

1 Introduction

1.1 The Medium-Term Financial Strategy (MTFS) sets out the Council's strategic approach to the management of its finances and outlines the various factors and influences that may impact on us over the next few years.

1.2 The MTFS links our Council strategic plan (Bolsover District – The Future) and priorities, with forecasted resources and budgets. It is then used as a framework for the detailed budget setting process to ensure that resources are effectively managed and are able to deliver the Council's key objectives as set out in the Council's plan, over the medium term.

1.3 The Council's vision for 2024-2028 is:

“To maximise our influence and opportunities within the East Midlands Combined County Authority to drive the continued delivery of excellent services, maximise local aspirations and drive economic prosperity for Bolsover District.”

1.4 Within the Council's plan one of the strategic themes is Economy. To support this theme is the priority of 'Ensuring financial sustainability and increasing revenue streams.' This is the overall purpose of this MTFS.

2 Key Objectives of the Medium-Term Financial Strategy (MTFS)

2.1 There is a legal requirement for the Council to produce a balanced and robust budget for the forthcoming year. In preparation for the annual budget, officers will review the MTFS to update Members on changes to budget assumptions and service issues. The MTFS will be updated when items are further known, such as results of Government consultations or Government funding settlements.

2.2 The Medium-Term Financial Plan (MTFP) will then be presented to Members in January based on the MTFS strategic assumptions. The MTFP will contain the detailed revenue budgets for the general fund and housing revenue account resulting from the annual budget process for the next 4 years at service level, along with the proposed Capital Programme.

2.3 The MTFS will ensure financial sustainability and increase revenue streams by:

- Ensuring that effective financial planning and management contributes to the Council achieving the priorities in the Council plan.
- Maximising the income from Council Tax and Business Rates.

- Maximising income from commercial and regeneration opportunities within the District.
- Ensuring Dragonfly Developments Ltd, our wholly owned company, is able to take advantage of the wider trading powers provided by the Localism Act 2011, to earn income for the Council.
- Ensuring the Council's financial standing is prudent, robust, stable, and sustainable.

2.4 The Council has a number of agreed principles as a basis for financial management and budget planning as follows:

- Emerging pressures are managed within existing overall budgets in the first instance.
- Spending is aligned to key priorities as set out in the Council's plan.
- Income is only included in the budget where it is supported by robust proposals and is deliverable.
- Commercial income will be maximised where possible to ensure that fee charging services break-even over time and are provided with a nil cost subsidy from the taxpayer or return a surplus where appropriate.
- Where possible, future liabilities are anticipated.
- Budgets are sustainable.
- Savings proposals are supported by project plans and the impact on service delivery is clear.
- Capital and revenue planning are integrated to ensure implications are fully anticipated.
- Borrowing costs will be incurred (on capital projects) only where the cost is covered by new income as part of a business case.
- The Council's reserves and balances are not used as a primary method to balance the ongoing pressures in the budget. Earmarked reserves are used for specific one-off purposes to support the delivery of corporate objectives, to mitigate risks or to allow savings to be made as an invest-to-save.

3 The Factors Affecting the Medium-Term Financial Strategy (MTFS)

3.1 In compiling the MTFS a number of factors which affect the resources and expenditure for the Council have been considered. These have been reviewed to ensure the MTFS reflects the most up-to-date financial position for the Council.

Resources Available

3.2 The anticipated resources to be received by the Council are included in the MTFS. The resources forecasts are based on a number of assumptions which are detailed in the following sections. The table below shows the resources that were included in the MTFP in February 2024 as we do not yet have the actual figures for 2025/26 onwards until the Spending Review 2024 is announced.

Table 1 – Estimated resources receivable by the Council (excluding fees and charges)

	2024/25	2025/26	2026/27	2027/28
	£	£	£	£
Government Grants				
Revenue Support Grant	1,570,582	1,573,000	395,000	347,000
Business Rates S31 Grant	1,400,400	1,393,400	746,000	757,000
New Homes Bonus	361,142	0	0	0
Services Grant	18,623	18,623	0	0
3% Funding Guarantee Grant	392,305	493,000	0	0
	3,743,052	3,478,023	1,141,000	1,104,000
Locally Generated Income				
Council Tax	9,286,507	9,410,638	9,546,755	9,682,872
Business Rates	5,556,304	6,268,100	4,429,500	4,646,700
	14,842,811	15,678,738	13,976,255	14,329,572
	18,585,863	19,156,761	15,117,255	15,433,572
% resources locally generated	80%	82%	92%	93%

3.3 The amount of income the Council receives from the Government has significantly reduced since 2009/10. The amount received direct from the Government for 2024/25 is £7.2m lower than was received in 2009/10, as much more of the Council's income is now generated locally from Council Tax and business rates. The MTFP from February 2024, outlined the continued uncertainty surrounding local government funding and the significant assumptions that have to be made. These are given in more detail below.

Overdue Local Government Funding Reforms

- 3.4 There were multiple reforms scheduled for 2020/21 that were due to have a significant impact on local authority finances when complete. These were delayed understandably in 2020 due to the pandemic and it was expected originally that some of these may not be implemented until 2023/24. The assumption held in the MTFP was that these reforms would now probably be delayed until at least 2026/27. As a reminder the areas being reformed are described below.
- 3.5 **The Fair Funding Review** will re-assess the relative needs and relative resources of local authorities. This will determine the methodology for the distribution of the funding allocated to local government to individual authorities. Initial modelling showed that the recalculated Settlement Funding Assessment (SFA) was redirecting resources based on 'need,' which would impact negatively on most shire districts. However, there does seem to be some growing acknowledgement that authorities such as us with a low tax base, would lose out significantly under this method, and particularly if changes to business rates were brought in as planned, at the same time.
- 3.6 **Baseline Reset** – the Business Rates retention system is due to be reset. The reset will establish new Baseline Funding Levels, Business Rates Baselines and Top-ups/Tariffs for each local authority.

Top-ups/Tariffs will be reset based on:

- The amount of funding to be distributed following the Spending Review.
 - The new needs assessment resulting from the Fair Funding Review.
 - Estimates of individual local authority's Business Rates income.
- 3.7 **Business Rates Retention** – the Government announced in the Autumn Budget 2017 that local authorities would move to a system of 75% Business Rates Retention from 2020/21. This was delayed and due to be in place from April 2022. However, in early November 2021 the government announced that plans to allow councils to retain 75% of Business Rates from April 2022 had been abandoned as it was said the policy would conflict with the government's levelling up agenda and that the government would now 'proceed with caution' on the issue.
- 3.8 **Council Tax** – the Government's future strategy for Council Tax increases will also be a key issue. The Government's policy on referendum limits from 2024/25 onwards was not known when we prepared the MTFP, so our assumption was that the limits and strategy would remain unchanged.

Local Government Finance Settlement 2024/25

- 3.9 2019/20 was the final year of the four-year Local Government Finance Settlement. The Spending Review 2019 was originally planned to cover the three-year period 2020/21 – 2022/23 but was delayed. This effectively resulted in a one-year extension to the four-year settlement.

- 3.10 The Spending Review 2020 was due to cover the years 2021/22 – 2024/25 and it was anticipated it would provide clarity on the Government reforms, but this was delayed due to the pandemic. The Spending Review 2020 was therefore, another one-year extension.
- 3.11 It was hoped the Spending Review 2021 would provide an update on the Government reforms and cover the years 2022/23 – 2024/25 but again, a one-year settlement was announced for 2022/23 and there were no projected or indicative numbers for the remainder of the spending review period. Therefore, the Spending Review 2021 was again effectively a roll-over settlement.
- 3.12 It was thought that the Spending Review 2022 would cover both 2023/24 and 2024/25. However, the Local Government Finance Settlement when announced was another one-year settlement for 2023/24 only. There were no projected or indicative numbers for 2024/25 in lots of areas (although some were given), therefore, the Spending Review 2022 was effectively another roll-over settlement.
- 3.13 However, the provisional Local Government Finance Settlement announced on December 18th, 2023, was announced as the second year of the previous year's settlement. There were no projected or indicative numbers for 2025/26 and beyond, we made assumptions for 2025/26 and all future years.
- 3.14 As previously discussed, many times, the early indicative results of the above reforms were all detrimental to us as a district Council who has seen much growth in recent years, both in business rates and New Homes Bonus grant. The removal of these funding streams will have a major effect on our financial position.
- 3.15 The current MTFP was produced before the change of Government that resulted from the general election. It is still early days for the new administration and lots of rumours are circulating about when there might be a budget announcement, what reforms may now disappear, and what the Spending Review 2024, is likely to look like.
- 3.16 Some commentators are predicting an Autumn Statement will be delivered at, or after, the party conference in October, that decisions on reforms are likely to be delayed until 2026/27 at the earliest, and that the Finance Settlement for 2025/26 is likely to be a one-year only, possibly just rolling over from 2024/25.

3.17 Once the implications of the Spending Review are known for Bolsover, they will be included in our updated MTFP. The following sections give details of the outcome of the Spending Review for 2023, which is included in our MTFP, along with possible changes being talked about for the Review due to be announced in the next few months.

New Homes Bonus

3.18 A number of times it has been announced by the Government that the current year represents the final year of New Homes Bonus funding. In the Spending Review 2023, the grant continued for another final year. We were allocated grant of £0.361m for 2024/25 which was a reduction on previous years. The future of New Homes Bonus has been consulted on by Government and we await the result. Both the Lower Tier Services Grant and the Services Grant were introduced because the future of New Homes Bonus Grant had not been decided. Commentators are predicting that the grant will be received again next year, due to a lack of time to establish and consult on an alternative.

Lower Tier Services Grant

3.19 This grant was introduced in 2021/22 to provide damping to authorities with cash-terms reductions in Core Spending Power. It provided additional funding to district Councils who are losing the most from the reduction in New Homes Bonus and gain the least from new grant increases and council tax increases. This grant has now been replaced by the Funding Guarantee Grant.

Services Grant

3.20 This was a new, one-off grant to support all services delivered by councils. This was distributed to every authority using the 2013/14 SFA. This grant continued in 2024/25 and 2025/26 but has been cut significantly. It is unlikely this specific grant will be paid to us again.

Funding Guarantee Grant

3.21 The Funding Guarantee Grant was initially introduced to ensure every authority got an increase in core spending power of at least 3%. This was to take account of the reduction in Lower Tier Services Grant and the change in New Homes Bonus allocations. Bolsover received a one-year allocation of £0.392m for 2024/25. We have estimated at a similar value, that this grant will be provided to us in some form again in 2025/26 as a proxy for the New Homes Bonus that we assumed would be lost. This grant will only be payable again if the other grants end.

Revenue Support Grant

3.22 As with New Homes Bonus, we have been led to believe that RSG is being phased out. However, the Spending Review 2022 allocated us two more years and implied funding for a further two. The Spending Review 2023 confirmed this and allocated us a further amount to take us up to 2027/28. Therefore, the current MTFP has amounts of £1.571m, £1.573m, £0.395m and £0.347m for 2024/25, 2025/26, 2026/27 and 2027/28, respectively.

Baseline Funding Level

3.23 The baseline is the amount of money the Government has assessed that the Council needs to keep to fund its services, based on a needs formula. The Local Government Finance Settlement updates the baseline every year, usually in line with inflation. Bolsover is able to keep 50% of any business rates growth above the baseline set by the Government, with the remainder payable to the Government (but see Retained Business Rates section for pool implications). The table below summarises the estimated Baseline Funding Level for the MTFS period and shows the current assumptions change in 2026/27, which was the revised date for the introduction of the Business Rates Reset.

	Baseline Funding Level			Change %		
	Business Rates Baseline	Business Rates Tariff	Total	Business Rates Baseline	Business Rates Tariff	Total
	£	£	£			
2019/20	8,481,995	(5,602,995)	2,879,000			
2020/21	8,620,695	(5,694,286)	2,926,409	1.6%	1.6%	1.6%
2021/22	8,620,695	(5,694,286)	2,926,409	0.0%	0.0%	0.0%
2022/23	8,620,695	(5,694,286)	2,926,409	0.0%	0.0%	0.0%
2023/24	9,821,928	(6,786,006)	3,035,922	13.9%	19.2%	3.7%
2024/25	10,268,453	(7,083,461)	3,184,992	4.5%	4.4%	4.9%
2025/26	10,422,000	(7,189,000)	3,233,000	1.5%	1.5%	1.5%
2026/27	14,835,000	(11,555,000)	3,280,000	42.3%	60.7%	1.5%
2027/28	15,048,000	(11,721,000)	3,327,000	1.4%	1.4%	1.4%

Retained Business Rates

3.24 Our Business Rates tax base represents the value of Business Rates income we estimate will be collected from businesses. Each Business Rates taxpayer account has a rateable valuation provided by the Valuation Office Agency, multiplied by a business rates multiplier which increases each year and is set by the Government.

3.25 In total Bolsover retains 40% of Business Rates collected during the year, after deductions for mandatory and discretionary reliefs, the cost of income collections, including losses, and for the cost of changes to rateable values as a result of appeals. The remaining amounts are paid on the basis of 50% to central government, 9% to Derbyshire County Council and 1% to Derbyshire Fire Authority.

- 3.26 Bolsover's Retained Business Rates income (the 40%) is then subject to a tariff, which is increased annually by the retail price index and is paid to central government. This tariff payment funds other authorities where their Business Rates are considered to be disproportionately low. The level of the tariff is unique to each local authority and is announced as part of the Spending Review.
- 3.27 Since 1st April 2015, the Derbyshire Business Rates pool has been in operation. This consists of all eight Derbyshire district or borough Councils, Derbyshire County, Derby City and Derbyshire Fire Authority. Instead of each district or borough Council paying 50% of their growth above the baseline over to Government, it is kept within the pool and distributed amongst all the members on an agreed basis.
- 3.28 There are a number of risks that could affect the level of Business Rate income collected, and as such, reduce the anticipated amount of Retained Business Rates. The most significant risks are as follows:
- Unpredictable increases in exemptions and reliefs due to different property usage.
 - Successful business rate appeals dating back to earlier years.
 - Slower than anticipated local economic growth.
 - Retail price index increases on the tariff, being higher than local economic growth.
 - Uncollectable debts as a result of worsening economic conditions.
- 3.29 One of the largest financial risks that the Council is facing is around how the Government will re-set the Business Rates Baseline for the Council. The growth being encouraged by the Council within the business sector means we have the highest level of growth in the Derbyshire Business Rates pool.
- 3.30 In 2023/24 we were £5m above our Business Rates Baseline so contributed £2.5m into the pool and were able to transfer £1m into our Business Rates Growth Protection Reserve as we planned in the MTFP.
- 3.31 The Business Rates income in the current MTFP has the worst-case scenario for 2025/26 to 2027/28 and includes no smoothing from the Government of significant losses because the detail is unknown. This will be updated as soon as any information is made available.

Council Tax

- 3.32 Council Tax is charged by local authorities on residential properties. The Valuation Office Agency decides the correct band based on the value of property at 1 April 1991. Local authorities set the charge based on a Band D property each year.

3.33 Council Tax is the main source of funding for the provision of general fund services. It is determined locally but the Government indicate what upper limit they consider acceptable on a yearly basis. The legislative requirement to hold a referendum is triggered if this limit is exceeded. For 2024/25, District Councils were permitted to increase their share of the Council Tax by the greater of 3% or £5. These limits were unchanged from the previous year. It is currently unknown whether this will remain the same for 2025/26 or whether the £5 limit will be increased as some groups, including the District Council's Network, have lobbied for. Commentators are predicting no change in the limits for the first year of the new Government.

3.34 In calculating our recent funding settlements, the Government has assumed that we will increase Council Tax by the maximum level allowed.

3.35 For 2024/25 we increased our share of the bill for a Band D property by £5.89 per annum which was 2.99% and equated to 11p per week. This raised £136,117 in revenue income. This same increase has been assumed for all years of the MTFP for exemplifying the financial position only.

3.36 The breakdown of the 2024/25 Council Tax bill over all the preceptors is as follows:

<i>Derbyshire County Council</i>		£1,355.20
<i>Derbyshire County Council - Adult Social Care element</i>		£196.53
Derbyshire County Council Total	66.9%	£1,551.73
Bolsover District Council	8.7%	£202.89
Police + Crime Commissioner	12%	£279.60
Derbyshire Fire Authority	3.8%	£88.41
Town + Parish Councils (average)	8.5%	£198.21
The total charge for the average Band D bill 2024/25	100%	£2,320.84

Council Tax Base

3.37 The Council Tax base for 2024/25 of 23,122.93 was determined by the Chief Financial Officer under delegated powers in December 2023. This represents the number of Band D equivalent properties that we collect Council Tax from. However, the total number of properties who pay Council Tax is reduced for properties where discounts for such as single occupier and/or Council Tax support are claimed.

- 3.38 The more Band D equivalent properties the Council has, the more income can be generated for the Council from Council Tax. Properties valued at Band A generate less income for the Council as the charge is 70% of the charge for a Band D property. The Council Tax base for Bolsover District Council is exceptionally low and this is a disadvantage for us. If another Council with a much higher Tax base increased their Council Tax by the same percentage as us, they would receive far more income than us. This needs to be remembered when Council Tax is becoming one of the main ways the Government is allowing us to generate income.
- 3.39 The 2024/25 Tax base was an increase on the 2023/24 calculation. The Tax base for 2025/26 is currently being determined.

Reserves and Balances

- 3.40 The Local Government Act 2003 (Section 25) requires the Council's Section 151 Officer to report to Council on the Robustness of Budget Estimates and Adequacy of Reserves, for consideration immediately prior to setting the Budget and Council Tax. This is subject to external audit review to assess value for money and a going concern opinion.
- 3.41 The Section 151 Officer must consider the level of reserves needed to meet estimated future expenditure when calculating the budget requirement. The Council keeps a level of reserves to protect against the risk of any uncertainties or unforeseen expenditure. Much like using savings to offset monthly household bills the use of financial reserves cannot solve a budget problem outright but allows for smoothing of impacts or allows the Council time to ride any short-term situations before returning to normal. Therefore, reserves are used to:
- Manage the impact of funding reductions over a longer period.
 - Invest in projects that allow services to be delivered cheaper.
 - Take one-off hits for the council without the need to further reduce service budgets.
 - Provide capacity to absorb any non-achievement of planned budget reductions in each year.
 - Provide capacity to absorb non-achievement of potential income, planned to be included in the MTFP in each year.
 - To temporarily roll over unused portions of grants that can legally be used later.
 - To insure against major unexpected events.
 - To protect against general risk.

- To guard against emerging specific risks, such as business rate appeals, Council Tax support funding cuts and welfare reform.

3.42 Best practice guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA), states that the General Fund balance may be between 5% and 100% of net expenditure. The Council's £2m minimum working balance represents 14% of total net expenditure.

3.43 In addition to the General Fund balance, the Council retains a number of earmarked reserves on the balance sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans or potential liabilities.

3.44 The Council has continued to develop its prudent financial management arrangements through the development of earmarked reserves to mitigate against potential future risks. As issues arise, the potential requirement for an earmarked reserve is considered. New earmarked reserves are formally considered as part of the detailed budget process to ensure that any new risks identified are mitigated, and throughout the annual budget monitoring process as risks arise or become clearer.

3.45 The detailed budget process includes an assessment of risk, the adequacy of General Fund Reserves and a review of earmarked reserves, to both create and change earmarked reserve levels and to also release reserves which are no longer required.

The table below shows the level of general fund usable reserves and balances as at 1 April 2024.

	Balance at
General Fund	01-Apr-24
	£'000
Balances:	
General Fund Balance	(2,001)

General Fund	Balance at 01-Apr-24 £'000
Usable Reserves:	
Area Based Grant	(48)
Covid-19 - Reserve	(14)
General	(1,821)
NDR Growth Protection	(12,517)
Insurance - GF	(429)
IT and Office Equipment	(1,611)
Legal Costs	(386)
Local Development Scheme	(177)
Planning Fees	(139)
Transformation Reserve	(3,056)
Vehicle Repair and Renewal - GF	(2,615)
3G Pitch, Carpet Renewal Reserve	(200)
Total Reserves and Balances	(25,014)

4 Budget Pressures

- 4.1 The table below is from the 2023/24 Outturn report. It is the latest position for all years in the current MTFP before we start the revised budget and MTFP process. These figures will be updated and presented to Members in December and January.
- 4.2 The table shows that the Council is currently not forecasting any budget shortfall in any year due to us making transfers to/(from) the NNDR Growth Protection Reserve as planned in the MTFP. At 31st March 2024, the balance on the reserve was £12.517m. The planned movement on this reserve means at the end of the current MTFP there is forecast to be a balance of £4.160m remaining for future years.

	2024/25 Budget £000	2025/26 Budget £000	2026/27 Budget £000	2027/28 Budget £000
Net Cost of Services	13,907	14,266	14,747	15,342
Net debt charges + investment interest	(1,052)	(806)	(1,185)	(1,235)
Net t/f to/(from) reserves + balances	1,178	1,462	367	321
Net t/f to/(from) NNDR Growth Protection Reserve	188	(620)	(3,803)	(4,122)
Parish precept	3,968	3,968	3,968	3,968
Funding from council tax, business rates and government grants	(18,189)	(18,270)	(14,094)	(14,274)
Use of GF balance	0	0	0	0

4.3 Once the details of the Spending Review are known the implications for Bolsover will be included in our updated MTFP and the figures for 2028/29 will be included in the plan for the first time.

4.4 Since 2011/12, Bolsover has delivered savings of over £5m. We have a good record of finding efficiencies and new ways of working but new budget savings are becoming increasingly more difficult to identify and deliver now we have reduced service budgets to minimum levels. For this reason, it is essential that the Council continues to identify areas where costs can be reduced, or income increased to close any budget gaps.

4.5 A number of areas have already been identified around additional income as follows:

- Potential Council Tax increases and growth in the tax base from new properties or bringing empty properties back into use.
- Income from a proposed crematorium.
- Income from providing funding for Dragonfly Development Ltd.
- Income from the operating profit earned by Dragonfly Development Ltd.

5 CIPFA Financial Management Code

- 5.1 CIPFA has developed a Financial Management Code (FM Code) which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code has been introduced because the exceptional financial circumstances faced by local authorities have revealed concerns about fundamental weaknesses in financial management, particularly in relation to a small number of high-profile failures across local government which threaten stakeholder's confidence in the sector as a whole.
- 5.2 Although the FM Code does not have legislative backing, it applies to all local authorities, and it must be demonstrated that the requirements of the FM Code are being met. Demonstrating this compliance with the Code is a collective responsibility of Elected Members, the Section 151 Officer, and the Corporate Leadership Team.

6 Dragonfly Group

- 6.1 Dragonfly Development Ltd is a development company limited by shares. Dragonfly Management (Bolsover) Ltd is a management company which is a wholly owned subsidiary of Dragonfly Development Ltd, as a company limited by shares. These two entities form the Dragonfly Group, and they are both wholly owned by the Council. Governance arrangements are set out in the Group Shareholder Agreement. This agreement regulates the activities of both companies and ensures that the Council retains influence over strategic objectives and significant decisions of Dragonfly Development Ltd.
- 6.2 A full business case was commissioned from Sharpe Pritchard (Public Sector Lawyers) during 2022/23 and aligned to the requirements of the HM Treasury Five Case Model and the CIPFA Local Authority Owned Companies good practice guide. The business case produced, demonstrated that Dragonfly Development Ltd can be a viable proposition that will provide the Council with a positive income stream.
- 6.3 The business case showed that the Company makes a loss in the first 3 years of operation and makes a profit after tax for the first time in 2026/27. The business case also showed the losses made in the first 3 years of operation during development and before it starts generating returns, are recouped by 2034 under the assumptions used at the time. Assumptions would be such as interest rates/costs of materials/achievable income, to name but a few.

- 6.4 As with any business case it is important that actual costs remain close to the costs estimated in producing the business case to ensure the financial performance of Dragonfly is viable and a positive income stream is provided for the Council. At the time of writing this Strategy, the financial statements for 2023/24 for the two companies are being prepared by their external auditor. It is anticipated that the statements will show Dragonfly Development Ltd made a profit before tax in 2023/24. This will allow the repayment to the Council during 2024/25 of loans provided by the Council to the company, in previous years.
- 6.5 To protect the Council, as a minimum, monitoring of the business case and the performance of Dragonfly against it, will take place on at least a quarterly basis in respect of the transferred services. This will then be reported to Members as part of the budget monitoring process.