

**SPECIAL COUNCIL  
20 FEBRUARY 2020**

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**MEDIUM TERM FINANCIAL PLAN**

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

**Responsible Director – Chief Officers Executive**

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**SUMMARY REPORT**

**Purpose of the Report**

1. To approve a Medium Term Financial Plan (MTFP) for 2020/21 to 2023/24 including setting a budget and council tax increase for 2020/21.

**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 there are still financial pressures to be faced, particularly in respect of a growing elderly population and pressure in the children's social care sector. We therefore must continue to be creative and innovative in ways of working and press ahead with every effort in our priority of growing the economy.
3. The Council received its definitive financial settlement on 6 February 2020 with no change from the draft released in December. The settlement was in line with the Chancellors spending review announcement with the continuation of Revenue Support Grant (RSG), New Homes Bonus (NHB); additional social care monies of £2m and the ability to raise income for Adult Social Care through the precept. The settlement was for one year only so assumptions in regard to future years funding have been made.
4. There have been a limited number of amendments to the draft MTFP proposed for consultation and all are noted in the table in paragraph 16. The main changes are in regard to the National Living Wage increases, impact of Quarter 3 budget management and the receipt of the settlement figures.
5. 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 futures fund allocated to discretionary services. Furthermore, in subsequent MTFP's Members following consultation agreed to use unallocated balances of £4.7m to invest in five areas which hold great value to our community, 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
6. The Core offer remains challenging with some significant pressures arising in Children's social care. Nevertheless, through innovative financial investments, increased income from economic growth successes and a positive pension triennial review, the Council can still deliver the agreed balanced plan, finance the MTFP a further year to 2023/24, and allocate an additional £1.8m to bolster the Futures Fund themes whilst retaining usable balances of £3.683m.
7. In summary, 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**

8. 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 2% adult social care precept to fund social care for 2020/21 totalling 3.99%.
    - (ii) Schedule of charges as set out in **Appendix 3**.
    - (iii) The Futures Fund investment of £1.8m as set out in paragraph 62.
  - (b) Approve a delegation for Cabinet to vary the Revenue Budget for 2020/21 by up to £0.5m without further Council approval.

### **Reasons**

9. 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**

10. The Council has faced significant financial challenges 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. In the case of Darlington Borough Council, a fundamental review of service provision was required and in 2016 following a need to reduce the budget by a further £12m the Council, following an in-depth and detailed review of all services, undertook a significant consultation exercise with the public during 2016. 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 (The Futures 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.
11. Subsequently following good progress made on achieving savings, strong cost management and innovative treasury initiatives the council was in a position to add to the futures fund and Members after listening to feedback agreed to use unallocated balances of £4.7m to invest in five areas which hold great value to our community.
12. The Council's Corporate Plan priorities and long-term goals, were used in setting the criteria for the Futures Fund investments with emphasis on maximising growth in the Darlington economy and ensuring everyone is able to share in the subsequent wealth creation within community.
13. As a consequence of looking to these long term goals the following five themes which are wholly consistent with the Council's corporate plan priorities were agreed:-
  - (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
14. The funds are being utilised as expected to make positive change, the progress of which is detailed later in the report.
15. The core offer budget plus the futures fund as noted above is the starting position for this year's MTFP.

### **Updated Information and changes to the draft MTFP**

16. As a result of updated information since the draft MTFP was approved for consultation, mainly due to the receipt of the provisional local government settlement, a number of changes have been made to this proposed MTFP. These changes along with the references to where they appear in the report are shown below:

No.	Change	Effect	Para	App
1	Settlement – New Homes Bonus	Improves reserves by £0.004m	47, 48, 60	7
2	Settlement – Top up Grant	Reduces reserves by £0.131m over the life of the MTFP	47, 48, 60	7
3	Settlement – RSG	Reduces reserves by £0.024m over the life of the MTFP	47, 48, 60	7
4	Settlement – Winter Pressures	Increases resources by £2.004 over the life of the MTFP as it is no longer ring-fenced. It has been passported to Adults to compensate for loss of grant income.	28, 47, 48, 60	1,7
5	Quarter 3 Revenue Budget Management	Improved position at Quarter 3 budget management increases reserves by £0.670m.	60	5,7
6	Council Tax 3.99%	Guidance states Council Tax should not be increased by 4% or more (including adult social care precept). Reduces reserves by £0.053m over the life of the MTFP.	6a, 38, 40, 47, 48, 57, 60	4, 7
7	Living Wage pressure	Reduces reserves by £1.061m over the life of the MTFP and increases Adults spend by equivalent amount.	15, 28, 48, 60	1,7

## Financial Analysis

### Projected Expenditure

17. 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** along with the assumption that additional Futures Funding is agreed and allocated as noted in Paragraph 61. 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**.

<u>Summary of Pressures</u>	Estimate 20/21 £m	Estimate 21/22 £m	Estimate 22/23 £m	Estimate 23/24 £m
Efficiencies/Savings offsetting pressures	(4.098)	(4.117)	(4.167)	(4.199)
Service Demand	4.003	4.014	4.043	3.984
Price Inflation	0.497	0.669	0.810	1.154
Reduced Income	0.147	0.130	0.130	0.130
Other	0.978	0.683	0.780	2.588
Current Savings Shortfalls	0.417	0.595	0.589	0.585
	1.944	1.974	2.185	4.242

18. **Efficiencies/Savings** – the largest saving comes from the reduction in anticipated pension scheme contributions. A triennial review of the Durham Pension Fund has concluded the Darlington scheme is 98.9% funded which subsequently means

there is less past service deficit repayments to be made in the next three years than anticipated. Furthermore, the future contribution rate will remain static and won't rise as anticipated over the next three years. The reasons given are better fund returns, a reduction in the life expectancy age and also an increase in employees joining the pension scheme following auto enrolment.

19. The transformation work in adult services to ensure people receive the right level of care and are able to stay in their own homes, has both improved the quality of people's lives as well as reducing the cost of provision with subsequent savings made in this area.
20. **Service demand** – the most significant pressure in this category is the increase in children coming into the local authorities care and the subsequent pressure on both Residential placement and Independent Fostering placement budgets. This pressure is being felt across the country with most Councils' reporting overspends. 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.
21. The increase in children services costs noted above also has an impact on staffing levels required in that area along with legal fees, both of which are presenting pressures over the MTFP.
22. Concessionary fares are likely to increase following a review and subsequent redistribution of cost between the Tees Valley Authorities.
23. **Inflation** – due to increases in the living wage and general inflation, above the 1.5% provided for in the expenditure budgets, additional funding is required for our social care providers and direct payment clients.
24. **Reduced Income** – Income received from parking fines has reduced over the last couple of years as enforcement officers tackle other pressing needs of the services but also due to different parking offers, e.g. the multi-storey car park which is pay on exit. The Parking offer is currently under review.
25. **Other** – the Council is required to auto enrol staff members into the Local Government Pension Scheme (LGPS) and every three years the Council must carry out re-enrolment of any staff who have left the scheme. Following this year's enrolment over 70 employees have decided to remain in the scheme. Whilst this is good for the employee it costs the Council 18.4% of the basic wage hence the pressure. There is however a tentative link to the reduction in overall pension rates and back funding deficit as the more employees paying future contributions helps fund the scheme.
26. There is also a one-year pressure against the council tax collection fund of £0.400m due to less properties being built than anticipated and higher exemptions and discounts being awarded for instance single person discount.
27. **Current Savings Shortfalls** – Members will recall the Council allowed for a risk contingency in the 2019/20 budget, this was to cover 60% of five specific pressures

which we were not certain if, or when, they would come to fruition. As reported in revenue budget monitoring the Children's services and Schools transport pressures have presented fully and therefore the contingency has been fully utilised and the 40% not provided for is now showing as a pressure in future years.

28. There is also a pressure of £0.180m for the library service where the full amount of planned savings has not been achieved following extended consultation on the library provision.
29. Income at Eastbourne Complex has increased however the service have been unable to generate enough to fully cover the cost of provision.

### **Total Expenditure**

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

	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
Children and Adult Services	58.423	60.839	62.815	64.048
Economic Growth & Neighbourhood Services	20.867	22.173	22.969	23.671
Resources	10.229	10.412	10.707	10.882
Financing costs	0.895	1.096	1.419	3.196
Investment Returns	(1.028)	(0.812)	(0.517)	(0.494)
Council Wide Pressures/(savings)	0.405	0.004	0.008	0.004
Council Wide Contingencies *	0.522	0.525	0.525	1.512
<b>Total Expenditure</b>	<b>90.313</b>	<b>94.237</b>	<b>97.926</b>	<b>102.819</b>

\* Includes apprentice levy and previously agreed risk contingency for provision ordinary residency costs in Adult services.

### **Projected Income**

#### **Finance Settlement – December 2019.**

31. On the 20 December 2019 the draft Local Government Finance Settlement was announced and at the time of writing a consultation has taken place and we are awaiting the results. It is not thought however there will be significant changes to the estimates in the report.
32. As the settlement only covered the year 2020/21 the following three years are estimates based on the most up to date information available. All assumptions are summarised in Appendix 4 and detailed in the relevant sections below.

## Core Grant funding to Local Government

33. **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. However as announced in the spending round we have confirmation RSG will remain for 2020/21 and has received an inflationary increase. It is anticipated this funding will continue over the further three years of the MTFP and this has been built into the estimates.
34. **New Homes Bonus (NHB)** is included in core Government funding as it is top sliced from RSG. However, in the 2017/18 Local Government Finance Settlement, changes to the formula were announced and there was a national baseline of 0.4% with no NHB paid until the increase in numbers is above this limit, which for Darlington is 164. In 2018/19 the NHB payment for each property of 6 years was reduced to 4 years and in this settlement it has been proposed there will be no new payments going forward but legacy payments for NHB will be paid.
35. As part of the Economic Growth Strategy, the Council is working towards increasing housing numbers to meet the needs of our population particularly as the economy is growing well and new jobs being created with a subsequent inward migration and increased demand for housing. The current financial incentives in terms of NHB are £1,671 per band D equivalent property with an additional £350 for affordable housing. Whilst it is disappointing NHB is unlikely to be received in the future the Council also receives additional Council Tax for each property so clearly housing growth is key to sustaining the Council's MTFP.
36. Members will recall that previous year changes to the NHB scheme along with the reduction in RSG funded the Improved Better Care Fund (iBCF) 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, confirmation has been received that this will continue in 2020/21 with inflation. For estimate purposes it has been assumed this funding will continue given it is part of the core funding settlement.

## Additional Funding announced in the Spending Review

37. **Social Care funding** - In recognition of the significant pressures being faced by Council in social care due to the growing elderly population and increases in children looked after, the Chancellor announced an extra £1.5 billion for social care. £1 billion through grant and £500 million through the adult social care precept. Darlington's proportion is confirmed at £2m with an additional £1m from the Adult Social Care precept. Furthermore, it has been indicated the grant funding (not the precept) will continue into future years.
38. **Social Care Grant and Winter Pressures funding** – Both of these grants have been continued into 2020/21. With regard to the winter pressures money, this has now been mainstreamed into the core baseline funding.

## Council Tax Income

39. 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 as it represents 60% of all income



anticipated. The on-going increases reflect the Cabinet's view that income from Council Tax must increase to protect key services. Members will recall that a 1% increase in Council Tax equates to an annual revenue of £0.502m.

40. In 2018/19 and 2019/20 Local Authorities were given more flexibility by increasing the Council Tax referendum limit to no more than 3%, in the spending review this year it was announced that council tax should be lower than 2%. The figure is lower than council tax revenue previously estimated. The estimates have assumed an ongoing 1.99% increase in Council Tax.
41. However, as previously noted the Chancellor announced extra social care funding of which £500 million was through the adult social care precept at 2%. Adult social care has the largest overall budget and the precept is required to help in funding the on-going sustainability of the services. The precept is on top of the 1.99% council tax increase noted in the preceding paragraph. The assumption is the precept is for one year only so going forward has not been included in the estimates.
42. 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 1.38% and lower than anticipated in the current MTFP. This is a consequence of the slowdown in the market. 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 2020/21.
43. Taking the above into account Council Tax income over the period of this plan is estimated as follows:-

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Total Council Tax anticipated	52.179	53.951	55.697	57.450

### **National Non-Domestic Rates (NNDR)**

44. 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 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.
45. 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. The Council's 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, Feethams House 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 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 challenging in the current economy.

46. The in-year collection rate target for NNDR is 98.0% and as at the end of December 2019 the actual collection figure is 80.8% with three months to go and so is on track to achieve the target.
47. Taking the above into account the projections of NNDR are shown below

	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
Business Rates retained locally	18.901	19.256	19.620	19.991

### Collection fund

48. 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 (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 a £0.400m pressure in 2019/20 relating to the Council Tax fund which has been taken into account in revenue budget management. The NNDR fund is balanced.

### Other Grants

49. 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. These grants are included in service estimates at Appendix 1.

	<b>2020/21 £m</b>
Public Health Grant	8.236
PFI Grant	3.200
Troubled Families Grant	0.326
Discretionary Housing Payments	0.200
Youth Justice Board	0.223
Local Reform & Community Voices	0.057
Adult & Community Learning	1.300
Staying Put	0.050
Bikeability	0.029
Heritage Access Zone	0.045
Heritage Lottery Fund	0.047
Skerningham & Burtree Garden Village	0.150
	<b>13.863</b>

## Total Income

50. 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.

<b>Resources - Projected and assumed</b>	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
Council Tax	52.179	53.951	55.697	57.450
Business rates retained locally	18.901	19.256	19.620	19.991
Top Up Grant	7.297	7.443	7.592	7.744
RSG	3.614	3.614	3.614	3.614
New Homes Bonus	1.285	0.717	0.425	(0.000)
Better Care Fund	4.356	4.356	4.356	4.356
Adult Social Care Support Grant	0.952	0.952	0.952	0.952
Additional Social Care Grant	2.000	2.000	2.000	2.000
<b>Total Resources</b>	<b>90.584</b>	<b>92.289</b>	<b>94.256</b>	<b>96.107</b>

## Projected MTFP

51. Set out in the table below are the projections based on the income and expenditure analysis discussed in the previous sections of this report along with the required use of balances over the period. The projections assume additional futures funding is agreed and allocated as described in paragraph 61.

	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>2023/24 £m</b>
Estimated Expenditure	88.369	92.263	95.741	98.577
Add Pressures / Additional savings	1.944	1.974	2.185	4.242
	90.313	94.237	97.926	102.819
Projected Total Resources	(90.584)	(92.289)	(94.256)	(96.107)
Projected budget (surplus)/deficit	(0.271)	1.948	3.670	6.712
Utilisation of balances	0.271	(1.948)	(3.670)	(6.712)
<b>Total</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

## **Futures Fund**

52. As noted earlier in 2018/19 the Council allocated £4.7m over the life of the MTFP (2018/19 to 2021/22) to the futures fund. £1.6m for the four-year ongoing funding for Community Safety and Maintaining an Attractive Street Scene Environment. The remaining £3.1m was allocated between five themes.
53. To date £2.081m has been committed to the themes with a balance of £1.019m remaining. A summary of commitments is noted below.

### **Futures Fund - Theme 1 - Community Safety (£0.600m)**

54. £0.552m of the fund has been committed, £0.517m on staffing across the four years. This is to improve resilience and robustness in the team particularly as community safety is a key priority for the Council. £0.035m was for the purchase of a mobile CCTV camera.

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

55. £0.108m has been allocated to employ an Arboricultural team leader to help address the increasing workload in regard to trees. 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 (£1m)**

56. 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. £0.921m 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 face and the announcement of store closures across the country. The fund is also supporting the extension to the two-hour free car parking initiative along with the free on Sunday trial until May 2020. We have also invested in a Town Centre partnership officer position and also committed to a full events programme to target more footfall.

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

57. Only a small amount of funds £0.080m has been committed against this theme for Heritage Action zone funding at present as it was to be mainly focused on the Experience Darlington Strategy or the 2025 200th Anniversary of the opening of the Stockton and Darlington Railway to pump prime investment and match fund initiatives on these and other culture opportunities.

### **Futures Fund - Theme 5 – Neighbourhood Renewal (0.500m)**

58. 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 £0.420m 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; £0.090m for a skills and employability officer to understand what skills are required in the borough and take action to promote employment; £0.150m 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.

## **Revenue Balances**

59. Taking into account the projected revenue out turn for 2019/20 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 £5.483m by 2023/24 which is a significant improvement on the current MTFP.
60. However, the unallocated balances rely on building around 433 houses per year, no significant overspending, assumptions of additional income in the spending review for future years materialising, a Council Tax increase of 1.99% and an adult social care precept of 2.00% giving an overall increased to Council tax of 3.99%. 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.
61. 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) Invest into the Futures Fund to stimulate growth and invest in our communities over the four years of the MTFP.

## **Use of Revenue Balances**

62. Given the pressure on budgets and the limited funds for discretionary services it is recommended that £1.800m of the unallocated balances is utilised for the Futures Fund to replenish priority funding and support the Councils ongoing priorities for a further two years to 2023/24. £0.800m for the ongoing commitments in Street Scene and Community Safety at £0.600m and £0.200m respectively. £0.350m to bolster the one-off Community Safety theme to allow the continuation of the additional staffing; £0.500m to maintaining a vibrant Town Centre given the significant pressures all town centres are facing and the great work the current futures fund has enabled. And finally, £0.150m for neighbourhood renewal to replenish the fund which is being utilised on a key priority as noted above.
63. If the additional £1.8m for the Futures Fund is agreed the revised revenue reserve closing balance position at the end of 2023/24 would be £3.683m as shown below which it is a welcomed position. However, 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	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Opening balance	19.235	15.013	14.065	10.395
Risk Reserve	(4.350)			
Futures Fund Reserve balance	(1.143)			
Contribution to/(from) balances	0.271	(1.948)	(3.670)	(6.712)
Contribution from Collection Fund	1.000	1.000	0.000	0.000
Closing balance	<b>15.013</b>	<b>14.065</b>	<b>10.395</b>	<b>3.683</b>

## Consultation

64. Consultation on the draft plan ran from the 19 December 2019 to the 30 January 2020 and was discussed at Cabinet on the 7 January and promoted on the Council's Website as well as social media.
65. The Economy and Resources Committee met on 23 January 2020 to consider the draft MTFP and the responses from all the Council's Scrutiny Committees. The minutes are shown in **Appendix 8**, in summary there was a majority support for the Council Tax increase of 1.99%, the Adult Social Care Precept of 2% and the fees and charges levels.
66. No further feedback has been received.

## Conclusion

67. 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 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.
68. 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 £1.8m is used to supplement the futures fund themes. Despite significant pressures faced in Children's Services, the proactive stance taken in growing the economy is working and assisting in minimising on-going committed annual spending to assist and work towards eradicating the unfunded budget gap in 2024/25.
69. Planning beyond the current MTFP is extremely difficult given the uncertainty around the new Local Government financial system now planned for 2021 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 make its decision on how it will address the future financial position it faces. Current planning suggests there will be a budget deficit of approximately £6.7m for the Council to address (assuming ongoing Futures Fund commitments are continued) however for the reason above, this will almost certainly change but at this stage it is not possible to know whether this will be a positive or negative position.

70. 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.
71. 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 known 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 Brexit and the uncertainty around the fair funding review. It is essential that growing pressures in children's services 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 2019/20
Appendix 6	Assessment of Risk Balances
Appendix 7	Proposed MTFP 2020 to 2024
Appendix 8	Consultation – Economy and Resources Committee Minutes.