

**CABINET
08 DECEMBER 2020**

MEDIUM TERM FINANCIAL PLAN

**Responsible Cabinet Member - Councillor Heather Scott
Leader and all Cabinet Members**

Responsible Director – Chief Officers Executive

SUMMARY REPORT

Purpose of the Report

1. To propose a Medium Term Financial Plan (MTFP) for 2021/22 to 2024/25 including setting a budget and council tax increase for 2021/22.

Summary

2. The Council has faced significant challenges over the last decade following the economic downturn and reduction in public sector spending. To date, the Council has been successful in responding to these challenges but this is becoming increasingly difficult, particularly in respect of a growing elderly population; pressure in the children's social care sector and of course the major economic impact of Covid-19 which has had a direct impact on the Council's finances this year and will undoubtedly be felt for a number of years to come. We must therefore press ahead with our top priority of growing Darlington's Economy and continue to be creative and find innovative ways of working.
3. In the 2020 spending review, delivered on 25 November, the Chancellor made reference to a number of funding streams in respect of Social Care grant, Covid-19 support, the continuation of Revenue Support Grant and an Adult Social Care precept. As this report has been prepared before the Local Government Finance Settlement, a number of assumptions in regard to government funding have been made. Any changes following the announcement will be reported to Cabinet in February.
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 which allowed for a small fund allocated to discretionary services. Furthermore, in subsequent MTFP's Members following consultation agreed to use unallocated balances of £6.5m to invest in five areas which hold great value to our community and encourage economic growth, they were;
 - (a) Community Safety
 - (b) Maintain an attractive street scene environment
 - (c) Maintaining a vibrant town centre
 - (d) Developing an attractive visitor economy
 - (e) Neighbourhood renewal

5. The Core offer remains challenging with some significant pressures arising in social care and the ongoing impact of Covid-19. Nevertheless, assuming the funding streams in paragraph 3 are received and agreed and through tight financial management, innovative financial investments and increased income from economic growth successes, the Council can still deliver the agreed balanced plan, finance the MTFP a further year to 2024/25 whilst retaining usable balances of £3.504m.
6. In summary, if the recommendations are agreed the Council's financial position is robust with a four-year balanced MTFP and funds available for investment which will be delegated to Cabinet.

Recommendation

7. It is recommended that Cabinet approve for consultation, the Revenue MTFP as set out in **Appendix 7** including the following;
 - (a) Council tax increase of 1.99% plus a 3% Adult Social Care Precept to help fund social care for 2021/22 totalling 4.99%.
 - (b) The Schedule of Charges as set out in **Appendix 3**
 - (c) The Futures Fund continuation into 2024/25 as set out in paragraph 56.

Reasons

8. The recommendations are supported by the following reasons :-
 - (a) The Council must set a budget for the next financial year.
 - (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 and Climate Change	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.
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, and the Council Plan within those constraints.
Efficiency	Efficiency savings which do not affect service levels have been included in the MTFP.
Impact on Looked After Children and Care Leavers	Children's social care continues to be resourced to provide good outcomes for Looked after Children or Care Leavers.

MAIN REPORT

Background and context

9. The Council has faced significant financial challenges over the last decade as the Government responded to the worldwide economic downturn by introducing public sector spending reductions. This was exacerbated by a growing demand for services, particularly in relation to social care, both Adults and Children's services. As a result, an in-depth review of all service provision was undertaken in 2016 following a need to reduce the budget by a further £12m, and a significant consultation exercise was held with the public. This resulted in the agreement of a Core Offer budget, which reduced expenditure and services to a risk based minimum level with a small investment fund of £2.5m per annum for services which the Council does not have to provide, but which add great value to Darlington and its residents.
10. Subsequently following good progress made on achieving savings, strong cost management and innovative treasury initiatives over the following years the Council was in a position to add to the futures fund and unallocated balances of £6.5m were invested in the following five areas which hold great value to our community and are consistent with the councils priorities in particular the key priority of Growing Darlington's economy:-
 - (a) Community Safety
 - (b) Maintain an attractive street scene environment
 - (c) Maintaining a vibrant town centre
 - (d) Developing an attractive visitor economy
 - (e) Neighbourhood renewal
11. The funds are being utilised as expected to make positive change, the progress of which is detailed later in the report.
12. The core offer budget plus the futures fund as noted above is the starting position for this year's MTFP.
13. This year the Coronavirus pandemic has brought further considerable challenge and Darlington is facing significant pressures on its expenditure budgets and more significantly on its income streams. The impact is across the board but being particularly felt across leisure and culture facilities that have been required to close; on car parking revenues and reductions in council tax income as housebuilding slowed in the early part of the year along with an increase in Local Council Tax support claimants, all of which are having a major effect. The Government have provided support in the form of various grants in 2020/21 which have been helpful in sustaining services, the spending review also suggested there would be some Covid-19 support in 2021/22, at this stage there is no clarity on what this may be. It is clear however the financial and economic impact will be ongoing into future years. .
14. It is therefore very challenging to predict expenditure and income levels moving forward so best estimates have been used and assumptions made on the impact of Covid-19 on budgets in 2021/22. For future years it is assumed income and expenditure levels will return to normal from 2022/23 onwards and no further Government Covid-19 funding is received.

Financial Analysis

Projected Expenditure

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

<u>Summary of Pressures</u>	Estimate 2021/22 £m	Estimate 2022/23 £m	Estimate 2023/24 £m	Estimate 2024/25 £m
Efficiencies/Savings offsetting pressures	(2.757)	(2.994)	(2.786)	(2.892)
Service Demand	1.609	1.744	1.918	2.077
Price Inflation	0.318	0.912	1.352	2.152
Reduced Income	0.034	0.018	0.019	0.020
Other	0.124	0.105	0.106	0.107
Current Savings Shortfalls	0.011	0.011	0.011	0.011
COVID-19 pressures	3.119	0.645	0.625	0.418
	2.458	0.441	1.245	1.893

16. **Efficiencies/Savings** – there are significant anticipated savings over the life of the MTFP of £11m. The largest of which comes from increased investment returns from the two new Joint Venture companies Darlington has formed with ESH construction to build houses. Along with the profits comes a positive financing return from the loans made to the companies which are provided on state aid rates.
17. Further savings continue in street lighting electricity charges following the replacement columns, from lower borrowing costs, inflation being lower than initially anticipated and there has also been reduction in Business rates on Council properties following revaluation.
18. **Service demand** – the most significant pressure in this category is an increase anticipated for adults with learning and physical disabilities. Whilst the numbers are not high the package costs per placement are significant.
19. Disabilities and the increase in children coming into the local authority has put pressures on both staffing levels and the adoption budget. This pressure is being felt across the country with most Councils' reporting overspends in this area. The Council has been awarded a £1.2m grant from the DfE to assist in transforming social care practice within Darlington and the team is working in partnership with Leeds City Council who have already been through this process. The ultimate aim is to improve outcomes for children, focus on prevention and reducing the number of children who need to come into care and ultimately reduce the budget pressure.

20. We have a number of contracts relating to care leavers, missing from home and safer families and homelessness where demand has increased and/or no inflation has been provided over the last few years. These contracts provide vital services and if they were not continued would undoubtedly increase demand in children's services and ultimately higher costs. There is pressure in School transport due to an increase in the number of children the local authority is required to transport to school.
21. **Inflation** – our domiciliary social care contracts are linked to various inflation factors, the main one being the national living wage which is anticipated to be higher than amount provided for in our expenditure budgets, additional funding is therefore required for our social care providers and direct payment clients.
22. **COVID-19** – the coronavirus pandemic has had a significant effect on the Councils expenditure and income budgets. To date the government has responded with help to offset a large proportion of these pressures. It is clear the pressures will extend into futures years, in particular the impact on our economy and the subsequent impact on Council tax and business rate income. An estimate has been made on the direct service impact in 2021/22 with the assumption it will return to normal in 2022/23. The recent spending review suggested there would be further Covid-19 funding in 2021/22 however there is no detail on what this maybe at this point in time. An assumption has been made on the continuation of the Sales, fee and charges recompense grant for three months and this is detailed in paragraph 30.

Total Expenditure

23. Taking the above savings and pressures into account the projected expenditure is shown in the table below: -

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Children and Adult Services	61.026	63.497	65.465	67.672
Economic Growth & Neighbourhood Services	24.322	22.660	23.368	24.241
Resources	10.525	10.916	11.089	11.310
Financing costs	0.823	0.956	2.921	2.933
Investment Returns	(1.546)	(1.286)	(1.349)	(1.632)
Council Wide Pressures/(savings)	(0.550)	(0.557)	(0.573)	(0.584)
Council Wide Contingencies *	0.525	0.525	1.512	1.512
Total Expenditure	95.125	96.711	102.433	105.452

* Includes apprentice levy and previously agreed risk contingency for provision ordinary residency costs in Adult services along with a provision for pensions following the triennial review in 2023/24.

Projected Income

Spending Review and Finance Settlement.

24. The 2020 Spending Review was announced on 25 November and whilst the specific detail in relation to Darlington's funding won't be known until the finance settlement, anticipated mid-December, assumptions have been made as detailed in the following paragraphs and will be updated in the MTFP proposal at the February 2021 Cabinet meeting.
25. The settlement is likely be for one year only given the uncertainty of Covid-19 and therefore the following three years are based on the same assumptions used in 2021/22 using best estimates given the most up to date information available. All assumptions are summarised in **Appendix 4** and detailed in the relevant sections below, however the overriding principle is that we will receive a cash equivalent grants funding for all government funding streams unless otherwise stated.

Core Grant funding to Local Government

26. **Revenue Support Grant (RSG)** has become a reducing element of the Council core funding over recent years and we were anticipating a further reduction in 2020/21 which didn't materialise. In the 2020/21 MTFP we anticipated the funding would continue over the life of the MTFP and have made the same assumption this year. It has been confirmed in the spending review that RSG will continue into 2021/22.
27. **New Homes Bonus (NHB)** is included in core Government funding as it is top sliced from RSG. However, in the last three Local Government Finance Settlements, there have been changes to the formula whereby a national baseline of 0.4% was set, the payment for each property was reduced from 6 years to 4 years and latterly that no new payments are made going forward with only legacy payments paid up until 2022/23. The spending review noted the NHB would continue for a further year without legacy payments, clarity is being sort on the effect for Darlington and any changes will be updated in the February report. For reporting purposes existing estimates are used and payments stop after 2022/23.
28. **Better Care fund** - Members will recall that previous year changes to the NHB scheme along with the reduction in RSG funded the Improved Better Care Fund which was separate to the funding stream allocated direct to the NHS. This was in recognition that Councils were under significant pressure in regard to social care funding, it was initially a three-year pot but continued in 2020/21 as core funding. The spending review confirmed this will continue into 2021/22 and for estimate purposes it has been assumed this funding will continue over the life of the MTFP given it is part of the core funding settlement.
29. **Social Care funding** - In recognition of the significant pressures being faced by Councils in social care due to the growing elderly population and increases in children looked after, the Chancellor announced access for Councils to an additional £1 billion for social care for 2021/22. £300m in Social Care grant and £700m through an Adult Social Care precept. Darlington's allocation of the £300m won't be known until the settlement however an assumption has been made based on previous allocations and has been included at £0.550m for one year along with the same level of grant received last year which is assumed to continue into future

years. It is also assumed **the Winter Pressures funding** received in the last two years is mainstreamed into the core baseline funding.

30. **Sales, Fees and Charges recompense scheme and Troubled Families Grant** – the spending review confirmed the Troubled Families Grant will continue into 2021/22 at £0.503m and there will also be a continuation of the Sales, Fees and Charges recompense scheme from April to June 2021. It is estimated this will be £0.616m. Due to the very short time between the spending review announcement and the Cabinet papers being dispatched this income has been included as a one line entry SR20 in the table below at para 41.

Council Tax Income

31. Due to reduction and reliance on Government funding over the last ten years, Council Tax is now by far the largest single funding stream and will increase further as a percentage over the coming years representing 61% of projected resources anticipated by 2024/25. The on-going increases reflect the Cabinet’s view that income from Council Tax needs to increase to protect key services. Members will recall that a 1% increase in Council Tax equates to an annual revenue of £0.520m.

The Council Tax referendum limit has been set at 2% for 2021/22 and this MTFP assumes a council tax increase of 1.99% for 2021/22 and across the rest of the MTFP. In addition, as noted in paragraph 29, Local Authorities have been given access to additional social care funding through an adult social care precept of 3% in 2021/22, this is in recognition of the extreme pressure councils are facing, particularly in regard to demand and the increasing demographic of older people and rises in people with complex needs. Adult social care is by far our largest overall budget and the precept is required to help in funding the on-going sustainability of the service. The precept is on top of the 1.99% Council Tax so the overall increase for 2021/22 would be 4.99%.

32. The Council Tax base has been affected by Covid-19 firstly due to the increase in Local Council Tax support claimants and also the reduction in housebuilding in the earlier part of the year. Moving forward Planning estimates anticipate growth levels to be an average of 433 band D equivalent properties over the period of this plan which is a growth on the tax base of 1.08% per annum, lower than anticipated in the current MTFP due to the ongoing effect of Covid-19. These figures have been used to prepare the estimates; clearly should this be any different income levels will differ. The collection rate (of collectable debt) is anticipated to remain at 99% in 2021/22, but as mentioned previously other factors are impacting on the overall income levels.
33. Taking the above into account Council Tax income over the period of this plan is estimated as follows:-

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Total Council Tax anticipated	55.030	56.809	58.594	60.643

National Non-Domestic Rates (NNDR)

34. 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 Consumer Price Index (CPI). 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 businesses against valuations. This is even more significant during and post Covid-19 and there will undoubtedly be an effect on the economy and business rates moving forward unless further support is provided to businesses.
35. For MTFP purposes a pressure has been included in the projections for 2021/22 onwards due to a reduction in CPI which at September stood at 0.5% and on which the NNDR multiplier is based and subsequently impacts on the Council’s income levels, previous assumptions had been a 2% increase in CPI in 2021/22.
36. Members will recall one of the three conditions identified to help the Council tackle the reduction of government grant and increasing service demand was to grow the economy. This is the key priority in the Council Plan and the Economic Strategy gives priority to increasing business within the borough and significant effort has been put into achieving growth. This has been rewarded with a positive net increase in current and projected NNDR collected over the MTFP. Sites such as Symmetry Park and the Horizon Centre are all contributing to the growth. Notwithstanding these major developments, attracting businesses into the Town by their very nature takes time and upfront investment, particularly in these challenging times, so this is an area which needs continued prioritisation and pump prime funding so growth can continue. It needs to be remembered that net growth in NNDR collected relies on growth outstripping revaluations and reductions which can be very challenging in the current economy.
37. The in-year collection rate target for NNDR is 98.0% and as at the end of October 2020 is 65.2% and on track to achieve the target.
38. Taking the above into account the projections of NNDR are shown below

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Business Rates retained locally	19.016	19.318	19.697	20.075

Collection Fund

39. 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 the Business Rates Retention Scheme (BRRS). The Fund records all of the transactions for billing in respect of Non-Domestic Rates (NNDR) 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. There is an identified deficit given the impact of COVID-19 noted previously and these have been taken account of in the proposed MTFP. The Chancellor has recognised the impact Covid-19 has had on

the ability to collect revenue in these areas and in the Spending Review committed to fund 75% of the 2020/21 deficit. The overall impact on 2020/21 won't be known until the new financial year, however an estimate based on current knowledge has been included and added to our reserves figure as due to the technical nature of the fund it will be paid as a grant and not directly into the collection fund.

Other Grants

40. Set out below are the estimated specific grants which as the title suggests are for specific areas of expenditure as dictated by the government and cannot be used for other areas. The main one being the Public Health ring fenced grant. These grants are included in service estimates at Appendix 1.

	2021/22
	£m
Public Health Grant	8.401
PFI Grant	3.200
Strengthening Families Grant	0.600
Youth Justice Board	0.223
Local Reform & Community Voices	0.057
Adult & Community Learning	1.385
Staying Put	0.050
Community Engagement & Community	
Crime Grant	0.019
Heritage Action Zone	0.046
Towns Fund	0.016
Bus Service Operators Grant	0.009
Denes Restoration	0.014
	14.020

Total Income

41. The table below summaries the Council's estimated income for the period of this plan which thanks to the increase in social care funding, continued economic growth and house building activity, and the subsequent increases in council tax and NNDR, confirms a much-needed increase in income given our expenditure pressures.

Resources - Projected and assumed	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Council Tax	55.030	56.809	58.594	60.643
Business rates retained locally	19.016	19.318	19.697	20.075
Top Up Grant	7.340	7.457	7.603	7.749
RSG	3.614	3.614	3.614	3.614
New Homes Bonus	0.717	0.425	0.000	0.000
Better Care Fund	4.356	4.356	4.356	4.356
Adult Social Care Support Grant	3.502	2.952	2.952	2.952
SR20 additional Government funding	1.119	0.000	0.000	0.000
Total Resources	94.694	94.931	96.816	99.389

Projected MTFP

42. Set out in the table below are the projections based on the income and expenditure analysis discussed in the previous sections along with the required use of balances over the period. The projections assume additional futures funding for ongoing commitments in 2024/25 is agreed and allocated as noted in paragraph 57.

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Estimated Expenditure	92.667	96.270	101.188	103.559
Add Pressures / Additional savings	2.458	0.441	1.245	1.893
	95.125	96.711	102.433	105.452
Projected Total Resources	(94.694)	(94.931)	(96.816)	(99.389)
Projected budget (surplus)/deficit	0.431	1.780	5.617	6.063
Utilisation of balances	(0.431)	(1.780)	(5.617)	(6.063)
Total	0.000	0.000	0.000	0.000

Futures Fund

43. As noted earlier the Council allocated £6.5m to the futures fund, a mix of one-off funding across five themes (£4.1m) and an ongoing revenue stream for Community Safety and Maintaining an Attractive Street Scene Environment (£2.4m).
44. The fund is being used to support the core offer budget, in particular areas which will help grow Darlington's Economy through keeping the borough clean, safe and healthy whilst valuing our heritage and culture, alongside working with communities to maximise their potential.
45. To date £3.401m has been committed to the themes with a balance of £0.699m remaining. A summary of commitments is noted below.

Futures Fund - Theme 1 - Community Safety (£0.950m)

46. £0.931m of the fund has been committed, £0.866m on staffing across the six years. This is to improve resilience and robustness in the team particularly as community safety is a key priority for the Council. £0.065m was for the purchase of a mobile CCTV camera and deployment over the years.

Futures Fund - Theme 2 – Maintaining an Attractive Street Environment (£0.500m)

47. £0.180m has been allocated to employ an arboriculture team leader to help address the increasing workload in regard to trees. £0.100m for a street orderly concentrating on keeping the arterial roads and areas into Darlington clean, £0.051m on a back-lane crew to help tackle fly tipping and £0.055m on trees in the town centre. The remaining funding has not been committed yet. The core funding allocation of £0.300m per annum has made a significant impact on the street environment. Grass cutting returned to a 12-15 day cycle which improved the look of the borough over the summer period and more frequent cleanses and litter picks have made a noticeable difference. Floral displays helped in achieving the Northumbria in bloom awards accolades.

Futures Fund - Theme 3 – Maintaining a Vibrant Town Centre (£1.5m)

48. The Town Centre faces a number of challenges as do many towns across the country due to the increase in on-line shopping and out of town retailing. £1.170m of the funding has been committed across a number of areas including a one of grant to the House of Fraser to facilitate the store remaining open following the financial difficulties they faced and the announcement of store closures across the country. The fund is also supporting a full Town Centre events programme such as the Festival of Ingenuity, Pride and the Ice Sculpture installations all of which encourage footfall.

Futures Fund - Theme 4 – Developing an Attractive Visitor Economy (0.500m)

49. £0.283m has been committed against this theme including Heritage Action zone funding and the development of live stream events and a feasibility study exhibition of early locomotives for the 2025 200th Anniversary of the opening of the Stockton and Darlington Railway. The uncommitted amount will be used to further pump prime investment and match fund initiatives on these and other culture opportunities.

Futures Fund - Theme 5 – Neighbourhood Renewal (0.650m)

50. One of the Council priorities is to work with communities to maximise their potential and enjoy a good quality of life. The funding in this theme is aimed at assisting with this priority and £0.632m has been allocated to various initiatives including £0.050m to the Darlington Credit Union to enable them to continue work in addressing financial hardship and across households in Darlington; £0.187m for a skills and employability officer to understand what skills are required in the borough and take action to promote employment; £0.197m to run initiatives and part fund a programme officer for the Northgate project which is a multi-agency programme providing a range of interventions from support and advice to enforcement activities where required in order to improve outcomes for local residents; and £0.020m for the pilot In2 Programme which introduces children who wouldn't usually have access to arts and cultural experiences. There has also been an allocation of £0.016m for a holiday hunger scheme through the school holidays and £0.035m to support work to embed community wealth building across the Council and partners.

Futures Fund – ongoing commitments

51. A significant proportion of the futures fund expenditure is on staffing to carry out services over and above the statutory level, for example Community Safety including enforcement officers; Street Scene activities including grass cutting, street cleaning, back lance clear ups and tree work; helping neighbourhoods with our skills and employability officer. In total there are 22.7 full time equivalent staff funded on an annual basis through this fund. Additionally, there is £0.110m allocated to the Town Centre events programme per annum to assist in maintaining a vibrant Town Centre and helping out local businesses with increased footfall.
52. The fund was set up using balances as an additional resource over and above the core offer, however it is clear these services are of real importance to the community and our Economic Growth strategy in maintaining a clean, safe and exciting town. Given the anticipated positive revenue balance position noted below it is recommended the annual commitment is extended to 2024/25.

Revenue Balances

53. Taking into account the projected revenue out turn for 2020/21 detailed at **Appendix 5**, along with the assessment of required risk balances as set out in **Appendix 6** and the utilisation of balances to fund the projected budget deficit over the four year period, leaves a projected general fund balance of £4.418m by 2024/25.
54. However, the unallocated balances rely on building around 433 Band D equivalent houses per annum; no significant overspending; assumptions of a cash equivalent position materialising in the settlement and a Council Tax increase, including a 3 % Social care precept of 4.99%. We therefore need to be cautious particularly in light of future years estimated income, but we understand the need to invest into our services as much as possible to stimulate growth and tackle inequality.
55. As balancing the MTFP requires the use of reserves it is sensible that any unallocated balances should be used to:-

- (a) To minimise on-going committed annual spending to assist and work towards eradicating future years funding gaps.
- (b) Continue to invest into the Futures Fund to stimulate growth and invest in our communities.

56. Given the pressure on budgets and the limited funds for discretionary services it is recommended that £0.914m of the unallocated balances are utilised to continue the Futures Fund ongoing priorities and commitments a further year into 2024/25. If agreed the revenue reserve closing balance position at the end of 2024/25 would be £3.504m as shown below.

57. Whilst this is a welcomed position, it needs to be noted that the MTFP is only being balanced annually by using reserves which is not a sustainable position moving forward as reserves will eventually be depleted. Given the uncertainties in regard to future funding and expenditure pressures it is recommended the balance remains unallocated to assist in future pressures or mitigation of the year 5 gap.

Revenue Balances	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Opening balance	20.506	16.963	15.184	9.566
Risk Reserve	(5.350)			
Contribution to/(from) balances	(0.431)	(1.780)	(5.617)	(6.063)
Contribution from Collection Fund	1.000	0.000	0.000	0.000
SR20 Collection Fund contribution	1.238	0.000	0.000	0.000
Closing balance	16.963	15.184	9.567	3.504

Consultation

58. This report will be published for consultation from 1 December to 26 January 2021.

Conclusion

59. 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 associated financial implications. The proposed MTFP includes the retention of the Risk Reserve which has been increased this year given the unprecedented times we are facing to offset further unforeseen risks and the provision of a risk contingency in adult social care to cover a specific significant value risk which is already known.

60. 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 based on a core offer service level with limited discretionary services. To add to this offer, available revenue balances have been utilised to create five Future Fund Investments themes which are helping to stimulate growth and assist with a key priority of growing the economy. As balances have improved it is proposed a further £0.914m is being requested to continue the ongoing commitments into 2024/25. Despite significant pressures faced by the impact of Covid-19 and in Social Care, the proactive stance taken in growing the economy and our joint venture

partnerships is working and assisting in minimising on-going committed annual spending.

61. Planning beyond the current MTFP is extremely difficult given the uncertainty around Covid-19, the new Local Government Financial system (currently on hold but anticipated in 2022), and issues such as the impact of Brexit on the country's finances. Given the four-year balanced position, the proposed plan will allow Members time, post the fair funding review, to assess the impacts of the changing landscape and decide how to address the future financial position faced. Current planning suggests there will be a budget deficit of approximately £6m, however for the reason above, this will almost certainly change. At this stage it is not possible to know whether this will be a positive or negative position.

62. In summary, the Council continues to face significant financial challenges, however, the MTFP remains deliverable on the basis of what we know now and the following conditions – economic growth, house building, no further pressures, fair funding review and a fair settlement, if this changes plans will need to be adjusted.

63. As the Council's Statutory Chief Financial Officer, the Assistant Director 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 at this point in time, therefore the Assistant Director is confident that they are an accurate reflection of the Council's financial position. General Fund Reserves are adequate however the Council is carrying a financial risk over the lifetime of the plan which is difficult to forecast at present, in particular the implications and impacts of Covid-19, Brexit and the uncertainty around the fair funding review. It is essential that growing pressures in social care are addressed through transformation and implemented as the Council will be operating with minimum levels of balances to fund any future cost pressures.

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 2020/21
Appendix 6	Assessment of Risk Balances
Appendix 7	Proposed MTFP 2021 to 2025