allocated to and spent by government departments. This amount, and how it is split between government departments, is set at Spending Reviews.

**Provision**
A liability or loss which is likely or certain to be incurred but where the date and cost are uncertain.

**Revenue Support Grant**
Revenue Support Grant is Central Government funding, distributed by a complex formula, which aims to achieve a fair distribution of resource between authorities. An authority’s Revenue Support Grant amount plus the *local share* of *Estimated Business Rates Aggregate* will together comprise its *Settlement Funding Assessment.*

**Reserves**
An amount set aside for specific or general purposes.

**Revenue Expenditure**
The day to day running costs incurred by the Authority in providing services.

**Revenue Financing**
Resources provided from the Authority’s revenue budget to finance the cost of capital projects.

**Safety Net**
A mechanism to protect any authority which sees its business rate income drop by more than 7.5% below their baseline funding level.

**Settlement Funding Assessment**
On an individual local authority level, it comprises each authority’s *Revenue Support Grant* for the year in question and it’s *baseline funding level* (uprated year on year in line with RPI).