Medium Term Financial Strategy 2021/22-2024/25 appendix a

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:

- Our Reserves Strategy;
- Our Council Tax Strategy;
- Our Treasury Management Strategy;
- Our Investment Strategy;
- Our Borrowing Strategy;
- Our Savings Strategy; and
- Our Capital Strategy.

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

Aims of the Strategy –

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

Achieved by:

The Services 'Integrated Risk Management Plan (DFRS IRMP 2017/2021);

Continuing to manage borrowing and exploit opportunities to use prudent borrowing to fund future developments;

Maintaining sufficient Reserves and balances to cover financial risks whilst continuing to invest in the Service;

Actively exploring the opportunity for savings through collaborative, targeted and intelligence led service delivery;

Actively seeking 'Invest to Save', Continuous Improvement and Collaborative opportunities;

Meeting our statutory responsibilities to provide 'Best Value' to our communities.

It should be noted that the full detail of the impact on Derbyshire Fire and Rescue Services budget from 2020/2021 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 2018/2019, 2019/2020 and 2020/21 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.

What is the scale of the challenge?

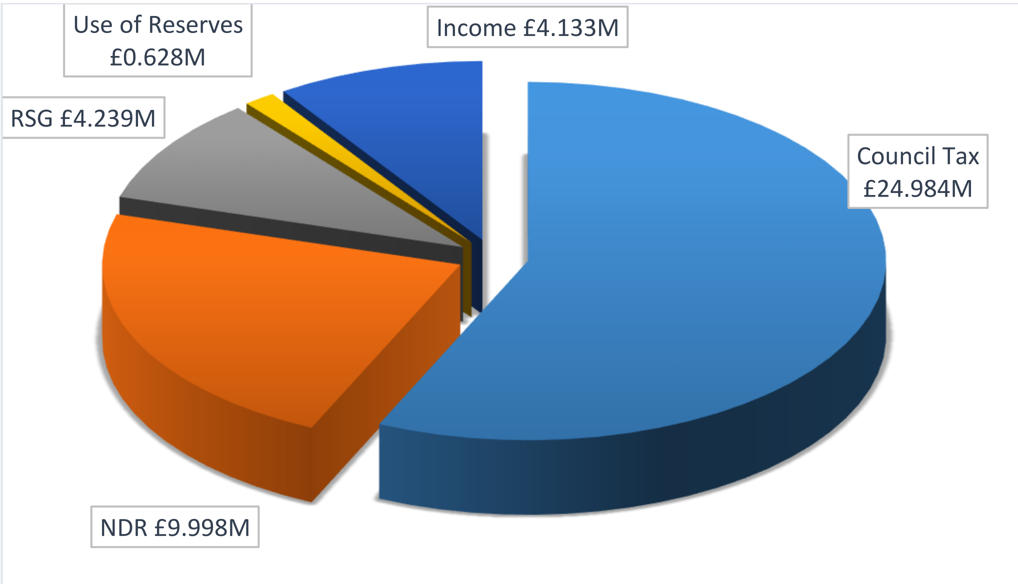
The approved 2020/21 – 2023/24 revenue budget identified a budget gap across all 4 years of the Medium Term Financial Plan (MTFP), as below, with the shortfall funded by the use of reserves in each year. In previous years the use of reserves has not been required at year end due to the Services approach to managing vacancies and the level of vacancies and recruitment issues faced by the service.

	2020/2021 (£)	2021/2022 (£)	2022/2023 (£)	2023/2024 (£)
Budget shortfall	**628,170**	**1,166,720**	**1,585,690**	**2,009,950**

Since publishing the MTFP the Service has worked to develop proposals to significantly close these gaps across all 4 years. The majority of the proposals are technical in nature and are further explained in the Minimum Revenue Provision and Capital Financing / Borrowing sections later in the capital strategy Further significant savings have been realised by realigning salary budgets and will help prevent recurring variances in this area. This detail will be included in an updated MTFP.

How are we funded?

The overall service budget is funded from 4 main sources, Council Tax, Business Rates, Government funding and service income as shown in the diagram below.



What's happening nationally and what is the local impact?

The 2020/21 - 2023/24 MTFS highlighted the level of uncertainty facing the Authority and the issues identified in that Strategy remain. Whilst the 2020/21 budget showed a relaxation of the previous decades austerity measures, public sector finances faced increased uncertainty from the ongoing Brexit negations and change in leadership with a new Prime Minister. Alongside the national position the Fire sector faced additional issues such as the McCloud/Sargent ruling where the final remedy solution was undecided but posed a significant threat to the Services finances.

Increased Uncertainty

The last 12 months have not provided any further clarity and many of the national issues effecting the Service remain unresolved. In addition the outbreak of the ***Covid 19*** pandemic has consumed not only local but worldwide attention to a level arguably not previously seen in the post War period. As the financial impact of the pandemic unfolds the Governments response and knock on impact to DFRS remains unclear. The Government initially introduced a series of welcomed measures to combat the immediate economic impact of the pandemic but the medium and longer term positions remains unclear. The level of ongoing support nor the Governments strategy to fund the 'Covid bill' have been announced, with the financial settlement now expected in the New Year.

Derbyshire Fire and Rescue has been proactive in its response to the threat of Covid 19. To date the service has not experienced the potential large scale losses of capacity though infection or isolation that were initially feared. In contrast the service has been able to provide assistance to other partner agencies and provide support to the communities in Derbyshire throughout the pandemic. In addition, unlike some other public sector agencies it is not expected to suffer any material long term increased costs. However the service is likely to experience a significant reduction in income, due to the pandemics effect on the wider economy.

Flexibility needed

As a result the Service must prepare a strategy allowing for as much flexibility as possible to respond to ever changing conditions and also the financial resilience to weather economic downturns and potential funding changes. This strategy will allow reserves to be used in the short term to fill potential gaps while the government's response and potential support is clarified. Providing resources in the short term to allow more understanding of the impact of Covid 19 on public sector finances will help ensure a more appropriate strategic response.

The effect of COVID 19

As shown, the service is 80% funded from local taxation through Council Tax and Retained Business Rates making it especially susceptible to changes in the local economy. While previously this may have given some protection from the impact of reductions in direct Government funding it now poses a significant threat as the impact of Covid 19 is felt by businesses and households alike.

The effect on Business Rates revenues is expected to be twofold as some organisations, both large and small, cease trading as the initial casualties of the pandemic. Secondly, in the short to medium term, remaining organisations are reviewing the need for office space as the formal work environment / work from home balance continues to evolve.

Levels of unemployment are also forecast to increase in the short to medium term, increasing the number of claimants on Council Tax Support (CTS) and likely the value of Council Tax arrears and bad debs requiring write off. Increased CTS will reduce the Tax Base, a fundamental part of the Council Tax calculation, thereby reducing the amount of funding receivable.

Estimating the impact on Council Tax and Business Rates is extremely difficult and the Service relies on information from the 9 billing authorities within the district. The National Fire Chiefs Council (NFCC) have reviewed the information supplied nationally and suggested initial reductions in income, shown in the table below including the financial impact. As can be seen the Service is particularly sensitive to movements in Council Tax, where 1% represents over £0.25M of funding.

	1%	**NFCC**

NNDR	35,267	4.54%	160,111
Council Tax	250,999	2.88%	722,878
Total			882,989

The actual reduction will only become clear over the next 12 months and so initial modelling will be based on the £0.9m reduction suggested by the NFCC analysis. The billing authorities are required to prepare a formal estimate by the end of January 2021 upon completion of the NNDR1 return. The lateness of this date has always been problematic in setting the following years MTFP. The current year will prove even more challenging due to the potential for significant change.

DFRS received a total of £947,000 Covid 19 grant from the government to fund the continuation of services during the pandemic. Any remaining grant at the end of the current year will be transferred to reserves and form part of the reserves strategy.

Government funding

Prior to the Brexit negotiations, government announced large scale reviews to be undertaken of the business rates system and the spending needs formula with a view to further support adult social care services. Although social care in this context is not a specific function of DFRS both of these reviews have the potential to change the allocation of funds within public services and therefore affect DFRS. Both of these reviews were paused during the continuing Brexit negotiations.
The government was quick to release emergency funding at the start of the Covid 19 pandemic along with many other reliefs. Provision has also been made to compensate authorities for 75% of income lost (excluding tax) during 2020/21. However the level of ongoing support, in particular for lost tax income which is most relevant to DFRS, has not been announced. A change to statutory accounting requirements will allow for 2020/21 deficits to be funded over 3 subsequent years but further clarity on ‘establishing a central / local split’ of further losses is still awaited.

The autumn budget normally received during October/November which gives an insight into the governments intentions for future funding has been deferred and now expected in the New Year. As expected, with the level of change facing the government, the settlement has now been confirmed as a 1 year budget.

The hopes of a short pandemic and the beginning of a recovery over the summer months have now proven to be optimistic with the implementation of a second national lockdown. The ongoing nature of the pandemic continues to create issues in financial planning for both central Government and Local public sector organisations. Whilst the government continues to release additional support and funding, although none recently for Fire Services, the announcements of funding have been reactive and very much over the immediate/short term. Longer term announcements for effective planning are still awaited from the Government.

Brexit

The UK officially left the European Union in January 2020 but is still in the transition period until 31December 2020. It was intended the 11 month period gave sufficient time for trade deals and the UK/EU's future relationship to be established. While talks have continued through the summer issues on workers' rights, fishing rights and the Irish border all remain unresolved (at the time of writing) and a final trade deal has not been agreed.

The final EU deal / no deal position will have significant impact on the shape of the UK and public sector finances moving forward.

Pensions

The McCloud/Sargent ruling has been well documented in recent reports and remains a potential threat to public sector finances, especially Fire. Members will be aware of a number of recent consultations that have taken place across different public sector pension schemes with the different potential remedy solutions. The remedy period is likely to run until March 2020. All potential solutions will present a significant cost, both one off for backdating and ongoing through increased employer contributions. The level of government support to meet these additional costs has not been announced.

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 changing approach

While many aspects of normal life have recently been put on hold the Authority recognises that there is a continual need to invest in our service and the physical assets we use. Several stations have been identified as priorities for investment to maintain high levels of performance and also provide an opportunity for co-location sites with our other blue light partners.

The current capital financing strategy has previously enabled capital expenditure to be funded 'by the most advantageous method prevailing at the time it is required'. In practice this has often been from reserves and from direct revenue contributions. The current MTFP includes annual contributions to the capital development reserve and financing direct from revenue contributions.

This approach has served the Authority well and has meant no new external borrowing has been entered into since 2009. As a result DFRS enjoys low levels of debt (currently £8M) and is in the bottom quartile when ranked with comparators.

This situation combined with the current low cost of borrowing presents an opportunity to the service. Replacing the direct revenue funding currently within the MTFP with new borrowing will generate savings in each year. This approach significantly contributes to closing the existing budget gaps.

Whilst this approach will commit the service to new longer term debt and also potential additional interest costs, it does bring other key benefits.

- Spreading the cost of borrowing over the asset life creates a budgetary provision each year and allows for easier financing when replacement assets are required.

- Recognising investment costs over the life of an assets prevents spikes in expenditure within the MTFP.

- In addition to closing the budgetary gap and saving revenue funding, reserves can be preserved to provide additional resilience and flexibility for the authority.

- The service can take advantage of historically low interest rates.

Borrowing as a method of financing is most appropriate for assets with a longer life (property) as the recognition of costs can be spread over a greater number of years. This generates the larger in year saving. It is generally more appropriate to fund assets with shorter useful lives (ICT) from other capital resources i.e. capital receipts where the benefit from spreading costs is less noticeable.

This approach will now be followed when establishing the most appropriate method of financing. The strategy can also be applied to the current 2020/21 capital programme to maximise the reserve balances that can be held for funding certainties.

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.

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. The current strategy was approved on 14 February 2019.

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

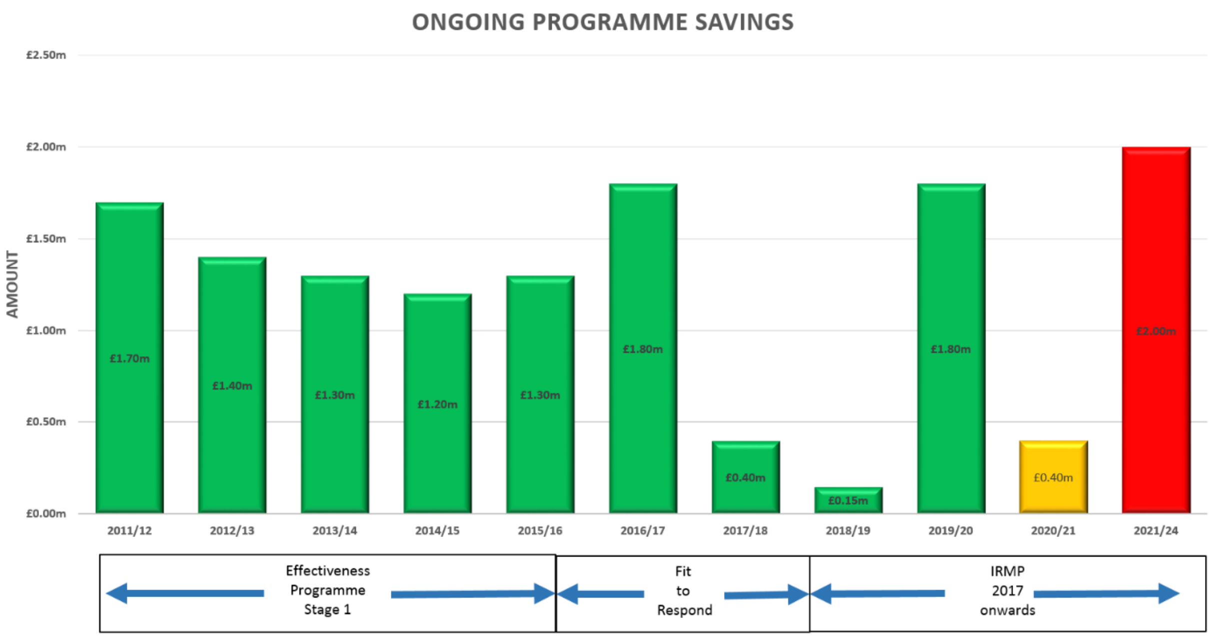
Our Savings Strategy

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.

The chart below shows the savings achieved since the start of our savings programme under the various initiatives the Service has run.



Data from the Ongoing Programme Savings bar graph image

Year	Amount (millions)	Programme Initiative
2011 to 2012	1.7	Effectiveness programme stage 1
2012 to 2013	1.4	Effectiveness programme stage 1
2013 to 2014	1.3	Effectiveness programme stage 1
2014 to 2015	1.2	Effectiveness programme stage 1
2015 to 2016	1.3	Effectiveness programme stage 1
2016 to 2017	1.8	Effectiveness programme stage 1
2017 to 2018	0.4	Fit to respond

2018 to 2019	0.15	Fit to respond
2019 to 2020	1.8	IRMP 2017 onwards
2020 to 2021	0.4	IRMP 2017 onwards
2021 to 2024	2	IRMP 2017 onwards

The Service development themes remain consistent as detailed in Our Plan

Development Theme	**What does this mean?**
Align Staffing Levels, Duty Systems and Ways of Work to risk and demand	We will look at resources we have and make sure they are matched to the risks in each area of Derbyshire. This will allow the Service to make sure our Prevention, Protection and Response activity is balanced and proportionate to keep communities safe.
Collaboration and Shared Services	We will undertake more joint working projects reviewing services and assets which will benefit Derbyshire communities in an effective and efficient way. This is an area we have been focusing on over the last few years and is also a requirement of the emergency services within the Policing and Crime Act 2017.
Community Safety and Partnership Working	We will further develop our partnership working and relationships with other agencies to work more effectively in communities. This will improve social wellbeing and public safety across Derbyshire.
Continuous Improvement	We seek to continuously improve what we do in all areas of our work, which means developing our people, processes and systems. This commitment to continuous improvement is vital to provide the best service possible to communities and drive efficiencies.

The Authority's financial and operational plans are clearly integrated and project forward in considerable and appropriate detail, and it is evident that significant additional savings will still need to be delivered between now and 2024/2025 in order to balance the budget. An updated position will be reported to Members in February 2021 as part of the Medium Term Financial Plan and 2021/2022 budget setting process.

Work has already identified that savings plans for 2021/22 are manageable 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.

Our Reserves Strategy

Background

The level of reserves held is very much a local decision and will be guided by DFRS's perception of risks and threats, goals and aspirations. The requirement for financial reserves is acknowledged in statute.

A recent NFCC survey found that Fire and Rescue Authorities are forecasting significant reductions in their Reserves, which would require an increase in funding to ensure the sustainability of the service. However, similar forecasts made in 2018 have yet to materialise.

With continued pressures, challenges and demands, Reserves enable the Service to plan ahead for more than 12 months at a time, which is crucial for the purpose of financial sustainability, improving our service to the community, and ensuring that taxpayers get value for money.

Reserves are an important component of the Authority's financial planning, but they are not a sustainable solution to funding shortfalls. Members approved the use of the Strategic Risk Reserve to bridge the funding gap in its budget in years 2018/2019, 2019/2020 and 2020/21, and are advised by the Director of Finance / Treasurer that this approach is not sustainable despite being able to claw back those contributions over the course of the year.

The Service holds general reserves to provide for unexpected events and ongoing budget pressures, the funding reductions being the most notable example, with many public sector organisations using reserves to balance budgets.

The General Reserve is to provide for any unexpected expenditure that cannot be managed within existing budgets. Such expenditure would be one-off and extraordinary in nature. General reserves are maintained at 5% of net expenditure which is consistent with published best practice and aligns with the advice of the Director of Finance / Treasurer.

Earmarked reserves are held for specific future spending (i.e. planned service changes and developments, capital spending, legislative and statutory reasons), for specific risks (i.e. uncertainty surrounding future capital funding, potential or threatened litigation) or possible future events. It is prudent that the Authority identifies such areas of expenditure and sets aside amounts that limit future risk exposure. An insufficient level of reserves would render the Authority vulnerable to unexpected events and economic shock. Future challenges and uncertainties which could impact on the use of our reserves include the following:

- COVID -19
- Prospects for economic growth and interest rates going forward;
- Changes to principal funding schemes and in particular Business Rates;
- Financial uncertainty associated with the absence of multi-year settlements in 2021/2022 and new budget pressures;
- Review of the Fair Funding formula (delayed);
- The ever-uncertain backdrop of Brexit

- Implications of the Hackitt Review and Grenfell (and other reviews);
- Increasing Employer Pension Contributions, pension grant shortfalls and new legislative rulings;
- The significant increased cost of pensions, higher pension ages and the reform of ill health benefits;
- Future pay awards;
- Implications and investment in the roll out of the Emergency Services Network.

DFRS has below average reserves. Our share of Earmarked Reserves enables us to protect the Service against financial risk.

Earmarked Reserves include the following:

- **Capital Development Reserve** - to support the Capital Programme, cushion the impact of any borrowing, the Authority's commitment to longer term planning, and the future development of the Service.

- Other Earmarked Reserves, which include **Workforce Contingency Reserve**, **Protecting the Most Vulnerable Reserve**, and **Joint Personal Protective Equipment Reserve**, will be required to support revenue expenditure in the current financial year.

Value for Money Risks – Ernst & Young, in their year end auditor's report, concluded that financial resilience was not a significant risk to their VFM conclusion, whilst referencing the planned use of reserves to support the General Fund budget in each of the next 3 years. They concluded '*we are satisfied that the Authority's General Fund reserve balance at the 31 March 2022 will remain above the Authority's approved minimum level of £1.9m.'*

An appropriate level of reserves is essential in safeguarding the sustainability and future financial resilience of the Service, particularly in a time of continued economic uncertainty and instability. A Statement of Estimated Reserves will be reported to Members at the February 2020 Fire Authority meeting for the period to 2023.

General Reserve

Purpose: To provide for any unexpected expenditure that cannot be managed within existing budgets. Such expenditure would be one-off and extraordinary in nature. *Activity*: Volatile – likelihood is unpredictable. Significant impact, provides the Authority with capacity to maintain operations in the event of significant one off large scale incidents and pressures. *Procedure for management and control:* the level and utilisation of the reserve is formally determined by the Fire Authority, on the advice of, and information supplied by the Director of Finance / Treasurer. *Timescale for review:* Annual.

Strategic Risk Earmarked Reserve

Purpose: To meet significant unforeseen pressures, changes in funding, major incidents including environmental and large scale incidents, strike action, business continuity and security implications. To provide temporary funding from reserves to cover delays or shortfalls in delivering IRMP programme savings and to provide an unallocated reserve to cushion the impact of funding cuts. *Activity*: Volatile – such events are unpredictable but need to be provided for. Significant impact, provides the Authority with capacity to maintain operations in the event of significant one off large scale incidents and pressures. *Procedure for management and control:* the level and utilisation of the reserve is formally determined by the Fire Authority, on the advice of, and information supplied by the Director of Finance / Treasurer. *Timescale for review:* Annual.

Invest to Save Earmarked Reserve

Purpose: To provide funding to deliver structural change and pump prime projects which require investment to deliver savings in the longer term. The reserve further provides for service and delivery improvements, funding for which is not inherent in the base budget. *Activity*: Uncertain – uncertainty in government funding and on-going effect of local government reform, years 2021/22 and beyond. Significant impact, limited notice of changes in government policy and material sums of money are involved. *Procedure for management and control*: the level and utilisation of the reserve is formally determined by the Fire Authority, on the advice of, and information supplied by the Director of Finance / Treasurer. *Timescale for review*: Annual.

Tri Control and ESN Earmarked Reserve

Purpose: To provide for the uncertainty around the Tri-Control and ESMCP projects and emerging requirements. To build capacity to support alternative mobilising systems if required, the replacement for Airwave, the new Emergency Services Network and meet other national resilience proposals. *Activity*: Volatile – uncertainty in government funding and diminishing opportunities to claim for New Burdens funding. Significant impact due to limited notice of changes in government policy and material sums of money are involved. *Procedure for management and control*: the level and utilisation of the reserve is formally determined by the Fire Authority, on the advice of, and information supplied by the Director of Finance / Treasurer. *Timescale for review*: Annual.

Capital Development Earmarked Reserve

Purpose: To fund future capital programme schemes where borrowing is less desirable in particular assets with shorter lives eg ICT. In additional the reserve gives flexibility to finance investment not strictly meating the capitalisation criteris eg hosted or managed ICT systems.
Activity: Uncertain – uncertainty over future capital grant and Transformation Funding beyond 2021/22. Significant impact due to limited notice of changes in government policy and material sums of money are involved.
Procedure for management and control: the level and utilisation of the reserve is formally determined by the Fire Authority on the advice of, and information supplied by the Director of Finance / Treasurer.
Timescale for review: Annual.

Workforce Contingency Earmarked Reserve

Purpose: To provide for employee related costs associated with internal restructuring or the disestablishment of posts due to partnering opportunities, to include voluntary and compulsory redundancy payments.
Activity: Uncertain – subject to organisational need and external funding pressures. Impact is not anticipated to be significant.
Procedure for management and control: the level and utilisation of the reserve is formally determined by the Fire Authority on the advice of, and information supplied by the Director of Finance / Treasurer.
Timescale for review: Annual.

Pensions Risk reserve

Purpose: To provide for the potential liabilities falling on the Service from the various legal challenges including McCloud and Sergeant
Activity: Uncertain – subject to legal clarification.
Procedure for management and control: the level and utilisation of the reserve is formally determined by the Fire Authority on the advice of, and information supplied by the Director of Finance / Treasurer.
Timescale for review: Annual.

BA Training House R&M Fund Earmarked Reserve

Purpose: To provide for essential repairs and maintenance works to the fire house units at the Joint Training Centre, due to the expensive nature of repair.
Activity: Uncertain – timing of requirement unknown. Potential for significant impact given associated high cost.
Procedure for management and control: the level and utilisation of the reserve is formally determined by the Fire Authority on the advice of, and information supplied by the Director of Finance / Treasurer.
Timescale for Review: Annual.

System Development Earmarked Reserve

Purpose: Established to enable the development of key systems, such as Agresso. Funding for development purposes is not inherent within the base revenue budget. *Activity:* Subject to timescale for upgrade, and ICT resource availability. Impact has potential to be significant, due to the Service's reliance on key financial systems. *Procedure for management and control:* the level and utilisation of the reserve is formally determined by the Fire Authority on the advice of, and information supplied by the Director of Finance / Treasurer. *Timescale for review:* Annual.

Protecting the Most Vulnerable Earmarked Reserve

Purpose: 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. *Activity:* Uncertain – depends largely on partnership activities. Small financial impact to DFRS, but potential for significant impact in the community, for example, a house fire to horder's premises. *Procedure for management and control:* the level and utilisation of the reserve is determined by Fire Authority on the advice of, and information supplied by the Director of Finance / Treasurer. *Timescale for Review:* Annual.

Covid 19 - Earmarked Reserve

Purpose: To earmark specific government funding recived to fund increased Covid 19 costs. *Activity:* Funding for increased costs and reduced income as a result of Covid 19 from 2020/21 onwards. *Procedure for management and control:* the level and utilisation of the reserve is formally determined by the Fire Authority on the advice of, and information supplied by the Director of Finance / Treasurer. *Timescale for review:* Annual.

Local Funding Risk – Earmarked Reserve

Purpose: To provide temporary funding and cover potential shortfalls in the IRMP. *Activity:* Will be used during 2021 – 2024 MTFP process. *Procedure for management and control:* the level and utilisation of the reserve is formally determined by the Fire Authority on the advice of, and information supplied by the Director of Finance / Treasurer. *Timescale for review:* Annual.

ESN Revenue Grant Reserve

Purpose: To account for Government Grant funding specific to ESN related revenue costs.
Activity: Uncertain – around timing of delivery.
Procedure for management and control: the level and utilisation of the reserve is formally determined by the Fire Authority on the advice of, and information supplied by the Director of Finance / Treasurer.
Timescale for review: Annual.

Specific Grants

Purpose: To hold specific grant funding recived while project activities are delivered. Current balances include, Grenfell, Building Risk and Protection Uplift grants.
Activity: Expenditure incurred in a specifc timeframe but may span several financial years following approval. Minimal impact.
*Procedure for management and control***:** the level and utilisation of the reserve is in line with the grant provider specifications.
*Timescale for review***:** Annual.

Our Council Tax Strategy

Background

Council Tax is subject to significant central control, much of which is enshrined in primary legislation.

Following the introduction of Council Tax Freeze Compensation Grant and years of stringent controls over excessive council tax increases, councils were given the freedom to set a social care precept of up to 3.99% in 2016/2017.. For several years a 3% referendum limit was in place. In 2020/21, a 2% cap was proposed for fire authorities.

The Authority has looked to limit council tax increases as far as possible but has also to consider its financial resilience in light of projected budget deficits, pay and price inflation, rising employer pension contributions, and other budget pressures. Band D Council Tax for 2020/2021 is set at £77.73. Following public sector austerity, the Authority considers precepting options as a measure to support investment into the Service, reviews its reliance on the use of Reserves, and to assure itself 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 on the basis of 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).