

Medium Term Financial Plan (7) Update

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Purpose of the Report

- 1 To provide an update on the development of the 2017/18 budget, the Medium Term Financial Plan (MTFP(7)) and the MTFP consultation process.

Background

- 2 Corporate Issues Overview and Scrutiny Committee (CIOSC) considered the 20 July MTFP(7) Cabinet report at its meeting on 27 September. The outcome of the CIOSC meeting was that an additional meeting was requested where a further report could be provided in relation to MTFP (7) planning. The report includes an update on the MTFP(7) model and subsequent impact on the forecast utilisation of the Budget Support Reserve. The report also provides an overview of progress on the MTFP(7) Budget Consultation process. In addition a verbal update will be provided upon the content of the 23rd November Autumn Statement.

Review of MTFP Model

- 3 A number of amends have been made to the MTFP(7) model since the report to Cabinet on 20 July. The amendments required have resulted from the approval of subsequent Cabinet reports but also from a number of changes in base assumptions. The amendments required are detailed below.

(i) Town and Parish Council Revenue Support Grant (RSG) adjustment

The grant the council receives in relation to the loss of council tax income due to the introduction of the Local Council Tax Reduction Scheme which is payable to Town and Parish councils is reduced each year the County Councils RSG reduces. The forecast sums to deduct in this regard have been adjusted to reflect the latest County Council RSG reductions.

(ii) Business Rates/Top Up Grant Retail Price Index (RPI) increase

Business Rates and Top Up Grant are increased every year based upon the previous September's RPI increase. The forecast of the September 2016 RPI in the 20 July Cabinet report was 1.5%. The

actual has now been reported and is 2%. The MTFP(7) model has been updated accordingly.

(iii) Council Tax – Tax Base Increase

The Council benefits from any growth in the tax base. Growth is mainly due to more properties being built and assumptions made with regards to discounts and exemptions and in particular forecasts of the impact of the Local Council Tax Reduction Scheme. The 2017/18 forecast increase in tax base included in the report to Cabinet on 20 July 2016 was a £750,000 increase. No increase was assumed in the Business Rate tax base due to concerns in relation to the impact of business rate appeals and the revaluation of rateable values.

The tax base for Council Tax 2017/18 is based upon the position at the end of September 2016 and is reported to government via the CTB1 return. Cabinet received a report on 16 November 2016 providing details of the revised tax base for Council Tax for 2017/18. This report detailed that the increase in the tax base for 2017/18 will be £2.4million.

The figures in the MTFP(7) model for the Council Tax generated annually from percentage increases have also been updated to reflect the revised baseline position due to the increase in tax base.

At this stage additional analysis is being carried out in relation to the Business Rate tax base especially in relation to the impact of appeals and the recent revaluation of all rateable values.

(iv) Concessionary Fares

Previously a £100,000 base budget pressure was included for 2017/18. The Q2 Forecast of Outturn report to Cabinet on 16 November 2016 references however a £390,000 2016/17 underspend in this budget. On that basis there is confidence that this base budget pressure can be removed from the 2017/18 MTFP plan.

(v) Children Services Base Budget Pressures

The Q2 Forecast of Outturn report to Cabinet on 16 November 2016 references significant budget pressures in Children Services relating to additional numbers of children requiring care and the increased number of children's social workers required to manage this increase in demand. The budget pressure in year for 2016/17 is presently forecast to be circa £3.4million. The MTFP(7) model for 2017/18 has been updated to reflect the full year impact of this budget pressure with a sum of £4.2million included to reflect the increase in the base budget required for care placements and additional social workers.

(vi) Adult Wellbeing and Health Savings Plans

The 20 July Cabinet Report included a £6million 2017/18 saving in relation to 'Review of direct provision of remaining in house services'. Since that time Cabinet have received a report on 14 September 2016 'County Durham Care and Support Review'. This report provided a range of options for Cabinet to consider with the agreed recommendation being to implement a mixed economy model which would generate a £5.055million saving across three years 2017/18 to 2019/20 as detailed below rather than £6m in 2017/18. The MTFP(7) model has been amended to reflect the revision to this saving.

Year	£m
2017/18	2.357
2018/19	1.614
2019/20	0.914
Total	5.055

2017/18 Savings Forecast

- 4 Based upon the revised assumptions detailed in this report, the savings requirement for 2017/18 is forecast to be £34.6million. This is detailed in the revised MTFP(7) model in Appendix 2. The savings options presently being considered to realise the required savings target have been revised to £25.6million.
- 5 The creation of the Budget Support Reserve (BSR) was meant to provide an option to finance a shortfall of this nature. At the same time, however, a forecast adjustment of £4.2million due the one off 2016/17 utilisation of BSR (£1.6million) and a Collection Fund surplus (£2.6million) increases the need to achieve savings in 2017/18. On that basis it is forecast at this stage that an additional £13.2m of the BSR will need to be utilised in 2017/18 to support the MTFP. This is an increase in the utilisation of the BSR from the 20 July Cabinet report of £5million from the previously reported £8.2million. This will reduce the balance on the BSR from £28.4million to £15.2million. The table below illustrates this position.
- 6 At this stage the financing of the 'Savings Requirement' is forecast to be realised as follows:

	£m	£m
Savings Requirement		34.619
Add 2016/17 One Off Funds		
Budget Support Reserve	1.622	
Collection Fund Surplus	<u>2.617</u>	
		4.239
Financed as follows:		
Savings Options	(25.632)	
Budget Support Reserve	<u>(13.226)</u>	
		(38.858)
SHORTFALL		0

- 7 The position above will be monitored closely over the coming months. The outcome of the consultation process on both MTFP(7) and individual savings options will also influence the final proposals to be considered by Council in February 2017. It is imperative that the Council continues to review budgets and consider all savings options to minimise the reliance upon the BSR in 2017/18 and beyond. Utilising the BSR to balance the budget is not a long term sustainable strategy and, merely delays the required savings to bring the budget into balance.

MTFP(7) – 2017/18 to 2019/20 Update

- 8 The adjustments to MTFP(7) planning detailed in this report have impacted upon the forecast savings requirements for the 2018/19 to 2019/20 period. The forecast utilisation of £13.2m of the BSR in 2017/18 results in an increase in the 2018/19 savings target. The current forecast of savings to be identified for 2018/19 and 2019/20 are detailed below. This is after deducting £3.465million of savings in 2018/19 and £1.832million of savings in 2019/20 which Council have already agreed.

Year	Savings Required
	£m
2018/19	23.245
2019/20	11.142
TOTAL	34.387

- 9 The £34.387million of saving required is circa £2m higher than the sum reported to 20 July Cabinet. This increase has resulted from the additional base budget pressures which have been offset by additional available resources mainly from the 2017/18 Council Tax base increase. Work will continue over the coming months to identify savings options to realise the £34.387million of savings identified above.

Updated Reserves Forecast

- 10 The updated reserves position was reported to 16 November 2016 Cabinet as part of the Q2 Forecast of Outturn report. A summary of the forecast is detailed below.

Reserve Type	April 2016	March 2017	Variance
	£m	£m	£m
General Reserve	29.1	33.0	+3.9
Earmarked Reserve	183.1	166.0	-17.1
Cash Limit Reserve	22.2	21.2	-1.0
TOTAL	234.5	220.2	-14.2

- 11 The table above highlights that reserves are forecast to reduce in 2016/17 which is expected to be a regular occurrence in future years. In terms of Earmarked Reserves three 'Corporate' Reserves which are likely to be fully utilised within the next five years as detailed below

	£m
Office Accomodation Reserve	42.5
MTFP ER/VR Reserve	11.9
Budget Support Reserve	28.3
TOTAL	82.7

- 12 The three Earmarked Reserves detailed above constitute 50% of the Earmarked Reserves total and will be utilised over the next five years which will significantly reduce the level of overall reserves. It is also highly likely that the MTFP ER/VR Reserve and the Budget Support Reserve will need replenishing. It is likely that the Cash Limit Reserves would be top sliced to replenish these reserves if required.

Council Budget Consultation 2017-18

- 13 The budget consultation for 2017/18 builds on annual consultation and the major MTFP consultation exercise carried out in 2013, which involved more than 4,000 people and provided a clear steer on which services should be prioritised for a standard, larger or smaller reduction for the period 2013-2017.
- 14 It sought views from the general public, the voluntary and community sector as well as partners on; our approach to the budget reductions to date; whether the service priorities identified in 2013 continued to be relevant; our proposals for 2017-18 and what can individuals, communities and other local organisations do to help us meet this challenge. A copy of the questionnaire is attached in Appendix 3 of this report.
- 15 We undertook an outreach approach to the consultation, attending all 14 AAPs as well as meetings and events already planned in the community; a roadshow in key locations across the county including supermarkets, leisure centres, customer access points, markets and shows as well as in meetings scheduled with partners and other stakeholders. In addition, an online survey was available which was promoted via the County Durham News and social media.
- 16 Specific consultation was also targeted at protected characteristic groups and identified groups such as disabled people, young people, faith, and armed forces. Further analysis on these will be included in the final Cabinet report.
- 17 Discussions were also held with partner organisations including; County Durham Partnership, the Local Council's Working Group and the Community and Voluntary Sector Working Group.
- 18 The table overleaf shows participation figures.

Meetings and events	No of people in attendance or talk to	No of completed forms
14 AAP Board meetings	544	299
74 meetings with communities including toddler groups, AAP task groups, parish councils, coffee mornings and luncheon groups	1,275	493
3 youth groups	73	39
15 roadshow events in key places across the county	1,022	297
Posted/misc.	-	66
Total paper surveys	-	1,194
Online responses	-	275
Total participating in events	2,914	1,469
5 meetings with people with learning disabilities and older people with physical disabilities	40	40*
1 event with school children	421	410**
Overall total	3,375	1,919

*an easy read version was developed for this group

**an easy read, quick response version was developed for this group

- 19 The results from the responses are currently being analysed and will be reported to Cabinet on 14 December 2016.

Recommendations and Reasons

20 CIOSC is asked to:-

- (i) Note the updated amendments to the MTFP(7) model attached at Appendix 2.
- (ii) Note the forecast increase in the utilisation of Budget Support Reserve in 2017/18 from £8.2million to £13.2million to balance the budget.
- (iii) Note the increase in the requirement to identify additional savings to £34.387million for 2018/19 and 2019/20.
- (iv) Note the forecast end of year position on reserves and note the likelihood of the utilisation of Corporate reserves over the next five years
- (v) Note the information in relation to the MTFP(7) Consultation
- (vi) Determine a response to provide to Cabinet at this stage upon the development of MTFP(7)

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Appendix 1: Implications

Finance – The report highlights that at this stage £34.619million of savings are required to balance the 2017/18 budget. Savings options of £25.6million are detailed in the report. If these savings were agreed then £13.226million of the Budget Support Reserve would be required to balance the budget. In addition, forecast savings of £34.387million need to be identified for 2018/19 and 2019/20.

Staffing – Impact upon employees is monitored at all stages of the MTFP process.

Risk – Risk continues to be assessed at all levels of MTFP planning.

Equality and Diversity/ Public Sector Equality Duty – Equality considerations are built into the proposed approach to developing MTFP(7), Council Plan and Services Plans, as a key element of the process.

An equality impact assessment has not been completed at this stage in respect of the amendments to the Discretionary Rates Relief policy, as the amendments seek to extend and enhance current arrangements in line with Government policy, with regards to the increased Retail Relief and the extension of Transitional Relief for a two year period

Accommodation – None

Crime and Disorder – None .

Human Rights – Any human rights issues will be considered for any detailed MTFP(7) and Council Plan proposals as they are developed and decisions made to take these forward.

Consultation – The approach to consultation on MTFP(7) is detailed in the report.

Procurement – None specific within this report.

Disability Issues – All requirements will be considered as part of the equalities considerations outlined in the main body of the report.

Legal Implications – None

Appendix 2:

Medium Term Financial Plan - MTFP (7) 2017/18 - 2019/20 Model			
	2017/18	2018/19	2019/20
	£'000	£'000	£'000
Government Funding			
Government RSG Funding Reduction	21,140	14,140	14,240
Reduction in Public Health Grant	1,263	1,363	1,363
Reduction in Education Services Grant	2,500	1,800	0
Reduction in Benefit Admin Grant	300	300	300
Town and Parish Council RSG Adjustment	-280	-39	-99
Business Rates - RPI increase (2%/2%/2%)	-1,093	-1,110	-1,130
Top Up Grant - RPI increase (2%/2%/2%)	-1,240	-1,270	-1,300
Better Care Fund	-2,400	-11,000	-9,700
Other Funding Sources			
Council Tax Increase (1.99% per annum)	-3,730	-3,890	-4,060
Council Tax Adult Social Care Precept (2% increase)	-3,760	-3,910	-4,090
New Homes Bonus - Reduction from 2017/18 onwards	2,000	2,000	2,000
Council Tax/Business Rate Tax Base net increase	-2,400	-1,000	-1,000
Estimated Variance in Resource Base	12,300	-2,616	-3,476
Pay inflation (1% - 1.5% - 1.5%)	2,200	3,100	3,000
Price Inflation (1.5% - 1.5% - 1.5%)	2,400	2,300	2,200
Reduction of Corporate Risk Contingency Budget	-2,000	0	0
Base Budget Pressures			
Costs Associated with National Living Wage	6,000	6,000	6,600
Additional Employer Pension Contributions	5,000	800	800
Energy Price Increases	250	250	250
Concessionary Fares	0	100	100
Pension Fund Auto Enrolment - Employer Contributions	550	550	0
Apprentice Levy	1,200	0	0
Childrens Home to School Transport	1,500	0	0
Childrens - Demographics	2,735	500	500
Childrens - Social Work Posts	1,384	0	0
Microsoft Licences	0	500	0
Medical Examiner	100	0	0
Adults Demographic	1,000	1,000	1,000
Prudential Borrowing to fund new Capital Projects	0	1,000	2,000
TOTAL PRESSURES	22,319	16,100	16,450
SUM REQUIRED TO BALANCE BUDGET	34,619	13,484	12,974
Savings Plans			
Savings to be Identified/agreed	-25,632	-3,465	-1,832
Adjustment for use of Budget Support Reserve in previous year	0	-23,245	-11,142
Adjustment for Utilisation of Collection Fund Surplus in 2016/17	1,622	13,226	0
Utilisation of Budget Support Reserve	2,617	0	0
	-13,226	0	0
TOTAL SAVINGS REQUIRED	-34,619	-13,484	-12,974



Altogether better



Council Budget 2017/18 Consultation

Over the last five years we've faced the largest financial challenge in our history, having to save more than £180 million as funding from Government has gone down year after year and demand for services has increased. We still have a long way to go as we need to reach savings of £250 million by 2020.

Please help us manage these reductions by completing the following survey and returning to Partnerships and Community Engagement, Durham County Council, County Hall, Durham, DH1 5UF by **7 October 2016**.

Alternatively, visit the council website to complete an online form at:
<http://www.durham.gov.uk/consultation>.

For more information about the council budget, please refer to the report to Cabinet on 20 July 2016 by visiting the council website. If you would like further information on this consultation please email engagementandtrainingteam@durham.gov.uk or call 03000 263600.

Our approach to date

Q1 Were you aware that over the last five years we have made savings of more than £180 million?
Yes No.....

Q2 In your view, during this period, have council services:
Improved.....
Stayed the same.....
Got worse
Please specify how they have changed.

To date, we have attempted to minimise the impact of the savings on frontline services to the public. We have tried to protect services identified in public consultations from larger reductions.

Q3 Having read the leaflet, what do you think of our approach so far? (rate 1-10 with 1 being poor and 10 being excellent)

1 2 3 4 5 6 7 8 9 10

Budget consultations we have undertaken in previous years have indicated that we should make larger savings in certain services and smaller ones in others.

Q4 Do you think we should continue to prioritise smaller savings for the areas below?

	Yes	No
Children's centres and support for families	<input type="checkbox"/>	<input type="checkbox"/>
Gritting and snow clearance	<input type="checkbox"/>	<input type="checkbox"/>
Job creation	<input type="checkbox"/>	<input type="checkbox"/>
School support and education service	<input type="checkbox"/>	<input type="checkbox"/>
Social work and protecting vulnerable children and adults	<input type="checkbox"/>	<input type="checkbox"/>
Support for adults in their homes	<input type="checkbox"/>	<input type="checkbox"/>
Support for community projects, centres, partnerships and groups	<input type="checkbox"/>	<input type="checkbox"/>

Q5 Do you think we should continue to target larger savings for the areas below?

	Yes	No
Democratic Support, decisions and elections	<input type="checkbox"/>	<input type="checkbox"/>
Finance, Legal, IT and Human Resources	<input type="checkbox"/>	<input type="checkbox"/>
Performance management, policy and communications	<input type="checkbox"/>	<input type="checkbox"/>
Subsidised bus travel	<input type="checkbox"/>	<input type="checkbox"/>

Q6 If you think any other council services should receive smaller or larger reductions, please specify below. The range of services that the council provides are detailed in the attached information sheet.

Smaller saving:

Larger saving:

Our proposals for 2017/18

Q7 Having read about the savings approach for 2017/18 in the leaflet, do you think this is a reasonable way to go forward?

Yes

No

Don't know

If no, why?

What can you, your community or local organisations do to help?

Over the next three years, the council will need to find further savings of £64 million.

Q8 Looking at the suggestions in the leaflet that would help meet the savings, which would you be willing to support?

Access more of our services online

Bin it right

Work with local groups to take over the running of a local facility or service

Get active

Help a neighbour

Help look after your neighbourhood

Shop locally

Volunteer for local groups and charities

Q9 Do you have any other ideas for ways in which you, your community or local organisations can help us to meet future savings?

About you

The questions below are **optional** and help us to know if we are involving as many different groups and areas as possible in local decision making. Your answers are confidential and will only be used for this consultation.

Q10 What is your postcode?

Q11 Are you:
Male Female

Q12 What is your age?
Under 18..... 25-34 45-54 65-74
18-24 35-44 55-64 75+

Q13 Do you consider yourself to be a disabled person?
(This may include any long-standing illness, disability or infirmity which has a substantial effect on your day-to-day life. Long standing means it has lasted, or is likely to last, for at least a year).
Yes No.....

Q14 How would you describe your sexual orientation?
Heterosexual/straight Gay man..... Other
Gay woman/lesbian..... Bisexual.....
If other, please specify.

Q15 What is your religion or belief?
Christian Buddhist Jewish None
Sikh Muslim Hindu Other
If other, please specify.

Q16 What is your ethnicity?
White Black or Black Arab or Middle Travelling
Asian or Asian British Eastern Community
British Mixed Race Other
If other, please specify.

Thank you for taking the time to help us plan for the future by completing this questionnaire.