

ECONOMY AND RESOURCES SCRUTINY COMMITTEE

Wednesday, 6 January 2021

PRESENT – Councillors Durham (Chair), Boddy, Crudass, Harker, L Hughes, Mrs D Jones, McEwan, Renton and Tait

APOLOGIES – Councillor Paley

ABSENT – Councillor Bartch

ALSO IN ATTENDANCE – Councillor Marshall

OFFICERS IN ATTENDANCE – Elizabeth Davison (Assistant Director Resources), Mark Ladyman (Assistant Director Economic Growth), Christopher Mains (Towns Fund Programme Manager), Andrew Perkin (Business Growth and Investment Manager) and Shirley Wright (Democratic Manager)

ER15 MEDIUM TERM FINANCIAL PLAN

Submitted – A report (previously circulated) of the Chief Officers Executive requesting this Scrutiny Committee's views on a report which had been considered by Cabinet at its meeting held on 8 December 2020, in relation to the Medium Term Financial Plan (MTFP) 2021/22 to 2024/25, including setting a budget and council tax increase for 2021/22.

The Assistant Director Resources had previously given a briefing to all Members on the background and proposals contained within the MTFP 2021/22 to 2024/25 and had highlighted a number of particular areas within the report and responded to Members' questions.

Members were reminded that the Council had faced significant challenges over the last decade following the economic downturn and reduction in public sector spending and that, although to date, it had been successful in responding to these challenges it was becoming increasingly difficult, particularly in respect of a growing elderly population, pressure in the children's social care sector and the major economic impact of Covid-19 which had a direct impact on the Council's finances this year and would in future years. To date £3.401 million had been committed to the themes with a balance of £0.699 million remaining.

Cabinet's report highlighted the main areas of pressure in relation to this Council's finances and particular reference was made to the significant effect of Covid-19 on those finances ie additional expenditure, loss of income, increase in applications for Council Tax Support and Council Tax and non-domestic rates income losses.

The Assistant Director Resources reported that it had been difficult to predict expenditure and income levels moving forward so best estimates had been used and assumptions made on the impact of Covid-19 on the 2021/22 budget, with an assumption that income and expenditure levels would return to normal from 2022/23 onwards and that no further Government Covid-19 funding would be received.

Reference was also made to the significant consultation exercise which had been undertaken in 2016 following an in-depth review of all services and which had

resulted in the agreement of a core offer budget which allowed for a small fund to be allocated to discretionary services and it was reported that this fund had continued in subsequent years with unallocated balances being used to invest in those five areas which held great value to the community and the encouragement of economic growth.

The Assistant Director of Resources reported that taking into account the projected revenue out turn for 2020/21, along with the assessment of required risk balances and the utilisation of balances to fund the projected budget deficit over the four-year period, it would leave a projected general fund balance of £3.504 million by 2024/25, however, this was based on a number of factors ie building around 433 Band D equivalent houses per annum, no significant overspend, assumptions of a cash equivalent position materialising in the settlement and a Council Tax increase, including a three per cent Social care precept of 4.99 per cent so caution was needed.

It was highlighted that the MTFP was only being balanced annually by the use of reserves which was not a sustainable position moving forward as those reserves would eventually be depleted, and Members questioned when the continued use of reserves would need to be addressed. The Assistant Director Resources reported that the outcome of the Fair Funding Review, which had been pushed back for two years now, had been promised for next year and the Council needed to see what the outcome of that was so it had a starting position to know what the future funding was going forward prior to making any big decisions on service provision. It was also highlighted to Members that if the Fair Funding Review didn't happen next year it would be likely that the Government would roll forward all of the grants with inflation which would enable the MTFP to be pushed back another year

In relation to the settlement, the Assistant Director of Resources reported that confirmation had been received that there would be a tranche five of one-off Covid-19 funding in 2021/22 which would help with the identified pressures, however, as the authority was likely to face more expenditure pressures due to the most recent lock down, again, caution was needed, however, the one off funding should cover those pressures identified for next year.

Discussion ensued on the increase in financing costs in 2023/24 and onwards and it was reported that this was due to a previous Council decision to take a Minimum Revenue Provision holiday which was due to end in the 2023/24 financial year; the impact of next year's pay award on the MTFP which had been based on an assumption of 1 per cent and the revenue impact of the proposed increase in the junior swim charges.

RESOLVED – That a further meeting of this Scrutiny Committee be held on 19 January 2021, to formulate a response on behalf of all of this Council's Scrutiny Committees on the MTFP 2021/22 to 2024/25.