

<b>CABINET</b>	<b>AGENDA ITEM No. 8</b>
<b>25 NOVEMBER 2015</b>	<b>PUBLIC REPORT</b>

Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
Contact Officer(s):	John Harrison, Executive Director Resources Steven Pilsworth, Service Director – Financial Services	Tel. 452520 Tel. 384564

## **MEDIUM TERM FINANCIAL STRATEGY 2016/17 TO 2025/26**

R E C O M M E N D A T I O N S	
<b>FROM :</b> Cabinet Member for Resources	<b>Deadline date :</b> 17 November 2015
It is recommended that Cabinet approve the Phase One Budget Proposals included in Appendix A as the basis for consultation.	

### **1. ORIGIN OF REPORT**

- 1.1. The Cabinet meeting of 21 September 2015 considered a report 'Medium Term Financial Strategy 2016/17 to 2025/26' and within this report considered the budget process timelines for setting a balanced budget for 2015/16 and options for allowing the maximum possible consultation period with the public.
- 1.2. On 14 October 2015, Council agreed to continue a two-phased approach to the consultation process. This will ensure that the views of all residents, partner organisations, businesses and other interested parties to understand the scale of the financial challenge and have the opportunity to feed back their views, commencing with the first tranche of budget proposals.

### **2. PURPOSE AND REASON FOR REPORT**

- 2.1. This report comes to Cabinet as part of the council's Budget and Policy Framework that requires Cabinet to initiate and propose budget proposals to set a balanced budget for the forthcoming financial year.
- 2.2. The purpose of this report is to:
  - 2.2.1. Recommend that Cabinet approve the first phase of budget proposals for consultation to contribute towards closing the budget gap of £19.6m. Subject to Scrutiny feedback and comments from residents, partner organisations, businesses and other interested parties, Cabinet will recommend budget proposals to Council in December 2015 to implement at the earliest opportunity.
  - 2.2.2. Outline the approach for the remaining budget process.
  - 2.2.3. Outline the financial challenge the council faces in setting a balanced budget for 2016/17.
- 2.3. This report is for Cabinet to consider under its Terms of Reference No. 3.2.1 which gives Cabinet collective responsibility for the delivery of all strategic Executive functions within

the Council's Major Policy and Budget Framework and lead the Council's overall improvement programmes to deliver excellent services.

### 3. **TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	Yes	If Yes, date for relevant Cabinet Meeting	25 <sup>th</sup> November 2015
Date for relevant Council Meeting	17 <sup>th</sup> December 2015	Date for submission to Government department	N/A

### 4. **EXECUTIVE SUMMARY**

- 4.1. The report outlines the financial position of the Council for 2016/17, as well as Cabinet's approach to tackling the challenge by releasing budget proposals in two phases. The deficit is currently forecast to be £19.6m and the proposals total £12.1m. This leaves a further £7.5m of budget savings to be brought forward in January 2016.

### 5. **FINANCIAL POSITION AND BUDGET PROPOSALS**

- 5.1. The budget proposals must be set in the context of the incredibly challenging financial position that all councils face. Since the financial crisis of 2008, the public sector has seen unprecedented reductions in funding. In the five years to 2015/16, the council has seen its government funding cut by £44m, which equates to nearly 40 per cent of its government grant.
- 5.2. For next year (2016/17), it is forecast that the Council will see a further government grant reduction of £9.7m. The Comprehensive Spending Review on 25<sup>th</sup> November will give an indication of what the final scale of grant reductions will be, however the true scale of the cuts will not be known until the provisional Local Government Finance Settlement is published. Whilst this information is usually released in late December, the late timing of the Comprehensive Spending review may mean that the Provisional Settlement is not published until early 2016.
- 5.3. In addition, it faces financial pressures of £9.9m as a result of an increasing demand for services and changes to the Council's statutory duties. This creates a significant challenge of finding £19.6m of savings and efficiencies to balance the budget, which will increase to a gap of £40.3m by 2020/21.
- 5.4. The first tranche of budget proposals accompanies this report (Appendix A) and includes both savings and emerging pressures. However, these proposals will not provide a balanced budget for 2016/17 and it will be necessary for Cabinet to identify and consult on a second tranche of savings commencing January 2016 to deliver the remaining £7.5m of proposals to balance the budget.

5.5. Summary of Phase 1 budget proposals:

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
MTFS Budget Gap (March 2015)	10,150	14,090	17,470	20,520	22,270
Forecast grant reductions	6,910	13,990	16,280	12,130	12,130
Emerging pressures - legislative	890	1,450	2,010	2,580	4,140
Emerging pressures - local issues	1,650	1,680	1,790	1,780	1,770
<b>Updated Budget Gap Phase 1</b>	<b>19,600</b>	<b>31,210</b>	<b>37,550</b>	<b>37,010</b>	<b>40,310</b>
Savings - phase 1	(9,430)	(11,260)	(12,650)	(12,810)	(13,380)
Carry forward of 2015/16 savings	(2,660)	0	0	0	0
<b>Budget Gap at end of phase 1</b>	<b>7,510</b>	<b>19,950</b>	<b>24,900</b>	<b>24,200</b>	<b>26,930</b>

- 5.6. As part of the budget-setting process, Cabinet is also considering recommendations regarding the level of Council Tax support that the Council provides to working-age claimants. It has been recommended that the Council continues with the existing level of support it currently provides in 2016/17.
- 5.7. In addition to this, it is also recommended that the Council Tax Support Scheme is aligned to Housing Benefit, making the scheme less complicated for claimants. Claims for Council Tax Support will only be backdated for a period of one month and family premium payments will cease from 1<sup>st</sup> May 2016.
- 5.8. Detailed information on this proposal has been included as a separate report to this meeting.
- 5.9. The Phase 1 Budget Conversation document can be found in Appendix A. The Phase 2 budget proposals will follow in January and Members and interested parties will again be able to provide feedback on this second tranche.

## 6. CONSULTATION APPROACH

- 6.1. Cabinet have been working over a period of five months and several meetings with the Cross-Party Budget Working Group to seek views on all Cabinet budget proposals, including the opportunity to make alternative suggestions. As part of these meetings, the Budget Working Group explored options to commence consultation at the earliest opportunity
- 6.2. The budget process will have two phases for Cabinet to put forward budget proposals, recommending these proposals to two separate Council meetings. The first meeting held in December will be to consider the first tranche of budget proposals. The second meeting will be the formal process to set out a lawful and balanced budget for the remaining budget proposals to be published during January 2016 and recommended by Cabinet for approval by Council on 9<sup>th</sup> March 2016. This timeline is outlined overleaf:

<b>Meeting</b>	<b>Content</b>	<b>Date</b>
<b>Phase One</b>		
Cabinet	Release of first tranche of budget proposals	25 <sup>th</sup> November 2015
Scrutiny	Formal scrutiny of budget proposals	26 <sup>th</sup> November 2015
Cabinet	To recommend the first tranche of budget proposals to Council having regard to feedback	7 <sup>th</sup> December 2015
Council	Approve the first tranche of budget proposals	17 <sup>th</sup> December 2015
<b>Phase Two</b> (including the remaining budget documents for Council Tax, reserves and the Medium Term Financial Strategy)		
Cabinet	Release of second tranche of budget proposals	18 <sup>th</sup> January 2016
Scrutiny	Formal scrutiny of budget proposals	10 <sup>th</sup> February 2016
Cabinet	To recommend the second tranche of budget proposals to Council having regard to feedback	29 <sup>th</sup> February 2016
Council	Approval of budget and council tax	9 <sup>th</sup> March 2016

- 6.3. Alongside the budget process, there is a legislative requirement to approve the council's council tax support scheme annually each year. The timeline is as follows:

<b>Meeting</b>	<b>Content</b>	<b>Date</b>
Cabinet	Recommend the scheme to Council for approval	18 <sup>th</sup> January 2016
Council	Approve the Council Tax Support Scheme	27 <sup>th</sup> January 2016

- 6.4. The following budget events will be held during phase one to enable residents, partner organisations, businesses and other interested parties to feedback on budget proposals and council priorities:

- Staff meetings
- Discussion with the trade unions
- Discussion with the business community
- Borderline Peterborough Local Commissioning Group
- Peterborough Housing Partnership
- Greater Peterborough Partnership City Leaders forum
- Disability Forum
- Connect Group
- Schools Forum
- Parish Councils
- Peterborough Community Assistance Scheme
- Youth Council

- 6.5. A hard copy of the phase one budget proposals and Budget Conversation document will be available in all libraries and Town Hall and Bayard Place receptions. The council will also receive responses via an on-line survey on its website.

- 6.6. We will also promote the Budget Conversation through the local media and through the council's Facebook and Twitter accounts to encourage as many people as possible to have their say.

- 6.7. The Council will look to repeat this approach with the Phase 2 proposals to be released in January.

## **7. ANTICIPATED OUTCOMES**

- 7.1. Following the release of the first tranche of budget proposals to tackle the financial gap and outlining Cabinet's priorities and vision for Peterborough, Cabinet is seeking the opinions of all residents, partner organisations, businesses and other interested parties to understand which council services matter most. The Council must set a balanced budget for 2016/17 within the financial resources it will have next year and the feedback received will help inform Cabinet in considering budget proposals within the second tranche.

## **8. REASONS FOR RECOMMENDATIONS**

- 8.1. The Council must set a lawful and balanced budget. The approach outlined in this report work towards this requirement.

## **9. ALTERNATIVE OPTIONS CONSIDERED**

- 9.1. No alternative option has been considered as the Cabinet is responsible under the Constitution for initiating Budget Proposals and the Council is statutorily obliged to set a lawful and balanced budget by 11th March annually.

## **10. IMPLICATIONS**

### **10.1. Elected Members**

- 10.2. Members must have regard to the advice of the Section 151 Officer. The Council may take decisions which are at variance with this advice, providing there are reasonable grounds to do so.

- 10.3. It is an offence for any Members with arrears of Council Tax which have been outstanding for two months or more to attend any meeting of the Council or its committees at which a decision affecting the budget is made, unless the Members concerned declare at the outset of the meeting they are in arrears and will not be voting on the decision for that reason.

### **10.4. Legal Implications**

- 10.5. In terms of the Council's executive arrangements, the adoption of the Council's Budget is a role shared between the Cabinet and the Council, whereby the Cabinet (Leader) is responsible for formulating the budget proposals and full Council is responsible for then approving (or not) those proposals and setting the budget and council tax requirement.

- 10.6. For the remainder of the year, the principal purpose of the Budget is to set the upper limits of what the executive (Leader, Cabinet or officer under delegated executive authority) may decide to spend the Council's resources on. The Council cannot through the Budget overrule an executive decision as to how to spend the money, but the Budget will require the Cabinet to exercise their responsibilities for decision making so as not to make a decision where they are 'minded to determine the matter contrary to, or not wholly in accordance with the authority's budget'. This means that a decision that leads to excess expenditure, a virement from one budget heading to another over the amount allowed by Council in the Budget Book or expenditure of unexpected new money outside of the Budget is required to have approval of the Council before the Leader and Cabinet can make that decision.

- 10.7. When it comes to make its decision on 9<sup>th</sup> March 2016, the Council is under a legal duty to meet the full requirements of section 31A of the Local Government Finance Act 1992 which includes the obligation to produce a balanced budget.
- 10.8. A principle of fairness applies to consultation on the budget proposals, both consultation required under s65 of the Local Government Finance Act 1992 and more generally as proposed here, which operates as a set of rules of law. These rules are that:
- Consultation must be at a time when proposals are still at a formative stage;
  - The proposer must give sufficient reasons for any proposal to permit of intelligent consideration and response;
  - Adequate time must be given for consideration and response; and
  - The product of consultation must be conscientiously taken into account in finalising any statutory proposals.
- 10.9. Added to which are two further principles that allow for variation in the form of consultation, which are:
- The degree of specificity with which, in fairness, the public authority should conduct its consultation exercise may be influenced by the identity of those whom it is consulting; and
  - The demands of fairness are likely to be somewhat higher when an authority contemplates depriving someone of an existing benefit or advantage than when the claimant is a bare applicant for a future benefit.
- 10.10. It should be noted that the consultation to be undertaken as a result of this report is on the Budget proposals, and consequently the Cabinet's general approach to the savings requirements, and not on the various decisions to take whatever actions that may be implicit in the proposals and later adoption of that budget, each of which may or may not require their own consultation process.
- 10.11. **Human Resource Implications**
- 10.12. In order to deliver the Phase One changes outlined in this document some posts will be affected. The table below explains the staffing implications.
- 10.13. The approach to minimising any compulsory redundancies will be the same as in other years, including deleting vacant posts, redeployment of affected staff and seeking voluntary redundancies where it is possible to do so.
- 10.14. This information relates to Council staff only. We will outline the impact of the Phase Two proposals when they are published in January.

<b>Staff implications</b>	<b>Total</b>
Total number of affected posts	12
Less vacant posts to be deleted	(4)
<b>Posts be to affected through redundancies</b>	<b>8</b>
Less voluntary redundancy acceptances	TBC
<b>Potential compulsory redundancy total</b>	<b>8</b>

10.15. **Equality Impact Assessments**

- 10.16. All budget proposals published in this first tranche have been considered with regards to equality issues and where appropriate equality impact assessments have been completed and available on the council's website.

## **11. BACKGROUND DOCUMENTS**

11.1. Appendix A – Phase 1 Budget Conversation Document

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