

Report of the Chief Officer Financial Services

Report to Executive Board

Date: 16th October 2019

Subject: - Revenue Budget Update for 2020/21 to 2024/25 including proposed saving proposals

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Will the decision be open for call-in?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary

1. Main issues

- The Medium Term Financial Strategy report 2021/22 – 2024/25, received at Executive Board on 24th July 2019, reported a budget gap of £93.7m over the five years covered by the Strategy, with gaps of £36.8m, £43.5m and £17.3m in 2020/21, 2021/22 and 2022/23 respectively. This position is reviewed and updated during the budget setting process to take into consideration Government announcements and changes in the assumptions contain in this position.
- The forecast budget position now recognises the requirement to make the Council's Revenue Budget more financially resilient and sustainable. The Revenue Budget is currently supported by capitalisation of expenditure, the use of the Council's balance sheet and capital receipts. The revised budget position has been reviewed to move away from these requirements. The Revenue Budget now provides for increased resources to support demand led services within the Council. In addition provision has been included for contributions to the Council's general reserve to enable the Council to be more resilient in the future.
- Proposals to meet the estimated budget gap will be brought forward as usual in December. In one instance however it is proposed to begin consultation now to achieve a full year effect. This budget saving proposal within the planning service relates to planning charges for discretionary services and the introduction of premium development management services.

- As a result of the revisions to the forecast budget position outlined in this report the estimated budget gap for 2020/21 has reduced from £36.8m to £36.6m.

2. Best Council Plan Implications (click [here](#) for the latest version of the Best Council Plan)

- The Best Council Plan is the Council's strategic plan, setting out its ambitions, outcomes and priorities for the City of Leeds and for the Local Authority. The City ambitions set out in the Best Council Plan are: the Council, working in partnership, will continue to tackle poverty and inequalities through a combination of strengthening the economy and doing this in a way that is compassionate and caring. Three pillars underpin this vision: inclusive growth, health and wellbeing, and climate change emergency which aims to embed sustainability across the Council's decision-making. The Authority's internal 'Best Council' focus remains on becoming a more efficient, enterprising and healthy organisation.
- The Best Council Plan can only be delivered through a sound understanding of the organisation's longer-term financial sustainability which enables decisions to be made that balance the resource implications of the Council's policies against financial constraints. This is a primary purpose of the Medium Term Financial Strategy which then provides the financial framework for the annual budget. Initial proposals for the 2020/21 refreshed Best Council Plan and supporting Initial Budget will be brought to the Executive Board in December 2019, with final proposals being considered by the Board and subsequently Full Council in February 2020.

3. Resource Implications

- The financial position as set out in the report to July's Executive Board identified an estimated budget gap of £93.7m over the period of the Medium Term Financial Strategy. The proposals to make the Council's revenue budget more financially sustainable and resilient in the long term contribute towards increasing the estimated budget gap for the period 2020/21 – 2024/25 by £67.8m after taking into consideration the proposed saving for 2020/21.
- The identification of budget saving proposals to address the revised budget gap is an iterative process and proposals will be reported to February's Executive Board along with the 2020/21 Revenue Budget and Council Tax report.

Recommendations

a) Executive Board is asked to:

- Agree the revisions to the Council's Forecast Budget Gap for 2020/21 to 2024/25 as summarised in Table 2, and referenced in Paragraph 4.2 of this report and;
- Agree that a consultation process commences in respect of the planning charges budget saving proposal contained in this report.

1. Purpose of this report

- 1.1 The Medium Term Financial Strategy 2021/22 – 2024/25, received at Executive Board on 24th July 2019, reported a budget gap of £93.7m over the five years of the Strategy, with gaps of £36.8m and £43.5m in 2020/21 and 2021/22 respectively.

- 1.2 The July report to Executive Board referenced that work had commenced on a series of directorate service and budget reviews and that the outcome of these reviews would contribute towards addressing the identified estimated budget gaps contained in the Medium Term Financial Strategy. As set out in the July report any budget saving proposals to address the estimated budget gaps would be brought to this Board in advance of the 2020/21 Initial Budget Proposals being received by the Board in December.
- 1.3 This report updates Members in respect of any changes to assumptions contained in the Medium Term Financial Strategy. It details the announcement by the Chancellor on the 4th September regarding a one year settlement for 2020/21, the budget saving proposal for 2020/21 that have been identified since the July meeting of the Board, and also sets out the implications of these changes upon the estimated budget gaps that have previously been reported.

2. Background information

- 2.1 The Medium Term Financial Strategy was prepared against a background of uncertainty with regard to the Government's spending plans from April 2020. In the absence of any specific information the Strategy assumed a single year settlement for 2020/21 and a three year settlement commencing in 2021/22. As a consequence of this assumed delay it was anticipated that the outcome of the Government's Fair Funding Review, Business Rates Retention Reform and the move to 75% Business Rates would also be delayed until 2021/22. On this basis the Forecast Budget Position assumes that any changes would be revenue neutral and that transitional arrangements would be in place.
- 2.2 The Medium Term Financial Strategy report to July's Executive Board identified a funding gap of £93.7m between 2020/21 and 2024/25 with £36.8m and £43.5m falling in 2020/21 and 2021/22 respectively.
- 2.3 Recognising the scale of the estimated budget gap detailed in the Medium Term Financial Strategy, particularly in respect of 2020/21 and 2021/22, the Council embarked upon a series of service and budget reviews with the intention that the outcome of these reviews would be reported to Executive Board in advance of the 2020/21 Initial Budgets Proposals being received by this Board in December.
- 2.4 The Chancellor announced the results of the Government's Spending Review on 4th September which covered the financial year 2020/21 only. It is understood that a full multi-year spending review will be conducted in 2020 for capital and resource budgets beyond 2020/21.

It was announced that in 2020/21 there would be a £13.4 billion increase in total public spending: £11.7 billion in revenue Departmental Expenditure Limits (DEL) and £1.7 billion in capital DEL. The Chancellor announced that no Department faces a cut to its day to day budget, each will increase at least in line with inflation. For Local Government this meant an overall increase of over £2.7 billion. Key announcements for Local Government included core Council Tax increases limited to 2% with a consultation on an additional 2% Adult Social Care precept to be undertaken in the autumn. The Adult Social Care precept could generate £0.5 billion funding nationally. In addition to this potential increase from the Adult Social Care precept, further new funding of £1 billion will be made available for social care nationally.

The Spending Review announced continued funding for the Northern Powerhouse. Other announcements included an additional £54 million for homelessness and

rough sleeping, confirming £3.6 billion for the new Towns Fund, and confirmation that there would be an increase in the Public Health Grant and through the NHS contribution to Adult Social Care through the Better Care Fund. Further information or announcements are expected for each of these.

In education, schools are to have funding increased by £7.1 billion by 2022/23, and the day to day funding for every school is to rise by at least inflation and pupil numbers. Secondary schools will receive a minimum of £5,000 per pupil, every primary at least £3,750 rising to at least £4,000 in the following year. Whilst the Spending Review only covered one year, schools were given a three year settlement. In other areas of education and skills there will be an increase in early years spending of £66 million to increase the hourly rate paid to childcare providers through the Government's free hours offer. There will also be an additional £400 million in 2020/21 for Further Education, increasing core funding and supporting targeted interventions.

Whilst not announced by the Chancellor in the Spending Review, it is understood from conversation with MHCLG that 75% business rates retention pilots will come to an end in March 2020 with no new pilots planned for 2020/21. Confirmation from Government may not be received until the publication of the provisional Local Government Finance Settlement in December 2019.

Whilst the implications of the Spending Review will be incorporated into the 2020/21 Initial Budget Proposals report, which is timetabled to be received at December's Executive Board, the assumed implications for Leeds are summarised in **Table 1** below.

Table 1: Assumed Impact of Spending Round 2019 on Leeds MTFS

	Current MTFS Assumptions for 2020/21	Indicative Assumptions SR2019	Variance	
	£m	£m	£m	
Settlement Funding Assessment	183.7	187.3	3.7	2% Inflationary Increase (July 2019 CPI)
Core Council Tax	332.4	329.2	(3.2)	2% referendum limit (3% assumed in MTFS)
ASC Precept	0.0	6.5	6.5	2% ASC Precept (0% assumed in MTFS)
iBCF and Spring Grant Assumptions	22.7	27.4	4.7	Confirmed one year, pending Social Care Review
New Social Care Grant (£1bn nationally)	10.1	10.0	(0.1)	Confirmed one year, pending Social Care Review
Winter Pressures Grant	3.3	3.3	0.0	Confirmed one year, pending Social Care Review
Social Care Support Grant	5.7	5.7	0.0	Confirmed one year, pending Social Care Review
Indicative variance before BR Pilot			11.5	
Business Rates Pilot			(10.0)	Assumption that BR Pilot will not continue 2020/21
Indicative variance if BR Pilot discontinued			1.5	

Note: This table only shows changes to funding included in Core Spending Power.

The indicative figures above will be confirmed in the Provisional Local Government Settlement, expected in December 2019.

3. Main issues

- 3.1 The Budget Position of the Council has been reviewed over the longer term to increase the financial sustainability and resilience of the Council. There have been a number of areas where a longer term approach to the financial position of the Council now needs to be considered.

- 3.2 Changes approved at Full Council to previous years MRP policy, based upon the fact that MRP had been overprovided for between 2008/2009 and 2014/15, enabled the Council to benefit from reduced MRP payments in 2017/18, 2018/19 and 2019/20. However this position starts to unwind from 2020/21 when MRP is forecast to increase by £27.6m and then a further £19.8m in 2021/22 and £6.6m in 2022/23. Recognising the impact of these increases on the Revenue Budget, particularly in 2020/21 where the £27.6m MRP increase contributes significantly towards the £36.8m estimated budget gap, it is therefore proposed to utilise an additional £10m capital receipt to fund the MRP Revenue Budget requirements in 2020/21 which will smooth the impact.
- 3.3 For the other four years of the period covered by the current Medium Term Financial Strategy, 2021/22 – 2024/25, there have been a number of other changes to the position reported to this Board in July and these are detailed below and summarised in **Table 2**.
- 3.4 Since 2011/12 the Council has received New Homes Bonus grant, an incentive grant based on housing growth. In 2018/19 the Government announced that they were intending to review the operation of the Bonus with the intention of introducing reforms to better align the scheme with local authorities' performance in meeting local housing demand. Whilst no further detail has been provided since this announcement it is widely anticipated that the Government's 2020 Spending Review will consolidate this resource into local authorities' SFA (Settlement Funding Assessment). Since Leeds accounts for the receipt of this grant in the year in which the housing growth took place, with the grant actually received in the following year, the potential switch of the grant into SFA would result in a shortfall of £9m in 2020/21, with any corresponding increase to the SFA not being reflected until 2021/22.
- 3.5 Previous years' budget strategies have utilised both the capitalisation of revenue expenditure and capital receipts to resource MRP payments to mitigate the impact of the Government's austerity agenda and the resultant reduction in funding to local authorities since 2010. However this policy is not sustainable and, in order for the Council's Revenue Budget to become both more financially resilient and sustainable, whilst at the same time reducing the risks associated with funding recurring revenue expenditure through a requirement to generate capital receipts, the revised budget position now seeks to unwind the extent to which the Revenue Budget is supported by these mechanisms. Consequently, as detailed in **Table 2** below, this will increase the estimated budget gap by £15m between 2023/24 and 2024/25.
- 3.6 The level of business rates appeals continues to be a risk. Whilst there is now little scope for new appeals against the 2010 ratings list, and the Council has made appropriate provision for these, there remains very limited information available on which to base an assessment of appeals against the 2017 list. Since successful appeals directly impact on the level of resources that the Council has to fund the services it provides, it is considered prudent to increase the contribution to the business rates appeals provision (£4m).
- 3.7 Under the 2003 Local Government Act, the Council's Statutory Financial Officer is required to make a statement to Council on the adequacy of reserves as a part of the annual budget setting process. The Medium Term Financial Strategy report received at July's Executive Board recognised the requirement to keep the level of the Council's reserves under review to ensure that they are adequate to meet identified risks. Subsequent to the receipt of this report the Council's external auditors, Grant Thornton, have issued their "Annual Audit Letter" for the year ended

31st March 2019 in which they note that “the Council has continued to maintain reserves at around 5% of net revenue expenditure” and that with future projections “the level of reserves may reduce. We recommend there is a need for the Council to consider the adequacy of its reserves going forward”. In accordance with this recommendation the revised budget position provides for a £3m contribution to the General Reserve.

- 3.8 In recognition of the requirement to adequately provide for insurance claims against the Council and specific insurance liabilities arising from having been a member of Municipal Mutual Insurance (MMI) it is necessary to increase the level of the insurance provision by £3m.
- 3.9 Against a background of reductions in Government funding the Council has used its balance sheet to support its Revenue Budget. In the context of making the Revenue Budget financially sustainable a planned reduction in the reliance on balance sheet items, as detailed in **Table 2**, has been provided for in the revised budget position.
- 3.10 Recognising the risk associated with demand led services with both Adults and Children’s Social Care the revised budget position provides a further £12m which anticipates the continuing increasing demand for these services and ensures that the Council has robust budgets in place to deal with this.
- 3.11 The impact of these variations is summarised in **Table 2**, which shows that the estimated budget gap has increased from £93.7m to £161.7m.

Table 2: Updated Medium Term Financial Strategy Showing Revised Budget Gap

	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£m	£m	£m	£m	£m	£m
2020/21 to 2024/25 Budget Gap MTFS	36.821	43.540	17.319	1.024	(5.002)	93.702
Changes to Budget Gap						
Capitalisation			5.000	5.000	10.000	20.000
Capital Receipts Funding Revenue Budget			5.000	5.000	5.000	15.000
Provision for Business Rates				2.000	2.000	4.000
General Fund Balances				3.000	0.000	3.000
Provision for Insurance				0.000	2.000	2.000
Provision for MMI				0.000	1.000	1.000
Repayment of Borrowing from Ring Fenced Resources including Section 106, HRA and School Balances (£4m)				1.000	1.000	2.000
New Homes Bonus Accrual (Potential 2021/22)		9.000				9.000
Demand Pressures			4.000	4.000	4.000	12.000
Updated Budget Gap	36.821	52.540	31.319	21.024	19.998	161.702

- 3.12 As outlined in paragraph 2.3 above the Council has embarked upon a process of identifying budget savings proposals which will help address the estimated budget gaps over the period of the Medium Term Financial Strategy.

4. Savings Proposals

4.1 Savings proposals, which will be incorporated into the 2020/21 Initial Budget Proposals report to be received at December's Executive Board, will fall into the following categories:

- **Business as Usual** which are savings proposals that do not require any consultation. They include;
 - Identification of alternative funding resources to continue with the service
 - Generation of additional income for the Council without impacting on service users
 - Improving the efficiency of the service
 - Cost reduction measures with no impact on service users.
- **Service Review** which relates to a review of a service to identify options for savings, which will then be considered by a future meeting of the Executive Board.
- **Service Delivery** which relates to changes in the way that a service is delivered and therefore consultation will be required with service users;
- **Workforce Proposal** which relates to the restructure of a service and consultation with staff will be required;
- **Service Delivery/ Workforce Proposal** budget savings proposals may require consultation with service users on options for future service delivery and also with staff on the proposed option.

4.2 Service Delivery savings of £0.2m-£0.25m have been identified through proposals in the Planning service to increase planning charges for discretionary services and the introduction of premium development management services. Full details can be found in Appendix A.

4.3 In addition the capital receipts forecast will be revised with a view to smoothing out the impact of MRP.

4.4 After taking account of the saving proposal a there is an estimated revised budget gap of £161.5m for the period 2020/21 to 2024/25 which compares to the £93.7m gap reported to Executive Board in July. This increase in the 5 year gap largely reflects the strategy to ensure that the Council's Revenue Budget is financially resilient and sustainable with an appropriate level of general reserve.

5. Corporate considerations

5.1 Consultation and engagement

5.1.1 The Medium Term Financial Strategy received at Executive Board in July was informed by the public consultation on the Council's Initial Budget Proposals and a further public consultation exercise will be undertaken following the receipt of the Council's Initial Budget Proposals at December's Executive Board.

5.1.2 Details of a budget saving proposal ready for a consultation exercise in October 2019 are contained in **Appendix A**.

5.2 Equality and diversity / cohesion and integration

- 5.2.1 The Equality Act 2010 requires the Council to have “due regard” to the need to eliminate unlawful discrimination and promote equality of opportunity. The law requires that the duty to pay “due regard” be demonstrated in the decision making process. Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show due regard.
- 5.2.2 The Council is fully committed to ensuring that equality and diversity are given proper consideration when we develop policies and make decisions. In order to achieve this, the Council has an agreed process in place and has particularly promoted the importance of the process when taking forward key policy or budgetary changes. Equality impact Assessments also ensure that we make well informed decisions based on robust evidence.
- 5.2.3 Where appropriate, equality impact assessments will be carried out on the specific budget saving proposal detailed in **Appendix A**.

5.3 Council policies and the Best Council Plan

- 5.3.1 The refreshed Best Council Plan 2019/20-2020/21 sets out the Council’s priorities aligned with the Medium Term Financial Strategy and the annual budgets. Developing and then implementing the Best Council Plan will continue to inform, and be informed, by the Council’s funding envelope, staffing and other resources.

5.4 Climate Emergency

- 5.4.1 There are no specific implications for the climate emergency resulting from this report. Where there are specific climate emergency issues arising from the outcome of the service and budgets reviews these will be covered in respective decision reports.

5.5 Resources, procurement and value for money

- 5.5.1 All resources, procurement and value for money implications are considered in the summary and the main body of the report.

5.6 Legal implications, access to information, and call-in

- 5.6.1 The Financial Strategy itself and any proposals resulting from ongoing service / policy reviews will be subject to specific decision-making processes in which the legal implications, access to information and call-in will be considered in accordance with the Council’s decision-making framework. This includes compliance with the legal requirements around managing staffing reductions.

5.7 Risk management

- 5.7.1 The Council’s current and future financial position is subject to a number of risk management processes. Not addressing the financial pressures in a sustainable way is identified as one of the Council’s corporate risks, as is the Council’s financial position going into significant deficit in any one year. Both of these risks are subject to regular review.

- 5.7.2 Failure to address these issues will ultimately require the Council to consider even more difficult decisions that will have a far greater impact on front-line services, including those that support the most vulnerable and consequently upon our Best Council ambition to tackle poverty and reduce inequalities.
- 5.7.3 Financial Management and monitoring continues to be undertaken on a risk based approach where financial management resources are prioritised to support those areas of the budget that are judged to be at risk e.g. those budgets that are subject to fluctuating demand. This risk based approach is incorporated into the Financial Health reports that are brought to Executive Board.
- 5.7.4 In addition, risks identified in relation to specific proposals and their management will be reported to relevant members and officers as required. Specific risks relating to some of the assumptions contained within this Medium Term Financial Strategy are identified below.

5.8 Risks to Funding

- 5.8.1 The level of resources available to the Council is estimated to increase from £516.7m to £530.0m in 2020/21, a £13.3m increase. Over the five year period to 2024/25 the total increase is estimated to be £75.0m. The key assumptions and risks underpinning this increase in resources are discussed below.
- 5.8.2 The period covered by the Government's current spending review ends in March 2020. Whilst the Spending Review on the 4th September provided details of the Government's spending intentions for 2020/21 these have not yet been ratified by Government through the annual Budget process. Further, it remains uncertain what the quantum of funding for local government will be from April 2021.
- 5.8.3 Between 2019/20, the final year of the current Spending Review period, and 2020/21 it is assumed that austerity will cease and there will be no further reduction in Government funding available to local government. Therefore, the Settlement Funding Assessment remains the same in these two years. Between 2020/21 and 2021/22 it is assumed that there will be a Business Rates Baseline reset and the growth in business rates accumulated by authorities across England between 2013/14 and 2019/20 will be redistributed in full through the Settlement Funding Assessment. However, the timing, extent and redistribution of this reset remain highly uncertain and constitute a risk to the Authority's future funding levels.
- 5.8.4 The current estimates in this Strategy assume that approximately £1,300m will be redistributed between authorities nationally in 2021/22 following the current distribution mechanism, which will result in Leeds City Council's Settlement Funding Assessment increasing by £15.6m. However, the Authority's Business Rates Baseline will also increase to its 2019/20 retained income levels following such a reset reducing the Authority's locally retained growth by £15.2m compared to 2020/21. Should the Government hold back any of the national accumulated growth or should the Fair Funding Review (see below) not be to Leeds City Council's advantage, there is a risk that the Council could see reduced funding from a Business Rates Baseline reset.
- 5.8.5 Business rates figures to 2024/25 are based on the current 75% Business Rates Retention Pool remaining in place until 75% retention is rolled out nationally. The Government originally signalled their intention to introduce 75% retention nationally from 2020/21 along with reforms to the retention scheme, however, they announced at the 2019 Spending Review that national roll-out of 75% retention will be delayed by a year. The Medium Term Financial Strategy currently assumes that the

Government will not return the current 75% retention pilots to 50% retention in 2020/21. However, whilst not announced by the Chancellor in the Spending Review, it is understood from conversation with MHCLG that 75% business rates retention pilots will come to an end in March 2020 with no new pilots planned for 2020/21. Confirmation from Government may not be received until the publication of the provisional Local Government Finance Settlement in December 2019.

- 5.8.6 If it is confirmed that the Authority will return to the 50% retention scheme this is estimated to represent an overall reduction in income of £10.2m. The detailed implications of this reduction in funding to the Council are currently being assessed and will depend on what pooling arrangements the Authority agrees for 2020/21. Executive Board will be updated in December 2019.
- 5.8.7 As detailed in this report, there is uncertainty surrounding the Government's future funding intentions with regard to social care. The ongoing delay with regard to the publication of the Green Paper means that local authorities are relying on annually determined allocations of grant to manage the pressures within adult social care. Although councils gaining 'access' to additional funding for social care in 2020/21 was announced during the 2019 Spending Review, any longer-term variance in assumptions around the receipt of improved Better Care Fund or Winter Pressures money will result in a potential shortfall in funding that will require the identification of further budget savings options.
- 5.8.8 Similarly, it cannot be certain that New Homes Bonus will continue to operate in the way it currently does or indeed that it will continue as a separate identifiable grant after 2019/20. Changes to the calculation methodology for NHB or its incorporation into the Settlement Funding Assessment (SFA) would have implications for the position outlined in this Medium Term Financial Strategy.
- 5.8.9 Annual increases in Business Rates Baseline funding and business rates growth are currently indexed to the Consumer Price Index. Changes to forecast inflation rates can impact on levels of funding.
- 5.8.10 The level of business rates appeals continues to be a risk. Whilst there is little scope for new appeals against the 2010 ratings list, and the Council has an appropriate provision for these, there remains very limited information available on which to assess appeals against the 2017 list. Therefore income from business rates could be adversely affected, which in turn would reduce the overall level of resource available to fund the services that the Council provides.
- 5.8.11 Alongside the introduction of 75% retention nationally, the Government has consulted on a series of reforms to the Business Rates Retention Scheme with the intention of limiting local government's exposure to appeals risk but these consultations only provide an outline of the proposed new system. The reforms may not be implemented at all and some options proposed by the Government may lead to two years' delay between growth being generated in an area and the relevant local authority being able to account for that growth. Due to these uncertainties the current Financial Strategy assumes that business rates will continue to be retained under the current retention scheme.
- 5.8.12 The outcome of the Government's Fair Funding Review of Local Government Finance, which is a thorough review of the needs and resources assessment formula used to allocate Government funding to Local Authorities, was expected in the autumn of 2019 after the Spending Review was published but in time for the 2020/21 Local Government Finance Settlement. However, following the 2019 Spending Review, it was announced that the Fair Funding Review would be delayed for a year with the current distribution methodology continuing for 2020/21

to reduce uncertainty for the sector. The Fair Funding Review is now not expected to be implemented until 2021/22. This Strategy assumes that any changes brought about will be revenue neutral at the point of introduction as transitional arrangements are expected, although there remains a risk that reductions in Government funding to the sector as a whole may continue.

5.9 Key Risks to Cost Assumptions

- 5.9.1 There is a risk that the amount specifically set aside in this plan for demand and demography is not sufficient, particularly in regard to the numbers of Children Looked After and the impact of the ageing population.
- 5.9.2 The Medium Term Financial Strategy makes a number of assumptions about the costs associated with managing the Authority's debt. The Council benefits from the low interest rates currently payable on debt. However, if there is an upward movement on interest rates over the period of the Strategy, this will be an additional cost that the Council will be required to manage.
- 5.9.3 The Council and City's economic and fiscal position is clearly impacted upon by the wider national economic context. The UK's decision to exit the EU has undoubtedly fuelled economic and political uncertainty and the outcome of the negotiations between the UK and the EU potentially, in the short term, weaken the pound, increase inflation, and reduce domestic and foreign direct investment and impact on borrowing costs. All of these have the potential to impact upon not only the level of resources available to the Council but also the level of demand for the services that it provides. Parliamentary time focused on the legislative changes needed to deliver the EU exit also impacts on the time available to Parliament to consider key issues of interest to local government, for example the recent further delay in the publication of the anticipated Adult Social Care Green Paper.

6. Conclusions

- 6.1 The Council's Medium Term Financial Strategy needs to be seen in the context of significant inherent uncertainty in respect of future funding and spending assumptions. Specifically the implications of the Government's future spending plans with regard to local government and other areas of the public sector after 2020/21 remain unknown. To compound this uncertainty the Government remains committed to move to 75% business rate retention nationally and the outcome of the Fair Funding review of the methodology which determines current funding baselines, which are based on an assessment of relative needs and resources, won't be known until 2020 at the earliest.
- 6.2 In the determination of the Council's Medium Term Financial Strategy a number of assumptions have been made as to the level of resources available to the Council. These assumptions are under constant review to reflect any changes in circumstances or if further information emerges in respect of known risks.
- 6.3 The Medium Term Financial Strategy report to July's Executive Board identified an estimated budget gap of £93.7m of which £36.8m related to 2020/21. As a result of the identification of the budget saving proposals detailed in this report plus recognising the requirement to make the Council's revenue budget more financially sustainable and resilient the estimated budget gap for the period has increased to £161.5m.

6.4 The Council is required to present a balanced budget to Full Council for approval in advance of the financial year. Before final proposals are considered for approval in February 2020, the Council's Initial Budget Proposals for 2020/21 will be received at Executive Board in December.

7. Recommendations

7.1 Executive Board is asked to:

- (i) Agree the revisions to the Council's Forecast Budget Gap for 2020/21 to 2024/25 as summarised in Table 2 and referenced in Paragraph 4.2 of this report and;
- (ii) Agree that a consultation process commences in respect of the planning charges budget saving proposal contained in this report.

8. Background documents¹

8.1 None.

¹ The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.