
MEDIUM TERM FINANCIAL PLAN UPDATE

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

Responsible Director - Chief Officers Executive

SUMMARY REPORT

Purpose of the Report

1. To inform Members of the Local Government Settlement figures received on 19 December 2017 and the National Pay Award offer, propose a change in the Council Tax increase initially agreed by Cabinet for consultation on 12 December 2017 and request permission to consult on this change.

Summary

2. Overall there is no new money from Central Government in the recently announced Local Government Finance Settlement, however, more flexibility has been created allowing the Council Tax to be raised by an additional 1% to 2.99% before requiring a referendum in the financial years 2018/19 and 2019/20.
3. This flexibility allows Council to increase revenue to offset grant losses and additional service demands and is also in recognition of current inflation levels and the pressure Councils are facing on social care budgets.
4. Furthermore, since the Cabinet Medium Term Financial Plan (MTFP) proposal, there has been a national pay award offer made to the unions covering a two year period which is higher than anticipated and averages 5.9% across the Council's paybill over that period. This offer places additional pressure on the MTFP and if accepted would increase expenditure by approximately £4.9m wiping out all of the Futures Fund proposed.

Recommendation

5. It is recommended that Cabinet approve for consultation the amendment to the proposed Council Tax from 1.99% plus social care precept of 3% (4.99%) to 2.99% plus social care precept of 3% (5.99%) in 2018/19.

Reasons

6. The recommendation is supported to take advantage of the flexibility allowed by the government and increase council tax by an additional 1% before requiring a referendum.

Chief Officers Executive

Background Papers

No background papers were used in the preparation of this report

Elizabeth Davison: Extension 5830

S17 Crime and Disorder	There are no specific proposals that impact on the Council's Crime and Disorder responsibilities
Health and Well Being	There are no specific proposals that impact on the Council's Health and Well Being responsibilities
Carbon Impact	There are no specific proposals that impact on 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.
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	Taking the flexibility to increase the adult social care precept for two years generates more income in the short term to help offset rising adult social care costs.

MAIN REPORT

Background and Context

7. The draft MTFP was approved by Cabinet for consultation on the 12 December 2017. Subsequently the Local Government Finance Settlement was received which increased flexibility in regard to council tax.
8. There is no new money included within the settlement. The Government has however created more flexibility by allowing Council Tax to rise by an additional 1% in 2018/19 and 2019/20 (from 1.99% to 2.99%) before a referendum is required.
9. Furthermore, since the Cabinet Medium Term Financial Plan (MTFP) proposal, there has been a national pay award offer made to the unions covering a two year period which was higher than the 1.75% and 1.5% increases anticipated in 2018/19 and 2019/20. Whilst the head line offer is an additional 2% each year there is some significant bottom loading with some staff at the lower end of the pay spine receiving higher increases. Overall it is anticipated if accepted, the additional cost over and above budgeted for is approximately £4.9m, which would wipe out all of the Futures Fund proposed by Cabinet.
10. Whilst the flexibility on council tax does not in its entirety cover the additional pay award cost, applying the increase would dampen the effect and still allow for a Futures Fund albeit reduced.
11. The additional 1% in 2018/19 and 2019/20 would provide additional income over the life of the MTFP of £3.4m. The impact of the change is shown below;

Financial Analysis

	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
Council Tax as per Draft MTFP	46.884	48.361	50.858	53.472
Council Tax revised after settlement	47.331	49.300	51.847	54.511
Additional Council Tax revenue	0.447	0.939	0.989	1.039
Council Tax increase	2.99%	2.99%	1.99%	1.99%
Social Care precept	3.00%	0.00%	2.00%	2.00%
Total Increase	5.99%	2.99%	3.99%	3.99%

Consultation

12. This update to the original proposal following the Settlement announcement on the 19 December 2017 in regard to the Council Tax and will be subject to consultation between 9 January and 9 February 2018.