
MEDIUM TERM FINANCIAL PLAN

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

Responsible Director - Chief Officers Executive

SUMMARY REPORT

Purpose of the Report

1. To approve the 2017/18 to 2020/21 Revenue Medium Term Financial Plan (MTFP) including setting a budget for 2017/18 along with the Council Tax, and also a 2017/18 to 2020/21 Capital Programme.

Summary

2. Between the financial years 2010/11 to 2016/17 the Council has faced unprecedented financial challenges from reductions in public sector spending. In the case of Darlington Borough Council this has meant an overall real terms decrease in government funding of £37.3m anticipated to increase to £44.5m by 2020/21. This resulted in the Council agreeing reductions to planned expenditure of £46.6m leading to a reduction to date of 698 in the Council's workforce. These income reductions have come at a time when demands for Council services in particular social care are increasing.
3. Since the draft MTFP proposed in December the Local Government Finance Settlement (LGFS) has been received and as anticipated there are no signs the austerity measures facing the Council will improve. The Efficiency Statement the Council submitted guarantees the Revenue Support Grant figures as published which gives certainty over a proportion of our funding, unfortunately this is now a small and decreasing element of the Councils revenue stream.
4. The Council undertook a significant consultation exercise in 2016 following an in-depth and detailed review of all services which resulted in the agreement of a Core Offer budget by Council on the 29 June 2016.
5. Whilst delivering the Core offer is extremely challenging and further pressures have arisen the Council can still deliver the agreed plan but needs to continue to pursue with vigour our three conditions of Building Strong Communities, Spending Wisely and Growing the Economy.
6. The overall projected overspend on the draft MTFP as reported to Cabinet in December has reduced however, expenditure is still higher than the current approved MTFP. The

injection of capital receipts agreed in December remains in place which has the net impact over the life of the plan of increasing revenue balances by £9.270m which can be used to offset pressures. The remaining balances of £3.726m, subject to achieving the capital receipts, will be available should further pressures arise over the period of the MTFP and to assist in bridging the future budget gaps beyond the current MTFP.

Recommendation

7. Council are requested to:

- (a) Approve the Revenue MTFP as set out in **Appendix 7** including the following:-
 - (i) Council tax increase of 1.99% plus the 3% social care levy to help fund the Adult Social Care for 2017/18.
 - (ii) Schedule of charges as set out in **Appendix 3**
 - (iii) Use of capital receipts to assist in funding the MTFP.
- (b) A delegation for Cabinet to vary the Revenue Budget for 2017/18 by up to £0.5m without further Council approval.
- (c) Approve the Capital Medium Term financial Plan as summarised in Appendix 9.
- (d) A delegation for Cabinet to vary the Capital Budget for 2017/18 by up to £0.5m without further Council approval.

Reasons

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

- (a) To set the 2017/18 budget and Council Tax in compliance with statutory requirements and the council's constitution.
- (b) To enable the Council to continue to plan services and finances over the medium term
- (c) To ensure decisions can be made in a timely manner.

Chief Officers Executive

Background Papers

No background papers were used in the preparation of this report.

Elizabeth Davison: Extension 5830

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 which do not affect service levels have been included in the MTFP.

MAIN REPORT

Background and Context

9. The Council for the period 2010/11 to 2016/17 faced unprecedented financial challenges as the Government responded to the worldwide economic downturn by introducing significant public sector spending reductions. In the case of Darlington Borough Council this meant an overall real terms decrease in government funding of £37.3m anticipated to increase to £44.5m by 2020/21. This resulted in the Council agreeing reductions to planned expenditure of £46.6m leading to reduction to date of 698 in the Council's workforce.

10. In agreeing the MTFP 2016/17 to 2019/20, the Council acknowledged that spending would need to be further reduced by £12m per annum by 2019/20 and following significant public consultation agreed a Core Offer budget for the period which reduced expenditure and services to a statutory level with a small investment fund of £2.5m for

services which the Council does not have to provide but which add great value to Darlington and its residents.

11. In terms of the financial context faced by the Council since approving the MTFP the situation remains similar with reductions in Local Government funding along the lines predicted in the MTFP likely. Following the submission and approval of the Council's Efficiency Statement, Revenue Support Grant is guaranteed at the published reducing level however this is now only a small fraction of the Councils overall revenue stream. The Councils two main sources of funding are Council Tax and Business Rates, the former being relatively stable, the latter being far more volatile.

Updated Information and Changes to the Draft MTFP

12. As a result of updated information since the draft MTFP was approved for consultation last December 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:-

No.	Change	Effect	Para.	App.
1	Adult care precept amended to 3% 2017/18, 3% 2018/19 and 0% 2019/20.	Improves income over the MTFP by £1.3m	13, 20, 36, 45	2, 7
2	Adult precept compounding effect	Improves income over the MTFP by £0.771m	13, 21, 36, 45	2, 7
3	Revenue budget Management Quarter 3 position	Improved reserves by £1.2m	47	5
4	National Living Wage. The Government has announced the living wage figure for April 2017 which is less than their initial projections. There are also projections for the next 3 years which again are lower than initially announced.	Reduced Adult Social care expenditure for 2017/18 – 2019/20. Equating to £2.315m over the MTFP life.	13, 19	2, 7
5	National Living Wage – original pressure identified in draft MTFP 20-21 not required as above	Improved position in 2020/2021 of £0.700m	13, 19	2, 7
6	Business Rates – increases due to new premises coming on line, including the Feethams development and the effects of the 2017 Revaluation.	Increase in Business rates over the MTFP of £1.879m	39, 42, 45	7
7	New Homes Bonus – changes announced in	Reduction in income of £1.080m over the MTFP	13, 25, 45	2, 7

No.	Change	Effect	Para.	App.
	the LG finance settlement reduced NHB			
8	Pressure – Markets due to increased rates and loss of income due to falling occupancy.	Reduction in reserves of £0.392m	13, 23, 48	1, 2, 7
9	Pressure Economic Growth due to increased workload in Capital Projects team	Reduction in reserves of £0.156m	13, 23, 48	1, 2, 7
10	Highways capitalisation – reduced due to analysis of capital works available.	Reduction in revenue income of £2.0m	22, 23, 48	1, 2, 7
11	New Adult Social Care Support Grant announced	Increases income by £0.503m	26, 28, 45, 48	7
12	IR35 - off payroll intermediaries legislation- Employers National Insurance contributions	Increases payroll costs by £0.275m per annum.	13, 23, 48	1,2,7

Financial Analysis

Progress on Delivery of the Current MTFP

13. On the whole the savings identified in the Current MTFP will be achieved with the exception of the Library relocation where the decision was deferred by Cabinet on 13 September 2016 pending further consultation. There are however some considerable savings still to be achieved which have been programmed for future years and whilst progress is being made and is on track the significance of the challenge should not be underestimated.

Projected Expenditure

14. Estimates attached at **Appendix 1** have been prepared based on service levels agreed in June and include known pressures and efficiencies which are summarised below and detailed in **Appendix 2**. The most significant pressures and efficiencies are however discussed in the following paragraphs. Assumptions used when preparing the estimates are set out at **Appendix 4**.

	Estimate 17/18 £m	Estimate 18/19 £m	Estimate 19/20 £m	Estimate 20/21 £m
Summary of Pressures				
Service Demand	1.486	1.582	1.755	1.778
Reduced Income	1.084	1.369	1.639	1.789
Other	0.810	0.257	0.405	0.808
Current Savings Shortfall	0.397	0.000	0.000	0.000
Council Tax -reduced growth	0.290	0.445	0.609	0.795
Additional Savings offsetting pressures	(2.195)	(2.809)	(1.868)	(1.400)
	1.872	0.844	2.540	3.770

15. Service demand – There are a few main pressure areas in service demand, the first being a pressure on the pensions fund following an actuarial revaluation. Whilst there is a step change over the next couple of years by 2019/20 the additional cost to the Council will be £1.058m. In addition there is a pressure in Children’s Services with additional placements in looked after children along with the continued pressure of agency worker cost covering vacant posts which are difficult to recruit to. Whilst there is a regional group looking at the issue which is led by Darlington’s Director of Children and Adult Services this is a longer term issue so improvement will not be quick. There are also service demand pressures in Adult Services in regard to increased costs in residential services for older people due to increases in quality standards and low attrition rates.
16. Reduced income – The most significant pressure is the reduction in investment interest. When the MTFP was set earlier in the year based on external advice it was anticipated interest rates would increase over the life of the plan, however since the referendum results the interest rates have been cut and are anticipated to remain low which has a direct impact on our investment income.
17. Other – included in here is a pressure following the reform of the off-payroll intermediaries’ legislation (commonly known as IR35) in the public sector. The reforms move the responsibility for assessing tax and national insurance liability and the deduction of the correct tax to the public body where a worker is engaged for a contract for service direct with the public sector authority. The Council is also required to pay employer national insurance contributions as it would an employee and the pressure of £0.275m per annum is in relation to this payment.
18. The current savings shortfall relates to the library relocation as noted above.
19. Council Tax - Planning estimates anticipate growth levels to be an average of 370 band D equivalent properties over the period of this plan which is a growth on the tax base of 1.1%. This is lower than the number anticipated in the current MTFP of 415 which places a pressure on income over the life of the MTFP of £2.139m.
20. Offsetting these pressures are savings of £8.3m over the life of the MTFP again detailed in Appendix 2.

21. Due to the Government announcing a lower than projected NLW for April 2017 and subsequent years there is a direct impact on the Adult Social Care budget with a £3.015m saving over the life of the MTFP. Members will recall that in the draft MTFP there was an additional pressure included in 2020/21 of £0.700m for the NLW, this is not now required.
22. The front loading of the increase of the Adult Social Care precept of 1% in 2017/18 and 2018/19 gives the authority an additional £1.285m in resources over the life of the MTFP.
23. As further explained in paragraphs 34 and 35 the compounding effect of the Adult Social Care Grant gives £0.771m additional income over the life of the plan.
24. The revenue MTFP includes capital expenditure which currently the Council has previously chosen to treat as revenue. After a detailed review the extent of such expenditure is approximately £0.5m per annum (as opposed to the £1m per annum initially highlighted in the draft MTFP) mainly in the highway service and therefore given the pressures on the Revenue account it is recommended that capital receipts be used to support the MTFP 2017/18 – 2020/21. This approach will assist the Council in funding the MTFP. Members will appreciate that this will reduce funds available for capital schemes but given the priority of delivering a sustainable MTFP this approach is seen as appropriate.
25. Taking all of the above into account the projected expenditure is shown in the table below

	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
Children and Adult Services	53.818	53.950	54.610	56.049
Economic Growth	9.037	9.320	9.696	9.987
Neighbourhood Services and Resources	17.766	17.640	17.948	18.007
Financing costs	1.645	1.857	1.980	2.060
Council Wide Pressures/(savings)	(3.159)	(3.198)	(3.186)	(3.186)
Contingencies	1.640	2.168	2.744	3.094
Total Expenditure	80.747	81.738	83.792	86.011

Projected Income – Core Grant Funding to Local Government

26. As mentioned earlier in the report, the Council submitted an Efficiency Statement which was approved and has guaranteed our level of Revenue Support Grant. The figures below therefore remain as in the existing MTFP.
27. In terms of New Homes Bonus (NHB) this is included in core Government funding as it is top sliced from RSG with £1.7bn now available to be distributed based on net increases in housing numbers. However changes to the formula were announced in the LGFS and there is now a national baseline of 0.4% and no NHB will be paid until the increase in numbers is above this limit, which for Darlington is 162. It was also announced that the current payment of NHB of 6 years

would be reduced to 4 by 2018/19. This has a negative impact on our projections estimated to be £1.080m across the life of the MTFP.

28. The government have confirmed the saving in NHB of £240m in 2017/18 will be transferred to an Adult Social Care Support Grant. Darlington's element of this grant is £0.503m. This grant however is for one year only whereas the NHB reduction is on an annual basis.
29. As part of the financial strategy to combat the grant cuts, the Council is working towards increasing housing numbers albeit very challenging in the current climate. Whilst there are a high number of planning applications being granted some of the developments are slow to come to fruition. The current financial rewards in terms of NHB are £1,484 per band D equivalent property with an additional £350 for affordable housing. In addition the Council also receives additional Council Tax for each property. Clearly housing growth is key to sustaining the Councils MTFP.
30. Set out in the table below are the latest projections which show a further £5.126m reduction in cash terms which equates to £5.206m in real terms.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Revenue Support Grant	13.286	9.094	6.334	3.556	3.102
Top up Grant	4.012	6.828	7.046	7.300	7.519
New Homes Bonus	2.698	2.278	1.722	1.505	1.102
Better Care Funding	0.000	0.161	1.731	3.147	3.147
Adult Social Care Support Grant	0.000	0.503	0.000	0.000	0.000
TOTAL	19.996	18.864	16.833	15.508	14.870

31. What happens to Local Government funding beyond 2020 is unknown, the Government has announced that it will be reviewing the system and is proposing to allow Councils to keep 100% of NNDR subject to some equalisation of resources and safety nets. In return Local Government will receive no RSG and take on additional responsibilities and costs.
32. This change puts a significant level of uncertainty in to the system at a time when the need for certainty to allow good financial planning is paramount given the scarcity of resources. Planning at this stage beyond 2020 is extremely challenging.

Council Tax Income

33. Council Tax is by far the largest single funding stream and it will become an increasing percentage over the coming years as it represents 53% of all income in 2016/17 increasing to 62% by 2020/21, this is due to reducing government funding and planned annual increases of 1.99% (excluding the Adult Social Care Precept), the maximum allowed without a referendum based on expected limits. 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 £411,000 and that Darlington has the second lowest Council Tax in the North East Region.

34. In the 2015 Autumn Statement it was announced that Council's with responsibility for adult social care will be able to levy a 'precept' of 2% on top of the current council tax referendum limit to help fund the increasing cost of social care. The LGFS in December 2016 provided more flexibility by allowing the Social Care precept to rise by an additional 1 per cent in 2017/18 and 2018/19 (from 2 percent to 3 percent) on the condition that the total increase to 2019/20 does not exceed 6 percent. Whilst the percentage increase is still 6 percent over the three year period it is advantageous to the Council to take this flexibility and increase the precept in the first two years as it generates more income to help offset the increasing adult social care costs in the short term. For Darlington, adult social care expenditure is the largest overall budget and the precept is required to help in funding the ongoing increases. The precept is on top of the 1.99% council tax increase noted in the preceding paragraph.
35. When the draft MTFP was approved in December 2016 the original council tax cash increases for both the normal band D rate and the Social Care Precept were based upon the previous years' band D rate excluding the social care precept. This was to eliminate an increase to the band D rate for Darlington based on a precept element and the 2% social care precept having compound increase of greater than 2%.
36. Latest indications from the Government show that this does not apply and one rate across the board is acceptable therefore giving the authority £0.771m additional council tax income over the life of the MTFP.
37. As noted above planning estimates anticipate growth levels to be an average of 370 band D equivalent properties over the period of this plan which is a growth on the tax base of 1.1% albeit lower than anticipated in the current MTFP. These figures have been used to prepare the estimates; clearly should this be any different income levels will differ. The collection rate is anticipated to remain at 99% in 2017/18.
38. Taking the above into account Council Tax income over the period of this plan is estimated as follows :-

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2019/20 £m
Total Council Tax anticipated	41.698	44.123	46.884	48.361	50.857

National Non Domestic Rates

39. 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 tax-base 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.

40. From 1 April 2017 a new valuations list across the country for non-domestic properties takes effect, the revaluation of all properties has led to a net reduction in business rates payable in Darlington although this loss of income will be offset within the system via a Top Up Grant so there should be no direct impact on the Council. However, historically following each revaluation, appeals tend to increase so there will be a period of volatility in regards to income which could have a negative impact on our revenue.
41. Notwithstanding the above, the final rateable value listing released in January 2017 now includes all of the new developments within the Borough and incorporates the changes announced in the Autumn Statement (including an increased Top Up Grant) and there has been an increase in the total Net Rates Payable for Darlington of £0.273m in 2017/18 rising over the MTFP to £0.757m in 20/21 which over the life of the MTFP equates to £1.879m.
42. The ability to increase NNDR is a key tool to improve the Council's financial position and one of the key drivers in achieving the MTFP. However this is not a quick solution as major developments and attracting businesses into the Town by their very nature take time and upfront investment.
43. The in-year collection rate target for NNDR is 97.2% and as at the end of December 2016 the actual collection figure is 79.2%.
44. Taking the above into account the projections of NNDR are shown below

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
NNDR	16.486	14.499	14.963	15.502	15.967

Collection Fund

45. The Collection Fund account reflects the statutory requirements for the Council to maintain a separate Fund in relation to the operation of Council Tax and Business Rates Retention Scheme (BRRS). The Fund records all of the transactions for billing in respect of Non Domestic Rates (NDR) and Council Tax, exemptions and discounts granted, provision for bad debts and appeals and payments made to the Council's General Fund, the Police and Fire and Rescue precept authorities and Central Government. The collection fund is in a balanced position.

Other Grants

46. Set out below are the estimated grants which are included in service estimates at Appendix 1.

	2017/18
	£m
Public Health Grant	8.670
PFI	3.200
Troubled Families Grant	0.360
Discretionary Housing Payments	0.200
Youth Justice Board	0.222
Local Reform and Community voices	0.057
Adult and Community Learning	0.992
Bus Service Operators Grant	0.027
Community Sports Activation Fund	0.023
Individual Electoral Registration	0.007
Total	<u>13.758</u>

Total Income

47. The table below shows the Council's estimated income for the period of this plan which shows a dip from 2016/17 to 2017/18 then a slight increase over the following three years. This is despite the anticipated reductions in government grant and new homes bonus due to the assumed 1.99% Council tax increase, Adult Social Care Precept of 6% over the next three years and growth in business rates.

Resources - Projected and assumed	2016/17	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m	£m
Council Tax	41.698	44.123	46.884	48.361	50.857
Business rates retained locally	16.486	14.499	14.963	15.502	15.967
Top Up Grant	4.012	6.828	7.046	7.300	7.519
RSG	13.286	9.094	6.334	3.556	3.102
New Homes Bonus	2.698	2.278	1.722	1.505	1.102
Better Care Fund	0.000	0.161	1.731	3.147	3.147
Adult Social Care support Grant	0.000	0.503	0.000	0.000	0.000
Total Resources	78.180	77.486	78.680	79.371	81.694

Capital Receipts

48. As mentioned previously capital receipts can be used to fund capital expenditure but any new capital receipts can also be used for other purposes such as repaying the past service deficit on the pensions scheme. The deficit repayment over the next three years would have been £7.270m; however by repaying the deficit upfront the Council will save £465k. To facilitate this, the use of £6.805m of capital receipts is recommended which not only saves £465k but also relieves some of the pressure on the revenue account.

Revenue Balances

49. The table below is revised to take account of the projected revenue outturn for 2016/17 which is detailed at **Appendix 5**, the assessment of required risk balances as set out in **Appendix 6**, along with the use of capital receipts and revenue balances. As can be seen the reserves position decreases year on year over the life of the MTFP with the opening balance reducing to £3.759M by 2020/21:-

Revenue Balances	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
Opening balance	15.485	10.682	9.957	8.043
Add Rev bud Man Qtr 3	1.212			
Less Redundancy Reserve	(0.765)	(0.088)	0.000	0.000
Risk Reserve	(4.330)			
Contribution to/(from) balances	(0.920)	(0.637)	(1.914)	(4.317)
Closing balance	10.682	9.957	8.043	3.726

Use of Balances

£m's

Balance of Reserves as at 01/04/17

15.485

Less Risk Reserve

(4.330)

Add Qtr 3 2016/17 projections

1.212

Saving due to upfront payment of Past

Service Deficit

7.270

Less reserves to fund deficit

(15.058)

Less Redundancy reserve

(0.853)

Projected reserves 2020/21

3.726

Projected MTFP

50. Set out in the table below is the projections based on the income and expenditure analysis discussed in the previous sections of this report.

	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
Estimated Expenditure	78.875	80.894	81.252	82.241
Add Pressures / Additional savings	1.872	0.844	2.540	3.770
	80.747	81.738	83.792	86.011
Less				
Estimated Income	(77.486)	(78.680)	(79.371)	(81.694)
Planned use of balances	(2.524)	(2.909)	(2.762)	0.000
Further utilisation of balances	(0.737)	(0.149)	(1.659)	(4.317)
Budget Deficit	0.000	0.000	0.000	0.000

Capital Expenditure

51. Capital expenditure is significant, one off expenditure used to purchase or improve assets to enable the Council to deliver its priorities, for example purchasing land to enable road improvements or investing in modernising school buildings and housing. The Council continues to deliver a significant capital investment programme in the main funded from the Housing Revenue Account (HRA) and external funding which is targeted at specific schemes and programmes such as Transport and Schools. In addition there are a number of schemes financed from the Council's own resources for example the Dolphin Centre Plant and Equipment refurbishment and the Multi Storey Car Park.
52. Council financed schemes are funded by either capital receipts or prudential borrowing, both of which are scarce in these times of austerity. Work is ongoing to prioritise schemes requiring corporate funding and will be subject to a future report. There is however an urgent need to agree £0.150M for Advanced Design Fees/Development site preparedness. This is to ensure that resources are available to work up any new schemes brought forward in relation to economic growth including site investigations on development sites, industrial and housing land. Without this funding, schemes would not progress and growth would stall.
53. Attached at **Appendix 9** is the latest capital programme which has regular updates as decisions are made and external funding becomes available. The following paragraphs describe the major elements of the programme. Specific scheme approvals will be subject to detailed reports to Cabinet.

54. Set out below are details of the levels of Government funding available for investment by the Council in 2017/18 and outline proposed use of such funds, the detailed use of the funds will be subject to detailed reports to Cabinet.

	2017/18 £000's
Children's Services	
School Condition Allocation	138
Transport	
Local Transport Plan	2,431
Local Growth Fund	3,200
Highway Maintenance Challenge Fund	1,613
Other Transport Schemes	278
Other Capital Programme	
Disabled Facility Grant	716
Total Capital Grants Available	8,376

Children's Services

School Condition Allocations

55. The Local Authority now only receives school condition funding for Community Maintained Schools. Maintenance funding for Academies is available through other routes. This funding received by the Local Authority will be spent in line with key priorities identified with each maintained school through the locally agreed asset management planning (LAMPA) process, carried out each January. There are no strict spend deadlines for these small scale condition related projects which are prioritised and completed as funding becomes available.

Transport and Highways

56. The following works are proposed for delivery in 2017/18

Local Transport Plan

57. The Department for Transport (DfT) releases capital funding to Local Authorities through the Local Transport Plan (LTP) based on a needs formula. The allocation is constituted of two blocks of funding; the Integrated Transport Block and Highways Capital Maintenance.

58. During 2017/18 £886,000 has been allocated for the Integrated Block and £1,545,000 for the Highways Maintenance Block and will fund an agreed priority of maintenance of highway assets, management of the highway network and improvement schemes.
59. The Highways Maintenance Block reduces over the term of the MTFP with new elements introduced by the DfT that enables authorities to try and recover money that has been top-sliced from allocations by Government. These are:
- (a) Competitive Highway Maintenance Challenge Fund (which will complete the LED street lighting programme).
 - (b) Incentive Fund for Highway Maintenance management.
 - (c) Pothole Fund for repairing potholes on the local road network.
 - (d) National Productivity Investment Fund to improve local road networks and public transport.
60. Since April 2015 within the Local Growth Fund (LGF) the Local Enterprise Partnership (LEP) has been allocated a significant element of the available capital funding for transport schemes. Proposals for LGF schemes to be delivered in 2017/18 include a new cycle/foot bridge at Parkgate as part of the Sustainable Access to Employment programme and a new access road into Ingenium Parc.
61. The Council submitted a funding proposal to Highways England for a £1.05M contribution, from their 'Housing and Growth Fund' towards a package of measures in the North Western area of the town, aimed at mitigating for increases in traffic arising from new housing and commercial development. The bid was successful and funding will be allocated to widening the A68 approach to the Rotary Way roundabout and constructing a new left turn lane.

Housing

62. All Housing Capital schemes are funded fully from the Housing Revenue Account. The priorities identified through the Housing Business Plan to be funded from the estimated capital resources for 2017/18 include:-
- (a) Adaptations and lifts – £0.300m budget is to deliver adaptations within the Council's housing stock to enable tenants with a disability to remain in their own home and live independently across the Borough and to complete any unplanned major works to passenger lifts within sheltered and extra care schemes.
 - (b) Heating Replacement - £1.470m to fund new condensing boiler and central heating upgrades. This work will predominantly be completed in the following wards: Harrowgate Hill and North Road. There will also be some miscellaneous properties which will be included in the programme and we will be running a "just in time" programme of replacement for those boilers that fail before their due replacement date within the financial year.
 - (c) Structural Repairs - £0.140m has been set aside to address any structural issues that may be identified within the year.

- (d) Lifeline Services - £0.050m is set aside to continue to provide upgrades to Lifeline equipment.
- (e) Repairs before Painting - £0.100m will be invested in joinery repair works in anticipation of the cyclical external painting programme in areas throughout the Borough.
- (f) Roofing – £0.420m for the replacement of roofs, fascia's, soffits and rainwater goods alongside the top-up of loft insulation where appropriate. The programme will primarily be in Parkside, Park East and Firthmoor Wards.
- (g) Garages - £0.075m will be invested in improvements to the Council's garage blocks in areas to be determined. The programme will primarily be in Red Hall and Lascelles Park.
- (h) External Works - £0.500m will be used to provide new rear dividing fences and new footpaths to Council properties across areas to be determined.
- (i) Smoke Detectors - £0.050m is required to replace existing hard wired smoke and heat detectors where systems are now 10 years old and reaching the end of their recommended lifespan.
- (j) Pavement Crossings - £0.025m has been identified to fund pavement crossings across the Borough.
- (k) Replacement Door Programme - £0.250m will be used to develop a planned programme to replace existing timber doors with new PVC doors. The programme has yet to be identified but will be based on an analysis of the geographical trends for door repairs and unplanned door replacements.
- (l) Communal Works and Door Entry Systems - £0.130m will be used on the upgrade and improvement of flooring within communal areas across the borough and to replace failing door entry systems and communal doors across the borough.
- (m) Internal planned maintenance – £2.100m for the replacement of kitchens and bathrooms, rewiring of electrical systems and heating system upgrades where required. This work will predominantly be completed in the following wards: Park East, Bank Top, Lascelles Park, Northgate and Red Hall and Lingfield. There will also be some miscellaneous properties which will be included in the programme and we will incorporate additions to the programme when void properties which have been omitted from previous year's programmes become available.
- (n) New Build - £7.413m will be spent completing the current new build programme.

Consultation

63. The Efficiency and Resources Scrutiny Committee met on the 25 January 2016 to consider the draft MTFP and the responses from all the Councils Scrutiny Committees. The minutes are shown in **Appendix 8**, however in summary there was a majority support for the Council tax increase (including Adult Social care precept) of 4.99% and the fees and charges levels.
64. An online form was published on the website so members of the public could feedback their views, there was a limited response with only two responses as of 2 February 2017, one opposing the proposal due to increased costs and one in support recognising the need for additional funding in adult social care. There have also been a couple of information requests but no specific feedback on the MTFP.

Conclusion

65. The MTFP as agreed by Council remains deliverable but as previously acknowledged it is not without risk and challenges. Some risks previously identified have occurred and the recommendations within this report address the financial implications of them. The proposed MTFP includes the retention of risk balances to offset further unforeseen risks.
66. The Council still has the financial capacity to deliver a four year balanced MTFP which puts it in a much stronger position than many Councils, however this is at the cost of reductions in service levels.
67. Planning beyond the current MTFP is extremely difficult given the uncertainty around the new Local Government financial system planned for 2020 and such issues as the impact of BREXIT on the Country's finances. The proposed plan will allow the new Council elected in 2019 to inherit a balanced MTFP to 2021/22 giving it time to assess the impacts of the changing landscape and make its decision on how it will address the financial position it faces. Current planning suggests there will be a budget deficit of approximately £5m for the new Council to address however for the reason above, this will almost certainly change but at this stage it is not possible to know whether the change will be positive or negative.
68. In summary, the Council continues to face significant financial challenges however the MTFP agreed by Council in June 2016 remains deliverable, although regrettably this means service levels will be at the reduced levels agreed by Council.
69. As the Council's Statutory Chief Financial Officer, the Director of Neighbourhood Services and Resources, must advise the 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 the Director is 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 as agreed in the MTFP in June 2016 are progressed and implemented as the Council will be operating with minimum levels of balances to fund any cost pressures or non-delivery of savings.

APPENDICES

Appendix 1	Detailed Estimates
Appendix 2	Budget Pressures / Savings
Appendix 3	Fees and Income Proposals
Appendix 4	Assumptions used to prepare estimates
Appendix 5	Projected Revenue Outturn 2016/17
Appendix 6	Assessment of Risk Balances
Appendix 7	Proposed MTFP 2016 to 2020
Appendix 8	Consultation – Efficiency and Resources minutes
Appendix 9	Capital Programme