
**MEDIUM TERM FINANCIAL PLAN
2014/15 TO 2019/20**

**Responsible Cabinet Member - Councillor Bill Dixon,
Leader and all Cabinet Members**

Responsible Director - Chief Officers Executive

**FOREWORD BY COUNCILLOR BILL DIXON
LEADER OF THE COUNCIL**

Darlington has an enviable track record of achievement, evidenced with data showing that its population is growing, by a community survey that shows continued high satisfaction with the borough as a place to live, as well as with Council services. Notwithstanding the impact of the recession on employment, there are signs of confidence that manifest in the forthcoming new leisure development, incoming businesses and continued growth in sectors such as Subsea Engineering and in building commencing at Central Park.

Nevertheless the Single Needs Assessment recently presented to the Health and Well-Being Board clearly demonstrates on-going inequalities in life expectancy and life outcomes, while the impact of the recession and welfare reforms have further depressed incomes and resulted in a rise in poverty.

The Council, as community leader, a major employer and a provider and commissioner of services plays a vital role in facilitating action that tackles inequalities and enables the borough to thrive. However, as is being experienced across the north east, Darlington is no longer receiving the levels of funding support from Government it needs to undertake its agreed priorities.

During the period 2010/11 to 2013/14 the Council's government funding has reduced by £13.9m (19.9%) and in response has reduced expenditure by £22.2m leading to workforce reductions of 496. The reductions have mainly been achieved by changing HOW we deliver services and WHO delivers them, despite some high profile service reductions only £4.1m of the total reductions relate to WHAT services we provide. This should be seen as a success as the majority of services continue to deliver the same or similar levels for the public however with the level of reduction needed in the next phase of austerity such success cannot be achieved without radical change; this is something that was strongly advocated in our recent Peer Challenge.

It is predicted that Government grant will reduce by a further £22m by 2020 in addition to the £13.9m already lost since 2010. These reductions are unprecedented. The Council's main sources of income going forward are Council Tax and Business Rates. The ability to increase income to protect services and offset the loss of government grant is limited by the Government. Unless a referendum is held the Council may only increase tax by 1.94% each year. The level of business rates is set by the Government. In simple terms the only way we can collect more tax is to build more houses and attract more business to the Borough.

The challenge Cabinet faces when proposing a Medium Term financial Plan (MTFP) is how to retain the services the public value whilst ensuring sufficient funding for services to keep the public safe. Darlington Council was ahead of others in making savings over the last few years which gives us some time now to consider what was said at our Money Talks events and what needs to happen for us to continue to deliver our vision. At the events we suggested that we could stop doing things the law does not require. If this was the route we chose to go down we would have no sports facilities, no parks, limited street cleaning and care for our environment, no theatre, no museums, limited libraries and no children's centres amongst other cuts. This felt like a place heading for decline not growth and with loss of jobs and businesses. A place people would choose not to visit and not to live. We knew that this was not our vision for Darlington and from what was said at the Money Talks events it's not what other people want either.

"Culture - if the theatre goes, we will go. One of the reasons for moving here was that it has a bit more culture than other towns in the region" – "Economy – support high quality jobs and infrastructure investment"

"I am writing to 'have my say' regarding Darlington Council Services and in particular the provision of services for children and young people. As a mother of an 8 month old son I have found the Sure Start Centres (in particular Haughton and McNay Street) absolutely invaluable"

"Local leisure facilities should be available to all and it is important that the council encourages and invests in such initiatives and keeps investing in the wellbeing of all users, this will lead to a healthier, happier and more productive group"

We have to do everything we can to cut our costs. The Council's Cabinet is setting out proposals for spending £13.8m less in the short term. But there is a limit to how much we can cut spending without risking the growth we need. It is not possible to meet demands for services at their current level we simply do not have enough money to pay for them and demands are continuing to rise. There are two dimensions to future strategy; being very clear about the Council's priorities, and then establishing the conditions that give us the best prospect of delivering against our priorities.

It is critical that the Council is very clear about its priorities. These are set out in the Community Strategy - One Darlington Perfectly Placed (ODPP), developed in partnership with public services, business and the voluntary and community sector. For example, evidence suggests that a child's early years are fundamentally important to its life prospects, in education, employment and general well-being. Working to shift focus and spending from "cure" to giving every child the best start in life would be the right thing to do, and the most efficient way to spend scarce resources.

It is not proposed that the core ambitions or vision are re-visited. However, what is required is to decide, within the host of interventions and actions currently being delivered, which are the most vital to make the biggest impact on the long term goal. For example, evidence suggests that a child's early years are fundamentally important to its life prospects, in education, employment and general well-being.

It is proposed that the focus then needs to rest on putting in place the conditions that enable these ambitions to be achieved in a climate of significantly reduced public spending. If the following conditions were a description of what Darlington was like, then success would be more assured.

Building Strong Communities

Every one of us can take responsibility for our own family and friends. Many of us are happy to look out for our neighbours and to look after the place around us. There is already a lot of good work going on. The Good Friends Scheme helps volunteers befriend the elderly and vulnerable. Foundation for Jobs has enabled 100 new apprentice jobs for young people to be created. The Darlington Cares project helps employees of companies donate their time. Creative Darlington enables Arts following the closure of the Arts Centre. Many people already devote time helping young people in sports and activity clubs; helping neighbours with shopping and joining litter picks. All this helps to build strong communities. They bring benefits to those who volunteer as well as the people they help. They also avoid the need for services paid for by Council Tax.

Spending Wisely

We will continue to spend money on services but we want to use every pound we have wisely. It sounds simple but all public bodies in Darlington are facing cuts. We can reduce our costs if we work better together, we can use other bodies such as businesses or voluntary bodies to help us too. We will also improve our efficiency in the way we provide services currently but this is limited as we have already challenged all our services and made significant cuts. National analysis shows that Darlington is a very low cost Council.

Growing the Economy

We want to create more jobs and grow successful business in Darlington. Business helps to provide jobs, which means more money in the Darlington economy. Businesses also pay rates and new homes bring financial benefits. Creating our own wealth reduces our dependency on the declining grant we receive from government.

Cabinet has set out a budget using the resources we have in the short term to enable us to make these changes. Over the coming months we will work with the community so that solutions can develop. For example in 2015/16 we will close the Head of Steam Museum and Cockerton Library. But if local residents and others want to keep them open they have time to put together a plan to raise money and recruit volunteers to do so.

We propose that we can reduce our spending by driving down demand. Some ways in which we can do this include preventing some children from coming into care through getting help in earlier; by measures to help older residents to stay healthy longer and if we stop people dropping litter we can spend less and still have clean streets.

The proposals we are setting out enable us to continue to provide services until 2016/17. After that we need to have found ways to reduce spending by a further £10m by 2019/20. This concerns every one of us. Everyone who lives or works in Darlington will suffer if we allow spending cuts to drive our Borough into decline. We will all benefit if a thriving Darlington brings new facilities, opportunities and prosperity.

SUMMARY REPORT

Purpose of the Report

1. To propose a Medium Term Financial Plan for 2014/15 to 2019/20 including setting a budget for 2014/15.

Summary

2. Darlington Borough Council has to date been proactive and successful in adapting to an environment of significant service pressure and resource reductions. The majority of spending reductions to date have been achieved without direct impact on the public, although it is regrettable that a significant number of jobs have been lost in the process. The approach was commended within the recent Corporate Peer Challenge and credit paid to the Council and its workforce for their response to an extremely difficult environment. As available resources continue to decline and following the Budget Advisory Panel process last summer, this report sets out a forward strategy for the Council, including its resource plans.
3. It is recommended that the Council focus its planning and resources in three key areas that offer the best prospects of being in a position to continue to serve the public well into the long term; Building strong communities, Spending every public service pound well, and Growing our economy. These themes and the financial implications around them are detailed in the main report and propose plans to reduce spending by £13.752m and these rely on input from key partners and the public. The proposals, use of revenue balances and a proposed 1.94% Council Tax increase will deliver balanced budgets for 2014/15, 2015/16 and 2016/17 but beyond this period further cost reductions will be needed.

Recommendation

4. It is recommended that :-
 - (a) The proposed Revenue MTFP as summarised in **Appendix 9** be recommended to Council on the 27 February 2014 including the following:-
 - (i) A 1.94% Council Tax increase for 2014/15 and subsequent years.
 - (ii) Schedule of charges as set out in **Appendix 3**
 - (iii) Spending reduction proposals and plans totalling £13.752m by 2016/17.
 - (iv) Use of £8.550m of revenue balances to fund revenue expenditure.
 - (v) Additional resources for shop mobility services of £3,000 and £16,000 in 2014/15 and 2015/16 respectively.
 - (vi) Additional resources of between £46,000 and £70,000 for paying a supplement up to Scale Point 10 for employees earning below that threshold

Reasons

5. The recommendations are supported by the following reasons :-

- (a) To propose a MTFP for consideration by Council.
- (b) To meet the statutory timetable for setting the 2014/15 budget and the council Tax.

Chief Officers Executive

Background Papers

No Background papers were used in the preparation of this report

Ada Burns/Paul Wildsmith : Extension 2010/2301
TAB

S17 Crime and Disorder	The report contains proposals to continue to allocate resources in support of the Council's Crime and Disorder responsibilities
Health and Well Being	The report contains proposals to continue to allocate resources in support of the Council's Health and Well Being responsibilities
Carbon Impact	The proposals in the report seek to continue to support the Council's responsibilities and ambitions to reduce carbon impact in the Council and the Borough.
Diversity	There are no specific proposals that impact on diversity issues.
Wards Affected	All wards are affected
Groups Affected	All groups are affected by the Council Tax increase. Individual groups will be affected by specific proposals as they develop. In each case impacts will be considered before a decision is made to implement the proposal.
Budget and Policy Framework	The MTFP, Budget and Council Tax must all be decided by full Council-
Key Decision	The MTFP, Budget and Council Tax must all be decided by full Council
Urgent Decision	The MTFP, Budget and Council Tax must all be decided by full Council
One Darlington: Perfectly Placed	Within the constraints of available resources it is necessary for the Council to make decisions involving prioritisation. The proposals contained in this report are designed to support delivery of the Sustainable Community Strategy, within those constraints.
Efficiency	Efficiency savings have been included in the MTFP and future proposals are being developed as to how the Council operates.

MAIN REPORT

SECTION ONE - A VISION FOR DARLINGTON AND FOR PUBLIC SERVICES

6. It is critical that the Council is very clear about its priorities. These are set out in the Community Strategy - One Darlington Perfectly Placed (ODPP), developed in partnership with public services, business and the voluntary and community sector.
7. It is not proposed that the core ambitions or vision is re-visited. The goal of achieving a borough which is thriving economically, that offers opportunities for all and, that is an attractive place to live, and is environmentally sustainable remain well evidenced by data on needs, and interim consultation since the ODPP strategy was first agreed.
8. However, what is required is to decide, within the host of interventions and actions currently being delivered, which are the most vital to make the biggest impact on the long term goal. For example, evidence suggests that a child's early years are fundamentally important to its life prospects, in education, employment and general well-being. Working to shift focus and spending from "cure" to giving every child the best start in life would be the right thing to do, and the most efficient way to spend scarce resources.
9. It is proposed that the focus then needs to rest on putting in place the conditions that enable these ambitions to be achieved in a climate of significantly reduced public spending. If the following conditions were a description of what Darlington was like, then success would be more assured.

Building Strong Communities - Enabling people to live fulfilling lives with less involvement from public services

10. (a) People take personal responsibility
 - (b) People live in communities with strong social capital and where people look out for each other
 - (c) Communities come together to take ownership and responsibility for the neighbourhood they live in or care about
11. In essence this describes a rebalancing of what the state (in this case, the local authority) can offer to do for people and communities, and what people could do or organise for themselves, with leadership and support from their Council. Coupled with this is a growth in the relationships and networks that make people feel that they belong, feel able to ask for, or offer help or support to others, and invest in their community. Stronger social capital means less demand on services we can no longer afford, but it also offers significant well-being benefits.

Spending Wisely - maximising value for all public expenditure

12. (a) Public services are planned and where sensible commissioned together.
 - (b) Every pound spent is spent well on the things that make most impact.

13. What is needed here is a combined effort across public service organisations, within Darlington and amongst neighbours, to think together about how to spend the resources we still have (rather than what we will have cut) to maximise the impact.
14. For example, collaboration with the NHS or schools and colleges bring people together across organisational boundaries to re-design services and processes from the perspective of the citizen or user. Person centred public services focussed on enabling independence can ensure that people receive just enough help when they need it, for only as long as they need it. While there may not be significant cash savings here in the short term this approach can enable resources to go further and deal with changing demography.
15. Coupled with this is a continuing sharp focus on identifying and capturing efficiencies in the way in which we work – using evidence to guide service development, using assets and procurement effectively and re-designing processes to add value to users.
16. The Peer Challenge team noted that the Council had a range of opportunities and ideas in play, including cross-Tees Valley options, but recommended a faster pace to bring these to a conclusion.

Growing the economy - generate income streams, employment and opportunities

17. (a) We have a strong and vibrant economy.

(b) We achieve growth in the economy.
18. The outcome we would look for here will be more business rates and council tax income, reduced unemployment and worklessness, and higher incomes, it will be critical within this to see economic growth benefiting everyone, and contributing to narrowing inequalities.
19. These conditions do not apply comprehensively at present within Darlington. There are examples where they can be seen – the social capital at play in the creation of the Sunday People’s Market, in the Foundation for Jobs, in Darlington for Culture, but it is not widespread that community-led models or integrated public service planning are the norm. We have collaborations with other bodies and jointly commission with others however it is not as widespread as it could be. In terms of the economy Darlington is bearing up but the focus on growth needs to intensify if we are to achieve financial benefit from growth in the economy.
20. The following sections outline the financial context to this strategy, pick up issues related to implementation and note the changes made from the Draft MTFP.

SECTION TWO- UPDATED INFORMATION AND CHANGES TO THE DRAFT MTFP

21. As a result of updated information since the draft MTFP was approved for consultation last November a number of changes have been made to this proposed

MTFP. These changes along with references to where they appear in the report are shown below:-

	Change	Effect	Para.	App.
1	Revised assumptions for RSG	Improved income projections for 2016/17 onwards	25, 40, 50	9
2	New homes bonus top slice to LEP removed	Improved income projections from 2015/16 onwards.	25, 40, 50	9
3	New Homes Bonus projections reduced due to change in settlement criteria	Reduction in income projections although offset by increased RSG above	25, 40, 50	9
4	Council tax base projections increased by 0.5%.	Improved income projections	29, 30, 40, 50	9
5	NNDR projections improved, small business rate relief extended and updated intelligence.	Increase income projection	37, 40, 50	9
6	Collection fund deficit - NNDR	Reduces level of balances available.	32, 33, 48	9
7	Pension revaluation figures received	Reduction in contingency for the deficit	41, 43, 50	2
8	Salary Scale point 5 – 9 proposal	Increase in expenditure	41, 43, 46, 96	2
9	Single pension starting in 2016/17	Contingency rises by £1m in 16/17, future years already accounted for.	41, 43, 50	2
10	Projected Outturn for 2013-14 has been updated to include latest projections. Projected balances at 31 March 2014 have increased by £2.775m to £17.473m.	Higher level of balances available.	48	9
11	Invest to save fund Contingency for upfront resource required to achieve savings targets.	Increased contingency level of £150,000	41, 43, 47	9
12	Revised Homelessness savings target.	Reduced savings target of £50,000	72	8, 9
13	Other Grants	Confirmation of grants received and included in 14/15 Estimates	38	10
14	Small Business Rates Relief Grant – 13/14 Payment	Increase level of balances available	34, 48	9
15	Council Tax increase of 1.94% due to further guidance on referendum principles	Reduced level of resources	4, 27, 30, 40, 50	9
16	Final Grant settlement for 2014/15 is £0.006m higher than anticipated	Minor changes to resources	25, 40, 50	9

SECTION THREE - FINANCIAL INFORMATION AND ANALYSIS - INCOME

22. The Council has to be income led in terms of its high level financial planning, income is finite and diminishing so the Council must understand what income is at its disposal in the short to medium term and this section explains income projections.

Core Government Funding to Local Government

23. The Comprehensive Spending Review for 2014/15 and 2015/16 was announced on 25 July 2013 setting out the government plans for spending overall and local government. The finance settlement proposals were announced on the 18 December 2013 and did not change the position significantly. The key headlines are set out below :-

- (a) Revenue Support Grant will reduce by 28% between 2014/15 and 2015/16. This is much higher than previously anticipated.
- (b) The Government are to hold back an additional £95m of business rates to meet their potential costs of applying the safety net within the new business rates reduction system. If this is not used, it will be returned to Local Government.
- (c) The capitalisation fund which currently stands at £100m is to be reduced to zero and has been distributed back to councils.

24. The first two changes have a detrimental impact on our existing MTFP. In addition to the 2014/15 and 2015/16 settlement detail, further projections of Local Government Funding go beyond 2015/16 and although indicative are the best information available and represent a continuation of the existing austerity measures. The production of the income projections in future years are based on information provided by the Local Government Association (LGA) and confirmed by LG Futures a well renowned consultancy working in the area of Local Government finance. Consequently, the projections in the following paragraphs represent a sound projection for up to 2020 however they could change if Government policy changes.

25. Set out in the table below is the analysis of government funding from the current financial year to 2019/20 which demonstrates an expected reduction in the region of a further 64% (£22m).

	2013/14 £m's	2014/15 £m's	2015/16 £m's	2016/17 £m's	2017/18 £m's	2018/19 £m's	2019/20 £m's
Revenue Support Grant	30.080	24.730	17.746	13.157	9.249	6.937	5.203
Top up Grant	3.830	3.904	4.012	4.145	4.294	4.461	4.635
New Homes Bonus	1.019	1.341	1.803	2.288	2.315	2.580	2.679
TOTAL	34.929	29.975	23.561	19.590	15.858	13.978	12.517

26. What happens to Local Government funding beyond 2020 is unknown, the Government is committed to a “reset” of the system which will take account of local needs and ability to raise local taxation however there is no detail about how this will happen, it is essential that this is explained as soon as possible to enable better financial planning as we near 2020.

Council Tax Income

27. Council Tax is now the largest single funding stream and it will become an increasing percentage over the coming years as it represents 41% of all income in 2013/14 increasing to 55% by 2019/20, this is due to reducing government funding and planned annual increases of 1.94%, the maximum allowed without a referendum. The ongoing increases reflect the Cabinet’s continued view that income from Council Tax must increase to protect key services. Members will recall that a 1% increase in Council Tax increases annual revenue by £360,000 and that Darlington has the second lowest Council Tax in the North East Region. The Government has again offered Councils a Council Tax freeze grant equivalent to a 1% increase which the government has agreed to build into baseline funding. In developing Cabinet’s approach to Council Tax this offer has not been included in the plans as it would reduce council tax income by £300,000 in 2014/15 and £300,000 plus each year after therefore removing total funding of £2.2m for this plan.

28. Members will recall that w.e.f. 1 April 2013 the Council took over responsibility for the funding of and the setting of a scheme for council tax support. Funding from the Government was initially reduced by 10% for 2013/14 and subsequently the funding continues to reduce in line with Revenue Support grant for 60% of previous funding whilst the other 40% is funded by business rates collected. To make the new scheme affordable all people in receipt of Council Tax support were asked to pay 20% of their Council Tax with the exception of pensioners who are protected by Government legislation. As a result of the change, Council agreed to reduce Council Tax collection rates from the established 99% to 97.5% to reflect the risk of collecting from people on council tax support. After nine months of operation of the CTS scheme and taking into account general income collection levels a collection rate of 98% is recommended for future years. The impact of this is additional annual income of approximately £180,000.

29. Under the local government funding regime that commenced on 1 April 2013, all increases and reductions in the Council Tax base are attributed to the Council and not reflected in the government grant received. Over the period of this plan net growth is expected in housing numbers at a rate of 150 (0.5%) per annum based on recent completion levels. Clearly should this be any different income levels will differ. See later in the report with regard to options to increase income in this area.

30. Taking the above into account Council Tax income over the period of this plan is estimated as follows :-

	2014/15 £m’s	2015/16 £m’s	2016/17 £m’s	2017/18 £m’s	2018/19 £m’s	2019/20 £m’s
Council Tax Income	37.541	38.460	39.402	40.366	41.351	42.360

National Non Domestic rates (NNDR)

31. The new financial regime means the Council retains 49% of NNDR collected and can gain or lose depending on whether the net tax collected increases or decreases. The Government via the valuation office sets rateable values and the rate paid in the pound is increased each year in line with the Retail Price Index (RPI). The business taxbase is far more volatile than the council tax base and requires very close monitoring. In addition to the potential to “lose” income due to business closures the Council also carries the risk of losing appeals by business against valuations. The Council is currently facing 212 appeals and has an annual provision of £1.511m (4.4% of rates collectable) to allow for backdating payments and ongoing reductions in amounts collectable.
32. Due to the new regulations the Council has to maintain a collection fund that includes NNDR as well as Council tax. The latest NNDR projection is showing a potential deficit of £1.701m mainly due to successful appeals to the Valuation Office by businesses against the rateable value of their property as well as the Council awarding more reliefs including small business rate relief, charitable relief, community amateur sports relief and relief for empty properties to businesses than had been forecast. It also contains a provision for outstanding appeals that the Council feel could be successful based on previous experience.
33. The Council’s proportion of the deficit is £0.834m as it is now shared proportionally with Central Government and the Fire and Rescue Authority. The deficit will be funded from revenue balances.
34. In the Autumn Statement the Chancellor announced that the Small Business Rates relief scheme would be extended and that the government would fully reimburse Councils for the amount of additional relief granted. It is being paid in the form of a Grant and although the NNDR projections for future years include this element there was uncertainty on the receipt of the amount for 2013/14. The Government have recently announced that the outstanding amount will be paid on account in 2013/14 and £0.486m is therefore being added to general fund balances.
35. The ability to increase NNDR is a key tool to improve the Council’s financial position, proposals later in this report relate to that potential. Currently however the majority of major planned increases have been used to either pay for upfront investment required or to fund subsequent need e.g. the new Multi Storey car park so despite some significant investment in the town centre at the current stage the additional funding is not available to fund services.
36. The in-year collection rate target for NNDR is 97.2% and as at the end of December 2013 the actual collection figure is 85.75% as opposed to the equivalent figure in 2012 of 84.24%. At this stage it is not suggested that any amendments are made to the projected outturn income.
37. Taking the above into account the projections of NNDR are shown below

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£m’s	£m’s	£m’s	£m’s	£m’s	£m’s
NNDR	18.075	18.647	19.247	19.936	20.716	21.527

Other Grants

38. Set out below are details of other grants receivable these are included in service budgets to offset the specific expenditure for which they are granted the most significant being the public health grant of £7.184m which although shown as continuing is subject to a distribution review and provisionally there have been suggestions that a redistribution may be detrimental to the North East region. Members will also note that all these grants are subject to change in the short term so represent a risk going forward for the financial plan.

	2014/15
	£m
Public Health Grant	7.184
PFI	3.200
Troubled Families Grant	0.436
Discretionary Housing Payments	0.209
Youth Justice Board	0.296
Local Reform & Community Voices	0.090
Social worker Grant	0.027
Family Initiative Childrens Health (FISCH)	0.031
Local Sustainable Transport Funding	0.730
Social Fund Administrative Funding	0.079
ERDF	0.036
Housing & Planning Delivery Grant	0.168
Adoption Reform Grant	0.248
Adult & Community Learning	1.234
Local Welfare Provision Grant	0.407
Community Right to Challenge	0.009
Council Tax support – New Burdens	0.093
Community Right to Bid	0.008
Total	<u>14.485</u>

New Homes Bonus (NHB)

39. The current financial projections are included in the Government grant section as the funding has come from top slicing RSG therefore £2bn of government funding will be distributed based on new housing numbers and as Members will be aware this has a negative distributional impact on the North East region, see consultation responses for more details. Despite the overall negative impact the Council can work to offset the estimated loss by increasing housing numbers, the financial rewards in terms of NHB is £1,444 per band D property with an additional £350 for affordable housing. A note of caution, the income is payable on net increases so any demolitions reduce income. Proposals to increase income are detailed later in the report.

Total Income

40. The table below shows the Council's estimated income for the period of this plan which shows a cash reduction of £10.6m however after allowing for annual inflation of 2% this would represent a real term loss of £21.6m.

Resources - Projected and assumed	2013/14 £m's	2014/15 £m's	2015/16 £m's	2016/17 £m's	2017/18 £m's	2018/19 £m's	2019/20 £m's
Council Tax	36.061	37.541	38.460	39.402	40.366	41.351	42.360
Business rates retained locally	16.234	18.075	18.647	19.247	19.936	20.716	21.527
Top Up	3.830	3.904	4.012	4.145	4.294	4.461	4.635
RSG	30.080	24.730	17.746	13.157	9.249	6.937	5.203
NHB	1.019	1.341	1.803	2.288	2.315	2.580	2.679
Total Resources	87.224	85.591	80.668	78.239	76.160	76.045	76.404

SECTION FOUR - FINANCIAL INFORMATION AND ANALYSIS - EXPENDITURE

41. As in previous years officers have prepared base budgets on existing policy and service levels and set out in **Appendix 1** are the assumptions used. The cost of providing current services has increased due to price and demand pressures and reduced income from fees and charges, set out below is a summary of such pressure and **Appendix 2** contains more detail.

	Estimate 2014/15 £m's	Estimate 2015/16 £m's	Estimate 2016/17 £m's	Estimate 2017/18 £m's	Estimate 2018/19 £m's	Estimate 2019/20 £m's
Summary of Pressures						
Service Demand	0.249	0.167	0.200	0.220	0.220	0.220
Price Inflation	0.045	0.058	0.058	0.509	0.509	0.509
Reduced Income	0.888	0.953	0.975	0.996	0.996	0.996
Other shortfalls	0.411	0.708	1.035	0.943	0.947	0.870
Contingencies	0.070	0.070	1.120	0.160	0.210	0.260
Additional Savings offsetting pressures	(1.296)	(1.066)	(1.128)	(0.878)	(0.878)	(0.878)
Total	0.367	0.890	2.260	1.950	2.004	1.977

42. The Council raises income from fees and charges and these are reviewed each year. **Appendix 3** proposes revision to existing levels and if approved these will increase income by £35k and estimates have been prepared assuming their approval. The increase expected is lower than previous years as account has been taken of price resistance and the economic climate.

43. Taking the above into account projected expenditure based on current service levels and policy is set out in the table below :-

	2013/14 £m's	2014/15 £m's	2015/16 £m's	2016/17 £m's	2017/18 £m's	2018/19 £m's	2019/20 £m's
People	48.663	50.230	51.488	52.594	53.527	54.332	55.149
Place	17.579	18.727	20.448	21.086	21.853	22.160	22.472
Resources	15.318	15.036	15.405	15.637	15.911	16.143	16.378
Financing costs	3.794	4.428	4.403	4.601	4.604	4.607	4.529
Council Wide	0.020	0.073	0.073	0.073	0.073	0.073	0.073
Contingencies	1.255	0.705	0.705	1.755	1.795	1.845	1.895
Contribution to/(from) revenue balances	0.595	0.000	0.000	0.000	0.000	0.000	0.000
Total Expenditure	87.224	89.199	92.522	95.746	97.762	99.160	100.497

44. In addition to current policy Cabinet wish to propose additional funding for three areas Shopmobility, a Fair wage for our lowest paid staff and an Invest to Save Fund to pump prime savings initiatives.
45. Shopmobility supports people to visit the town centre independently and helps contribute to the economy of the town centre. There are over 1,000 registered users of the service. Before 2010 the Council provided both grant and rent subsidy to DAD to help them provide this service; in total a financial input of about £60,000. The grant was withdrawn by the Council and DAD are being moved onto a full commercial rent on a phased basis, in line with previous decisions of Council and Cabinet. There was an expectation that it may be possible to run Shopmobility as a charged service. DAD have worked hard to earn income from the service and creatively improved the efficiency of operations, but officers agree with DAD that in the current premises there does not seem to be an option that allows Shopmobility to continue without subsidy. It is therefore proposed to re-instate a grant of £3,000 in 2014/15 and up to £16,000 in 2015/16, as an interim solution to enable Shopmobility to continue whilst officers work with DAD on the potential for Shopmobility to move to more cost effective premises.
46. Salary Scale Point 5 – 9 proposal. The three year wage freeze followed by the 1% pay award for Council workers last year will have particularly impacted on our lowest paid staff. Cabinet are therefore proposing the lowest hourly rate paid being at Salary Scale point 10 - £7.26 per hour, an increase of £0.82p from the current lowest rate of £6.44. This is almost £1 higher per hour than the current National Minimum Wage of £6.31ph, set by government. Although budgets are under pressure there is evidence produced by the National Living Wage Foundation to show that increasing wages to the lowest paid enhances the quality of work of staff, improves loyalty and customer services and reduces absenteeism. Statistics also show that the lowest paid people in the country spend a high proportion of their income in the local economy, so this will assist our local businesses. The estimated cost of this proposal fall between £46,000 and £70,000 and is dependent upon the number of casual hours worked. This proposal will increase the hourly rate of up to 287 employee contracts permanent and casual held with the Council.
47. Invest to save fund. The Council has some significant savings to make over the coming years and will need funding to resource the projects required to ensure they

are delivered. It is proposed that £150,000 is set aside in contingencies to be called upon as and when required.

SECTION FIVE - FINANCIAL INFORMATION AND ANALYSIS - REVENUE BALANCES

48. Revenue balances are available to cover financial risks and to meet one off expenditure which includes bridging budget gaps in financial years to assist with implementing cost reductions in a planned and sustainable way. Each year an estimate is made of the amount that should be retained to cover risks and this is set out at **Appendix 4**. Taking the assessment into account and the latest financial projections for 2013/14 (see **Appendix 5** for detail), the balances position is set out below :-

	£m's
Revenue Balances at 1 April 2013	17.030
Less Planned Usage	(4.414)
Add Projected in year savings	4.857
Closing Balances at 31 March 2014	<u>17.473</u>
Less Risk Balances	(5.800)
Add grant for Small Business Rate Relief	0.486
Less NNDR Collection Fund deficit	<u>(0.834)</u>
Balances Available to use	<u>11.325</u>

49. It is proposed that £8.550m of the available balances are used as follows to assist in funding the transitions the Council must make to reduce budgets.

	£m's
2014/15	0.160
2015/16	4.635
2016/17	<u>3.755</u>
	<u>8.550</u>

SECTION SIX- FINANCIAL INFORMATION AND ANALYSIS - INITIAL REVENUE BUDGET PROJECTIONS

50. Set out in the table below is the estimated costs and income for the Council up to 2019/20 assuming no changes to current services and demand levels.

	2013/14 £m's	2014/15 £m's	2015/16 £m's	2016/17 £m's	2017/18 £m's	2018/19 £m's	2019/20 £m's
Estimated Expenditure	87.224	88.832	91.632	93.486	95.812	97.156	98.520
Add Pressures / Additional savings		0.367	0.890	2.260	1.950	2.004	1.977
	87.224	89.199	92.522	95.746	97.762	99.160	100.497
Less							
Estimated Income	(87.224)	(85.591)	(80.668)	(78.239)	(76.160)	(76.045)	(76.404)
Use of Revenue Balances		(0.160)	(4.635)	(3.755)			
Budget Deficit	0.000	3.448	7.219	13.752	21.602	23.115	24.093

51. The above table demonstrates the significance of the financial challenge the Council faces. Section nine and beyond of this report seeks to address the challenge.

SECTION SEVEN- GOVERNMENT CONSULTATION OF FINANCIAL MATTERS

52. The government have consulted on a number of financial issues over the past year including the draft Local Government Finance Settlement, New Homes Bonus and Local Growth Fund and the Use of Capital receipts from Asset Sales. The Association of North East Councils (ANEC) has responded to all consultation and included in **Appendix 6** is the final response submitted to the most recent consultation on the provisional Local Government Finance Settlement.:-

53. Whilst the details are included in the appendix the key issues are in regard to the fairness of and the inequitable re-distributional impacts of the proposals, the move from a needs base to an incentive based funding scheme, the top slicing of core grants to fund the safety net and New Homes Bonus and the implications of further grant cuts in a period of increasing demand and cost pressures.

SECTION EIGHT - BUDGET ADVISORY PANELS AND THE PUBLIC SERVICES ANALYSIS

54. The BAP's set out to answer the very challenging question "can the Council fund its legal obligations at current service levels in the future given its decreasing resource base". The aggregated analysis set out below gives us the answer and it is very clearly a NO unless whole scale change can be achieved.

	2014/15 £m's	2015/16 £m's	2016/17 £m's	2017/18 £m's	2018/19 £m's	2019/20 £m's
Cost of legally required services ⁽¹⁾	84.6	86.4	88.1	89.8	91.6	93.5
Total Council revenue	85.6	80.7	78.2	76.2	76.0	76.4
DEFICIT	(1.0)	5.7	9.9	13.6	15.6	17.1

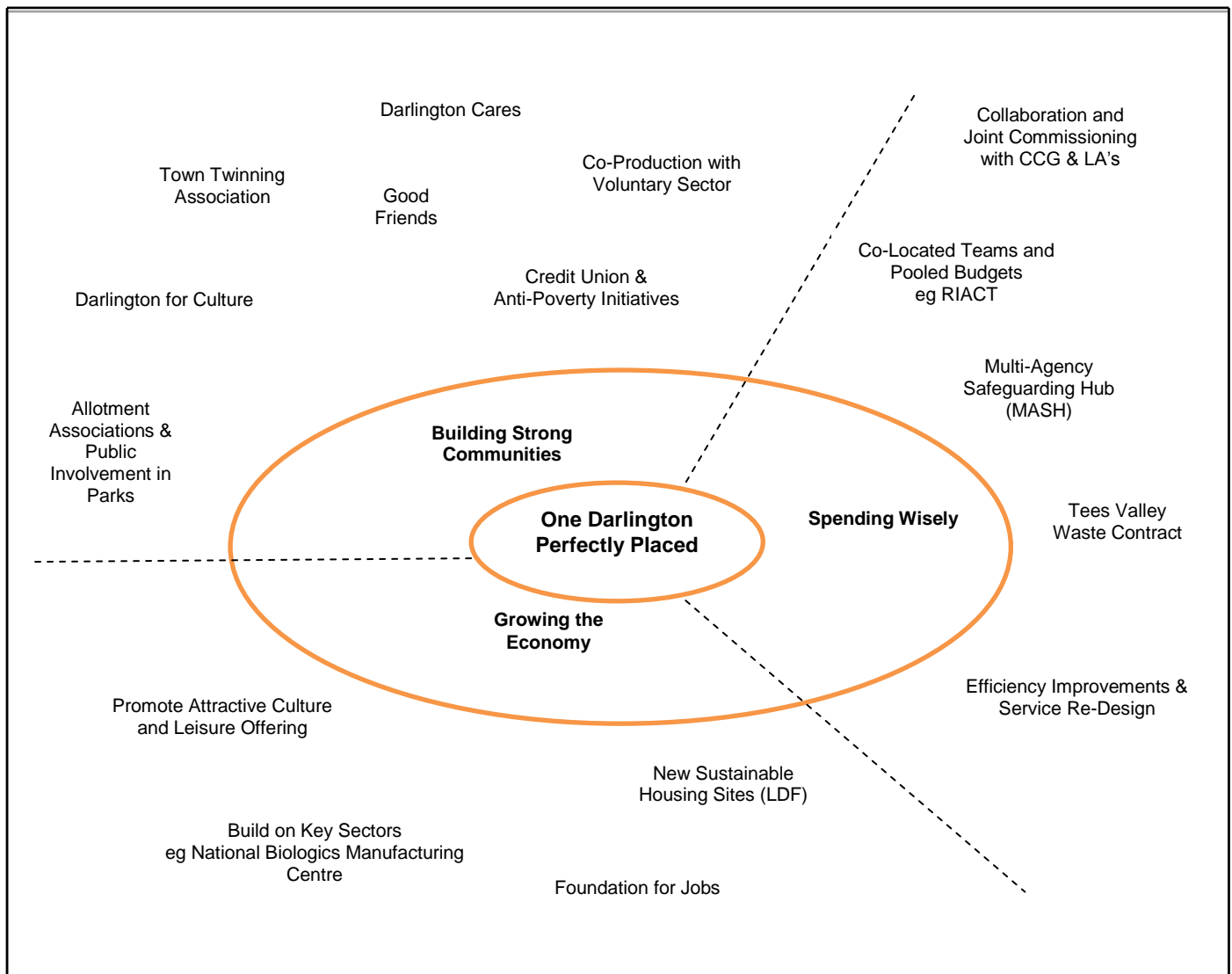
(1) Increased annually by 2% to represent inflation and demand

55. Analyses of the budgets estimated discretionary service spend in 2013/14 at £5.5m. The high level analysis is set out in **Appendix 7**.

56. The analysis shows that the MTFP could not simply be balanced by ceasing all discretionary service spends. It requires radical change to legally required services. The Borough depends highly on discretionary services to create the conditions for growth and prosperity which will be key to a thriving future for the Borough therefore plans must include the continued provision of some discretionary services. In short, the Council needs to address how it delivers legally required services and to what level it provides them as well as looking at what and how it delivers discretionary services and all such considerations need to be taken against the top priorities of One Darlington Perfectly Placed (ODPP) and the legal framework within which Local Government operates.

SECTION NINE – TAKING FORWARD A VISION FOR DARLINGTON AND PUBLIC SERVICES

57. The early part of this report sets out a proposal for how Darlington could thrive against a background of diminished resources. In summary it is proposed that we:-
- (a) Determine, within the context of the One Darlington Perfectly Placed long term strategy, which are the most vital outcomes necessary to give confidence that as a place we can be where we want to be by 2020. For example, evidence would suggest that if every child has the best start in life, then a host of other outcomes become more likely, from better adult health to participation in the labour market. If this were therefore one of the small number of priority interventions then investment and action would follow, and de facto other priorities would receive reduced investment.
 - (b) Construct programmes to bring about the conditions; building strong communities, growing the economy, and spending wisely. The Council, as a body corporate and in its elected Members, will have a pivotal role in bringing them about and will need to work quite differently. Much of the effort will be long term, particularly in terms of changes in people's expectations, wider social conditions, and economic growth.
58. It is hard to underestimate the scale of change required; enquiries to Members and complaints all demonstrate the extent to which people believe that for their Council tax they can expect the Council to undertake a broad range of functions that could arguably be done by people themselves or with their neighbours. There will be new partnerships to be forged, with communities, with the NHS, the voluntary sector and a stronger focus on co-production of strategies within these.
59. For this reason the consultation on the budget proposals has been wider than the specific elements of the budget and has included wider discussion about the way forward.
60. The following diagram illustrates, with some current examples and some proposals, how the conditions can drive activity:



SECTION TEN- DEVELOPING A TWO YEAR BUDGET WITHIN A 6 YEAR PLANNING HORIZON

61. The Council is quite rightly thinking about its planning horizon at the present time as 2020 which in the eyes of many commentators represents the earliest time at which austerity measures may ease. This planning horizon establishes a financial context for the Council to plan but given the size of the challenge and potential uncertainties it is proposed that a phased approach is taken to the MTFP for a number of reasons:-

- (a) New approaches can be tested in the initial period to assist in gaining evidence for what is possible in the second phase of the plan.
- (c) Financial resource planning is relatively firm to 2015/16 beyond this policy changes may be made that impact on Council finances.
- (d) A further two years of operating within the new Local Government Finance system should afford Council's greater understanding of the system giving

more certainty about projections and hopefully the Government will indicate how the funding “reset” in 2020 will happen so we can assess the impacts leading up to 2020 and beyond.

- (e) The sheer size of change required over the period to 2020 means a staged approach is needed given the Council’s capacity and the public’s capacity to engage and understand the change required in the Borough.

62. As set out earlier in the report it is felt that as community leaders, the Council can deliver and/or facilitate a set of conditions within the Borough and there is an opportunity for the borough to emerge from the austerity decade as a thriving community but the transition from the current to the future will be an exceedingly challenging period

63. The approach proposed is to use the two year period to achieve cultural and service design changes which will mean that there will not be large scale service reductions in year one of the plan. Using Cockerton Library as an example, closure will not happen immediately in 2014/15 it will remain open until 2015/16. The period up to 2015/16 will allow all interested parties to express an interest in “saving “ the library but if a viable option cannot be delivered the library will have to close. Public engagement and consultation will therefore be around solutions not about whether the Council could stop closure.

SECTION 11 - DELIVERING THE VISION AND FINANCIAL SUSTAINABILITY

64. As explained above, the initial phase of delivery relates to the period 2014/15 to 2015/16 and will involve reducing expenditure by £7.219m after allowing for usage of revenue balances. The proposals in this report will lead to annual savings of £13.752m by 2016/17 which will contribute significantly to the budget gap identified moving forward in the MTFP. There is no one simple straightforward solution to meeting the financial challenge and new techniques and approaches will have to be tried and tested and some may not deliver so the Council have to adapt and change during the delivery period. The approach will have higher financial risks than previous plans as we become more reliant on others to achieve expenditure reductions where in the past delivery was far more dependent on changes within the Council’s control.

65. Set out below are the high level proposals to deliver £13.752m reductions, the final implementation plans will be subject to further detailed reports in many cases and ongoing Member, Public and Partner engagement so that final proposals will be co-produced with key stakeholders.

BUILDING STRONG COMMUNITIES

A - TRANSFER OF RESPONSIBILITY FOR SERVICES TO OTHERS - HEAD OF STEAM MUSEUM AND COCKERTON LIBRARY - £300k

66. The proposal allows for a two year period of engagement with interested parties to take over the operation of these two facilities at a nil cost to the Council. No funding will remain in the budget for these services after March 2016. It is thought

that potential partners exist and may be able to take on these services.

B - PUBLIC INVOLVEMENT AND DEMAND REDUCTION IN STREET CLEANSING AND PARKS AND OPEN SPACES - £600k

67. The proposed reduction would be achieved by members of the public and businesses taking greater responsibility for their environment by for example reducing the amount of litter dropped and by volunteering for litter picks and by adopting parcels of land to maintain. There are already many good examples from small scale one off projects through to regular programmed involvement from a range of organisations which can be built upon. The challenge will be expanding the programmes borough wide, if such involvement and support cannot be achieved, service standards will be reduced. There is a two year period over which the Council will reduce input to these services gradually therefore allowing time for involvement to grow. Whilst we expect to make significant progress over two years, this will just be the start of long term change programmes. For example, stopping people dropping litter will require long-term behaviour changes in society. So in the first few years Darlington may have more litter and less well maintained open space.

C - VOLUNTARY SECTOR - CO PRODUCTION OF SERVICES - £200k

68. The proposal relies on closer working with the sector to reduce Council financial input in terms of grants by working together to :-

- (a) Identifying which outcomes are priorities for Darlington
- (b) Reviewing and improving how the Council partners and contracts with the sector.
- (c) Working with the sector to achieve better value for money for all concerned including reviewing how the Council provides services
- (d) To work with the sector to identify new funding sources, match funding and to maximise existing funding
- (e) To identify ways to reduce costs for the sector and the Council.

GROWING THE ECONOMY

D - ECONOMIC GROWTH - £1.5m

69. This requires either the building of additional new homes over and above those already anticipated or significant additional business rates from new business within the borough. To put it into context the delivery of £1.5m will require approx. 565 additional band D homes to be built above the 696 already anticipated in the MTFP for this period or two new large business distribution centres being opened in the borough or 12 new office blocks or a combination of these. This target will be a real challenge and need commitment, focus and innovative approaches. To achieve this we must strengthen our approach to create new business and jobs and

key to attracting new business will be our ability to maintain an attractive borough for investors including maintaining key cultural and leisure facilities.

SPENDING WISELY

E - PUBLIC SECTOR COLLABORATION AND JOINT COMMISSIONING - £1.3m

70. The Council will strive to reduce overall expenditure by working and commissioning with others. This will include potential partnerships with Tees Valley Councils around waste collection and disposal, the Darlington Clinical Commissioning Group and services generally with other Councils. This target will mean potentially significant changes to how services are delivered requiring different governance models and may lead to the Council having reduced control in the future on certain areas of spend relying more on influence than outright control to deliver good outcomes at lower levels of cost. There is a real opportunity to improve customer outcomes if services can be jointly commissioned and designed.

F - INTERNAL EFFICIENCY IMPROVEMENTS AND RESTRUCTURING - £800k

71. The Council has delivered £18.1m from efficiency since 2010; further delivery without impacting on service delivery will be a real challenge however realistic given the size of financial challenge.

G - SERVICE REDESIGNS - £1.602m

72. The budget advisory panels identified that some statutory areas redesign could achieve the same outcomes and likewise the cost of some key discretionary services could be further reduced whilst ensuring their continuation, these are :-

- (a) Refuse Collection - Revised alternate weekly Refuse/Recycling Service - £400,000
- (b) Dolphin & Eastbourne Leisure Facilities - Reshaping services delivered and maximising income through sales and partnerships with a health focus - £440,000
- (c) Homelessness Service - Recommissioning and Design - £300,000
- (d) Lifeline Services - removal of subsidy by redesign/fees/partner contributions - £337,000
- (e) CCTV - Fees, partner contributions and service redesign - £80,000
- (f) Crown Street Library – Management Restructure (this replaces the original proposal to reduce opening hours) - £45,000

H - ADULT SOCIAL CARE - £3m

73. The achievement will require a variety of elements such as :-

- (a) Reduced demand for costly services by increasing low level support, the Good Friends scheme will assist.
- (b) New Contracts for Services such as Domiciliary Care
- (c) Reviews of existing support arrangements
- (d) Working with Partners
- (e) Increasing the use of direct payments to reduce the costs of some maintained services

74. There is no doubt this is a very challenging target and detailed reports on how the target will be achieved including full impact assessments will be presented to Cabinet when fully developed.

I - CHILDREN'S SOCIAL CARE - £1.75m

75. The controllable spend in children's social care is the number of children looked after at any one time. As the number increases (average of £50,000 per child per year) then so do other costs such as legal costs, travel etc. The proposal is to continue to provide an effective preventative service, closely aligned to partners and to social work teams, to provide early support for families where there is a risk the child may come into care.

76. Work will be undertaken to reduce the cost of placements, through reviewing the fostering service and making greater use of brokerage of placements.

J- PUBLIC HEALTH RECOMMISSIONING OF SERVICES - £2.7m

77. The Council currently receives a grant of £6.989m rising to £7.184m in 2014/15 to fund Public Health. The responsibility for public health transferred to Local Authorities on 1 April 2013, it was previously the responsibility of the Primary Care Trust. On 1 April 2013 the Council also inherited commitments against the grant. A full review of how the public health grant is used to achieve the wider determinants of health is being undertaken against the background of the changing face of public services and funding. The proposal anticipates that the grant will be used to commission services in different ways including the use of in-house Council services where these, such as sports facilities, which make a vital contribution to improving health.

78. The phasing of the proposals against the required savings targets is set out in **Appendix 8** with a summary below :-

	Estimate 14/15 £M	Estimate 15/16 £M	Estimate 16/17 £M	Estimate 17/18 £M	Estimate 18/19 £M	Estimate 19/20 £M
Budget Deficit (after use of balances)	3.448	7.219	13.752	21.602	23.115	24.093
Less proposed Savings	(3.448)	(7.219)	(13.752)	(13.752)	(13.752)	(13.752)
Gap to be bridged in future years	0.000	0.000	0.000	7.850	9.363	10.341

79. Subject to the approval of the contents of this report at **Appendix 9** is the proposed MTFP and at **Appendix 10** are the supporting detailed estimates.

Update on the Tri borough Collaboration

80. During 2012 extensive work was carried out, with funding from the LGA, to develop a model for collaborative working for children's services and for adults' services across Darlington, Hartlepool and Redcar and Cleveland Borough Councils. A Business Case was completed and agreed by the three Cabinets respectively.
81. Following the Chancellors announcement in December 2012 of further reductions in funding for local authorities each of the three participating Councils completed a review of their Medium Term Financial Plans. Following the reviews, and following public consultation, Darlington Borough Council has identified £4.75M saving from children's and adults' services and a further £1.3m from collaboration and partnership working noted above. These savings targets supersede the £1.4 million saving originally identified by the collaboration Business Case.
82. In addition, since the Business Case was developed and agreed, significant changes have been made in national policy and local service configuration. In particular, national policy has introduced the Better Care Fund (BCF) and local service configuration has introduced Clinical Commissioning Groups. Both changes have placed an emphasis on joint working between local authorities and their health partners operating within the local authority boundary.
83. The savings target for children's and adults' services proposed in this report assume that there will still be collaborative working with the Tees Valley local authorities and that these collaborations will deliver quantifiable efficiencies. The only area of savings originally proposed in the Business Case and now removed from the savings strategy proposed in this report is the proposal to have a shared Director and Assistant Director team across the three local authorities. This would have generated a saving of up to £100,000 but would have required significant changes to management arrangements, to supervision, to governance and to lines of accountability. The original proposal would have also reduced the ability of the Council to form a partnership with the Darlington Clinical Commissioning Group which is likely to lead to much greater benefits for Darlington residents.
84. The collaborative working has delivered real savings for each of the local authorities already and these savings and future projected savings are embedded in the current Medium Term Financial Plan. Savings for Darlington achieved to date through the collaboration are approximately £300,000 (for example, through school improvement support and placement brokerage) and further savings are planned through joint commissioning, through framework agreements and through adoption work. The planned savings are already included in the savings target proposed in the MTFP.

Conclusion

85. The Council continues to face financial challenges and this plan has put in place a three year sustainable plan and proposals that will significantly contribute to bridging the budget gap in years three and beyond, however, best financial

projections show that the Council will need to deliver either more income or further expenditure reduction by 2016/17. The next two years give the Council, its partners and the public the opportunity to test out new approaches and build learning and capacity to deliver financial sustainability beyond 2016/17.

Consultation

86. Cabinet launched a public consultation on the budget proposals at their meeting on 13 November. The consultation asked residents which of the budget proposals they would support, had no opinion on or would not support and was available online on the Council's website and in paper format from the Town Hall Reception. The consultation was publicised through the Darlington Together magazine, via our social media channels and on the Council's website, the consultation closed on 10 January.
87. 200 residents responded from a population of over 100,000, therefore the analysis of results is limited and it is not possible to draw statistically significant conclusions from the responses. The lack of response could possibly indicate that residents are not yet fully aware of the Council's financial position and that significant service reductions are not yet visible. A table of results is included at **Appendix 11**
88. A response was also received from the Fire and Rescue Authority and is attached in Appendix **12**.
89. The Efficiency and Resources Committee met on the 30 January to consider the draft MTFP. The Draft minutes are shown in **Appendix 13** and are due to be considered by that committee on the 13 February 2014. In summary all the draft recommendations were supported.

Equalities/Impacts and Inequalities

90. The Public Sector General Equality Duty set out in the Equality Act 2010 requires the Council to 'have due regard' to the duty to eliminate discrimination, harassment and victimisation; to advance equality of opportunity; and to foster good relations. In making financial decisions it must have regard to the impact on nine 'protected characteristics': age, disability, race, religion/ sex, sexual orientation, gender reassignment, pregnancy and maternity; and marriage and civil partnership.
91. In addition to these statutory requirements, the appraisal includes additional local characteristics or priorities that result in inequalities,,: unemployed/low income, people with criminal convictions and geographical impacts.
92. The outcomes of the consultation and impacts are provided to Members to consider when making their decision. It will however be important to continue to monitor post decision to ensure that the mitigation is working and that there are no unforeseen impacts that have arisen.
93. The impacts are being considered in three stages:-
 - (a) The first is to consider the potential impact of the overall budget on protected characteristic communities and groups. This year the majority of budget

proposals are of savings envelopes rather than specific budget savings proposals therefore it is not possible to assess the individual impacts in their entirety at the present moment. There will however be consideration of which groups may be affected by the proposals and what impacts can be identified now. This will need to be further considered throughout the budget process. Where the specific decisions will be taken after the budget envelope has been set there will be consultation in relation to individual impacts. This work has been facilitated through a survey that has been completed and the responses have been analysed to understand any equality impact assessment issues.

- (b) Secondly there are some specific proposals within the proposed budget that have detail behind them and therefore where detailed Impact Assessment has been undertaken to inform the decision process. These proposals are:
 - (i) Alternate Weekly Collection (completed)
 - (ii) Extra Care Proposals (completed)
 - (iii) Lifeline (desktop work and work with providers)
 - (iv) Health Improvement Services
 - (v) Strategic Grant (desktop work only at this stage)
- (c) Thirdly there is a need to ensure that Members are aware of the other impacts either those which have occurred already or those (so far as they are known) which will result from the decisions yet to be made within the budget to consider the cumulative impact on individuals of the budget as a whole. The timing of some proposals has made this challenging, for example 35 people affected by the Extra Care proposals will also be affected by the Lifeline proposals. Initially the idea was to seek impact assessment information jointly but the level of detail on the lifeline proposal meant this was not possible. Instead the cumulative impact on these 35 people will be picked up as the Lifeline EIA progresses.

94. **Appendix 14** outlines EIA activity that has been undertaken to date

Staffing Implications and Consultation

- 95. Employees directly affected by proposals contained within this report will be consulted in line with the Council's agreed procedures, at this stage due to the medium term approach of the proposals it is not possible to aggregate accurately the number of potential staffing reductions.
- 96. If the Salary Scale Point 5 – 9 proposal is approved the staff who are paid below Scale Point 10 £7.2632 per hour will receive a supplement on their salary up to this point from the 1 April 2014. This has been discussed with union representatives and is in line with their representations to increase the salaries of our lowest paid workers.

Comments of the Director of Neighbourhood Services and Resources

97. As the Council's Statutory Chief Financial Officer I must advise Council on the robustness of the budget and adequacy of reserves. The budget presented to Members in this report has been based on the most accurate information available therefore I can be confident that they are an accurate reflection of the Council's financial position. General Reserves are adequate however the Council is carrying a very significant risk in terms of the need to reduce expenditure, it is essential that cost reductions are delivered on time otherwise reserves will very quickly become inadequate in future financial years. The Council will need to put plans in place to make further cost reductions for 2017/18 and beyond to ensure its continued financial sustainability as by this time it will have minimum levels of reserves.

APPENDICES

Appendix 1	Assumptions used to prepare estimates
Appendix 2	Budget Pressures
Appendix 3	Fees & Income Proposals
Appendix 4	Assessment of Risk Balances
Appendix 5	Projected Revenue Outturn 2013/14
Appendix 6	Consultation Response - Local Government Finance Settlement
Appendix 7	Analysis of Council expenditure
Appendix 8	Savings Proposals
Appendix 9	Proposed Medium Term Financial Plan 2014 to 2020
Appendix 10	Detailed Estimates
Appendix 11	Consultation results
Appendix 12	Fire and Rescue Authority consultation feedback
Appendix 13	Efficiency and Resources Scrutiny consultation feedback
Appendix 14	Equality Impact Assessment activity undertaken.

**KEY ASSUMPTIONS USED IN PROJECTED
RESOURCES, EXPENDITURE AND INCOME 2014-2020**

Factor	Assumption
Resources	
Council Tax base	0.5% growth in Council Tax base in each year.
Council Tax	1.94% increase in each year
Council Tax collection	98% collected
Government Grants	Government grants for 2014-15 as indicated in settlement, confirmed December 2013.
	Increase in Business Rates Scheme and Top Up Grant of 1.95% 2014-15, 2.8% 2015-16, 3.3% 2016-17, 3.6% 2017-18, 4% 2018-19 & 2019-20 (projected RPI).
	Reduction in Revenue Support Grant of 28% in 2015-16, 26% in 2016/17, 30% in 2017/18 and 25% thereafter.
Expenditure	
Pay inflation	2014-15 1%; 2015-16 onwards 2.0%.
Price inflation	Only contractual inflation on running costs
Local Government Pension Scheme	Employers contributions 18.5% of pensionable pay – the current rate
Financing Costs	
Interest rates payable	Average rate on existing debt 2014-15, 4.24%, 2015-16, 4.19%, 2016-17, 4.18% & 2017-18, 4.17%.
Interest rates payable	2014-15, 4.40%, 2015-16, 4.95%, 2016-17, 5.08% & 2017-18, 5.40%.
Interest rates receivable	2014-15, 0.50%, 2015-16, 0.50%, 2016-17, 0.75% & 2017-18, 2.25%.
New Borrowing	2014-15 £9.3m for Public Sector Hub, £5m Multi-Storey Car Park (MSCP), £1m General Capital spend, 2015-16 £1m MSCP, £1m General Capital spend, 2016-17 £1m General Capital spend, 2017-18 £1m General Capital spend, £0.75m Civic Theatre Refurbishment.
Income	
Inflationary increases	Various based on individual service considerations

APPENDIX 2

Pressures	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m	£m
Service Demand						
Additional staff in Customer Services	0.073	0.040	0.000	0.000	0.000	0.000
General running costs	0.028	0.032	0.034	0.034	0.034	0.034
Election costs	0.050	(0.050)	0.000	0.000	0.000	0.000
Maintenance of former Blackwell golf course grounds	0.005	0.005	0.005	0.005	0.005	0.005
Electoral Registration costs	0.000	0.025	0.025	0.025	0.025	0.025
Childrens' Transport costs	0.080	0.102	0.123	0.143	0.143	0.143
Other Service demand	0.013	0.013	0.013	0.013	0.013	0.013
	0.249	0.167	0.200	0.220	0.220	0.220
Price Inflation						
Audit fees	0.010	0.018	0.018	0.018	0.018	0.018
Concessionary Fare Inflation (6%)	0.000	0.000	0.000	0.164	0.164	0.164
Coroners increase	0.009	0.010	0.010	0.010	0.010	0.010
Waste Disposal Inflation (3%)	0.000	0.000	0.000	0.056	0.056	0.056
Street Lighting electricity inflation (5%)	0.000	0.000	0.000	0.027	0.027	0.027
Other Inflationary rise above 1.5% RA	0.000	0.000	0.000	0.064	0.064	0.064
Staffing pay award @ 2% against RA 1.5%	0.000	0.000	0.000	0.082	0.082	0.082
Central House NNDR	0.003	0.007	0.009	0.012	0.012	0.012
Other inflationary increases	0.023	0.023	0.021	0.076	0.076	0.076
	0.045	0.058	0.058	0.509	0.509	0.509
Reduced Income						
Building Design Services - Turnover reduction	0.138	0.138	0.139	0.139	0.139	0.139
Trade Waste Loss of Business	0.199	0.219	0.240	0.261	0.261	0.261
Pollution & Clear Air - income not achievable	0.016	0.016	0.016	0.016	0.016	0.016
Construction - Turnover reduction	0.350	0.350	0.350	0.350	0.350	0.350
Reduced Income due to changes in DSG	0.100	0.100	0.100	0.100	0.100	0.100
Troubled Families reduced grant	0.014	0.000	0.000	0.000	0.000	0.000
Eastbourne Gym complex reduced Income	0.005	0.005	0.005	0.005	0.005	0.005
Building Control reduced Income	0.015	0.015	0.015	0.015	0.015	0.015
Commercial Licence fees loss of business	0.001	0.001	0.001	0.001	0.001	0.001
Environmental Health reduced Income	0.010	0.010	0.010	0.010	0.010	0.010
Libraries reduced income	0.020	0.020	0.020	0.020	0.020	0.020
Sustainable Transport loss of funding	0.000	0.035	0.035	0.035	0.035	0.035
CCTV reduction in Income	0.000	0.024	0.024	0.024	0.024	0.024
Reduced Income 14-19 service	0.020	0.020	0.020	0.020	0.020	0.020
	0.888	0.953	0.975	0.996	0.996	0.996

Pressures	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m	£m
Other						
Estates Officer - budget duplication	0.045	0.046	0.047	0.048	0.049	0.050
Beehive - occupancy until mid to late May 2014	0.040	0.000	0.000	0.000	0.000	0.000
HR restructure shortfall	0.023	0.018	0.018	0.018	0.018	0.018
Financing Costs due to reduced investment interest	0.377	0.332	0.638	0.641	0.644	0.566
Emergency Planning budget shortfall	0.000	0.016	0.016	0.017	0.017	0.017
Other pressures / (savings)	(0.074)	0.296	0.316	0.219	0.219	0.219
	0.411	0.708	1.035	0.943	0.947	0.870
Contingencies						
Pension Fund Deficit (decrease) / increase	(0.150)	(0.100)	(0.050)	(0.010)	0.040	0.090
Invest to save fund	0.150	0.100	0.100	0.100	0.100	0.100
Salary scale point 5 – 9 proposal	0.070	0.070	0.070	0.070	0.070	0.070
Additional NI implementation date b/fwd	0.000	0.000	1.000	0.000	0.000	0.000
	0.070	0.070	1.120	0.160	0.210	0.260
Additional Savings offsetting pressures						
Recycling - leasing & borrowing not needed	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)
Street Lighting electricity saving	(0.050)	(0.064)	(0.077)	(0.091)	(0.091)	(0.091)
Concessionary Fares partnership	(0.060)	(0.064)	(0.067)	(0.071)	(0.071)	(0.071)
Section 17 payments	(0.104)	(0.104)	(0.104)	(0.104)	(0.104)	(0.104)
Through Care/After care staff changes	(0.028)	(0.028)	(0.028)	(0.028)	(0.028)	(0.028)
Family Support Running costs	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
Adults various	(0.473)	(0.425)	(0.463)	(0.178)	(0.178)	(0.178)
Resources Restructure	(0.350)	(0.150)	(0.164)	(0.181)	(0.181)	(0.181)
Highways Increased turnover	(0.200)	(0.200)	(0.200)	(0.200)	(0.200)	(0.200)
Mayoral support	(0.015)	(0.015)	(0.008)	(0.008)	(0.008)	(0.008)
Town Hall Committee Rooms – ICT equipment	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)
	(1.296)	(1.066)	(1.128)	(0.878)	(0.878)	(0.878)
Total Pressures	0.367	0.890	2.260	1.950	2.004	1.977

Contingencies (from previous years)						
Adult Packages	0.235	0.235	0.235	0.235	0.235	0.235
Employers pension increase	0.400	0.400	0.400	0.400	0.400	0.400
Increase in National Insurance				1.000	1.000	1.000
Total Contingencies	0.635	0.635	0.635	1.635	1.635	1.635